McKinsey
& Company

Indiana GWC
Future of Work

Presentation Document

December 2023

GOVERNOR'S
WORKFORCE
CABINET

We've supported over 200 Workforce and Economic Development projects across North America in the last 5 years

#1

Ranking of the McKinsey Global Institute (MGI) among private sector think tanks, four years in a row[1]

60+

Number of initiatives launched when McKinsey hosted an event with 30+ universities to reimagine higher education

10K

Target number of healthcare workers to be trained in a moonshot program McKinsey launched

5K

Number of credentials earned in the first 2 years from a workforce program McKinsey helped stand up

30+

Number of initiatives launched from a state-wide workforce development strategy McKinsey created

30+

Number of national organizations McKinsey partnered with to launch initiatives to support economic mobility

1. University of Pennsylvania's Lauder Institute - Global Go To Think Tank Index report

Future of work in America: Key facts

~2x
number of job openings as there are unemployed people

8.6M
occupational shifts from 2019 to 2022, 50% higher than last 3 years

30%
time spent on tasks in the US economy could be enabled by automation

3-4%
annual productivity growth with overall automation

12M
additional occupational transitions could happen by 2030

>80%
of all roles in customer service, production, and office support industries could transition

14X
likelihood that workers in lower wage jobs will need to transition vs. those in higher wage jobs

1. Indiana labor market lags national rebound with 1.2% growth since 2019, compared to 1.8% nationally; ~40k labor gap

Indiana
U.S.

National

155M

Total nonfarm payroll employment

10M

Total job openings

6M

Unemployed individuals

Total Employment, *in thousands of jobs*

U.S.

Indiana

155,000 — 3,200

150,000 — 3,150

3,100

145,000 — 3,050

3,000

140,000 — 2,950

135,000 — 2,900

2,850

0 — 0

1.8%

1.2%

2010 11 12 13 14 15 16 17 18 19 20 21 2022
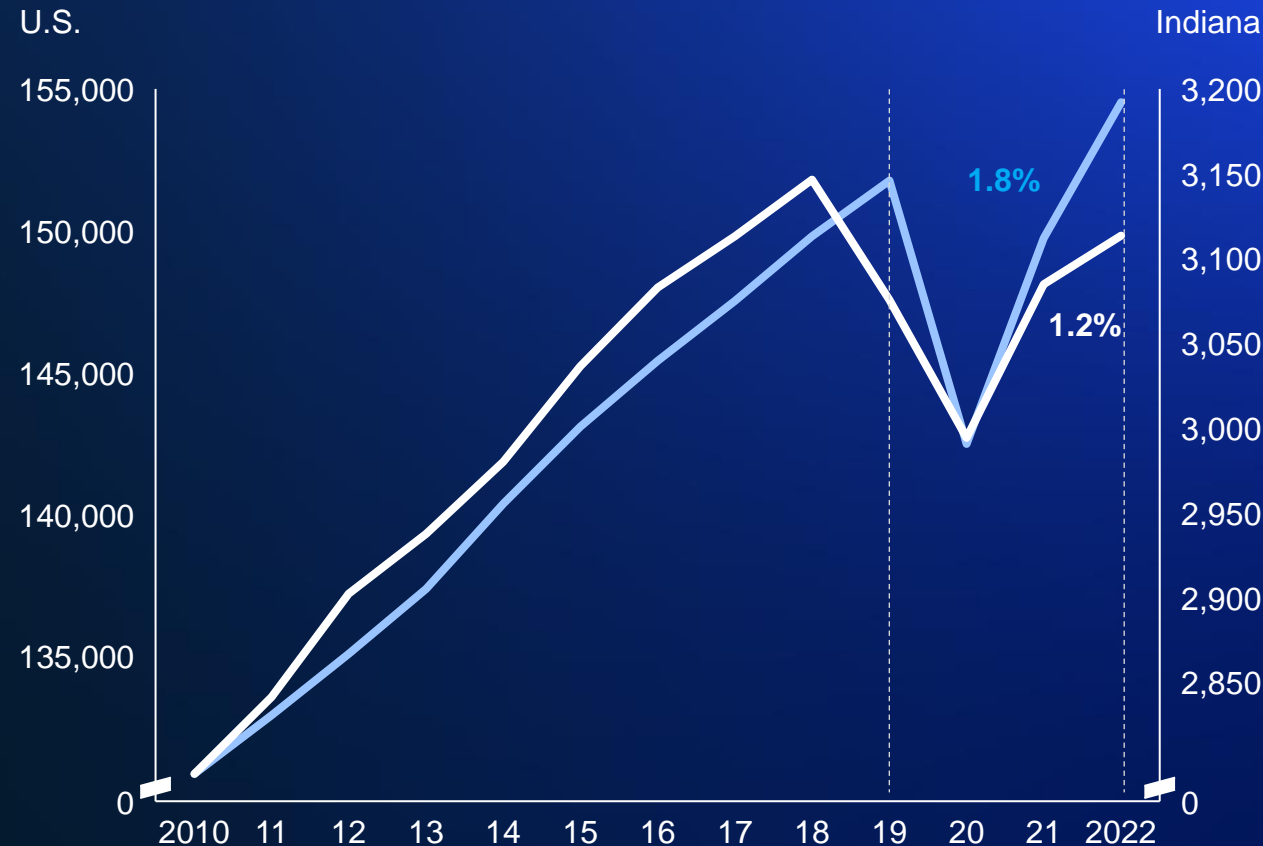
Indiana

3.2M

Total nonfarm payroll employment
(as of 2022)

106K

Total job openings
(as of November 2023)

145K

Unemployed individuals
(as of November 2023)

1. Indiana: Despite contraction in four of five largest industries, employment increased by 1.2% (~38k) from 2019 to 2022, driven by transportation, professional / technical services, and construction

Employment change by industry, 2019 – 22, Annual Averages

■ 2019 Top 5 Industry by Employment

Industry	Employment change, 2019–22, individuals	Employment change, 2019–22, %	Employment, 2019, thousand
Transportation and Warehousing	22,931	14.5	158
Professional & Technical Services	19,709	16.0	123
Construction	10,512	7.2	146
Wholesale Trade	6,200	5.0	123
Finance & Insurance	4,429	4.5	99
Administrative and Waste Services	2,772	1.5	189
Management of Companies & Enterprises	830	2.4	35
Real Estate and Rental & Leasing	518	1.4	37
Agriculture, Forestry, Fishing, and Hunting	303	1.9	16
Manufacturing	18	0.0	541
Other Services	-295	-0.3	90
Mining	-438	-7.6	6
Utilities	-660	-4.2	16
Retail Trade	-1,490	-0.5	317
Information	-2,193	-6.3	35
Public Administration	-2,430	-1.9	130
Health Care and Social Assistance	-2,543	-0.6	448
Arts, Entertainment, & Recreation	-4,811	-10.8	45
Accommodation and Food Services	-5,688	-2.1	272
Educational Services	-9,831	-3.9	251
Total	37,843	1.2	3,113

2. Looking ahead, shifts in labor supply, demand, and employee preferences are driving major disruptions

Changing skills and composition of workers (demand)

- Increased healthcare needs of an aging population
- Shifting consumer preferences towards e-commerce and delivery
- Accelerated automation adoption from GenAI
- Changing sector requirements with higher labor demands in emerging industries
- Increased infrastructure and energy transition investment

Shifts in size and demographics of available workforce (supply)

- Aging workforce
- Increased retirements
- Lower labor force participation
- Stalled immigration

Changes in worker preferences

- Demand for new working models (e.g., remote working, flexible hours)
- Growth in non-traditional work (temporary, gig, part-time)
- Increased desire for alignment of work, values, and purpose

2. By 2030, 30 percent of hours worked today could be automated in the U.S.

● Automation adoption without generative AI acceleration   ● Automation adoption with generative AI acceleration

XX – Acceleration in automation adoption from generative AI

Midpoint automation adoption by 2030 as a share of time spent on work activities, US, %

Change in Labor Demand & Adoption	Occupation	Value
High increase in labor demand and **high change** of work activities	STEM professionals	16
	Education and workforce training	16
	Creatives and arts management	15
	Business and legal professionals	14
High increase in labor demand and **modest change** of work activities	Managers	9
	Community services	9
	Agriculture	3
	Health Professionals	6
	Builders	6
	Property Maintenance	6
	Health aides, technicians, and wellness	4
	Food services	5
	Transportation services	5
	Mechanical installation and repair	5
	Production work	4
Modest decrease in labor demand with **modest change** of work activities	Customer service and sales	6
	Office support	7
	All sectors[1]	8

Scale: 0 — 10 — 20 — 30 — 40

1. Totals are weighted by 2022 employment in each occupation

Source: O*NET; US Bureau of Labor Statistics; McKinsey Global Institute analysis

2. GenAI could significantly change future work activities

Illustrative example – Customer service representative

01 **John's job as a customer service representative**

John does 16 distinct daily activities at a large retail store, including responding to customer complaints, calculating and communicating the cost of in-store products, processing customers at check-out, and inspecting returned items.

03 **John's time rearrangement and productivity gains**

Automating some of John's activities gives him more time to interact with customers and assist them in decision-making, making him a better salesperson. He has been able to take on other responsibilities at the store and upskilled in preparation for a manager role.

John's store has adopted new technologies **02**

The store has invested in an automated check-out system so that customers can pay for items on their own, along with point-of-contact kiosks, where chat bots answer common questions, respond to complaints, and price check items in the store.
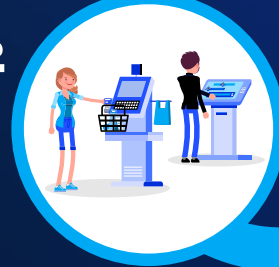
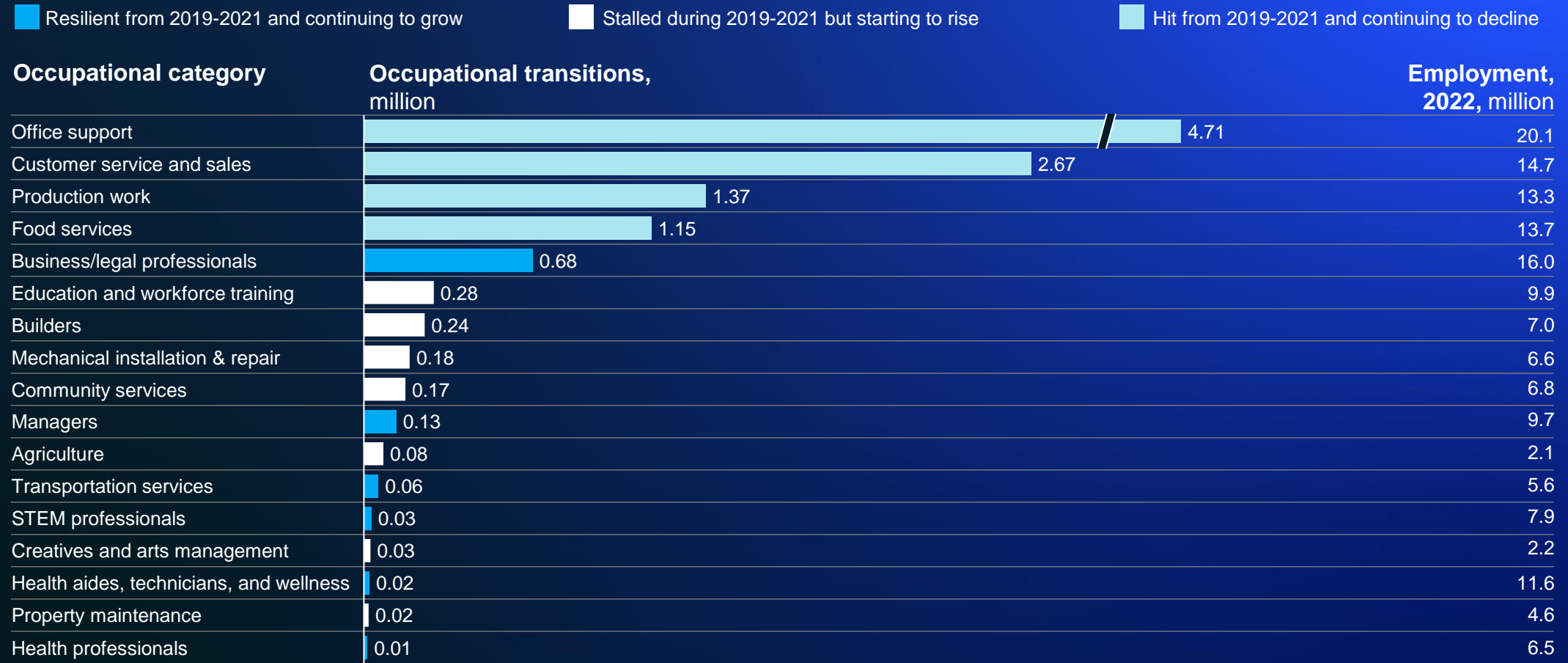**John's store in 2030** **04**

New technologies automate many activities that customer service reps once did, meaning fewer employees per shift. Employees in the store interact more with customers, build a better workplace community, and optimize and humanize the shopping experience.

# 2. Twelve million occupational transitions will be required nationally by 2030; >240k Hoosiers will be affected

Estimated number of occupational transitions by category, 2022–30, with generative AI acceleration

■ Resilient from 2019-2021 and continuing to grow   □ Stalled during 2019-2021 but starting to rise   ■ Hit from 2019-2021 and continuing to decline

Occupational category	Occupational transitions, million	Employment, 2022, million
Office support	4.71	20.1
Customer service and sales	2.67	14.7
Production work	1.37	13.3
Food services	1.15	13.7
Business/legal professionals	0.68	16.0
Education and workforce training	0.28	9.9
Builders	0.24	7.0
Mechanical installation & repair	0.18	6.6
Community services	0.17	6.8
Managers	0.13	9.7
Agriculture	0.08	2.1
Transportation services	0.06	5.6
STEM professionals	0.03	7.9
Creatives and arts management	0.03	2.2
Health aides, technicians, and wellness	0.02	11.6
Property maintenance	0.02	4.6
Health professionals	0.01	6.5

Total = 11.8M

3. A "quality" workforce and training ecosystem delivers four sources of value for employers and individuals

Jobseekers

A

B

C

Education
and training
ecosystem

Employers

D Cross-cutting priorities
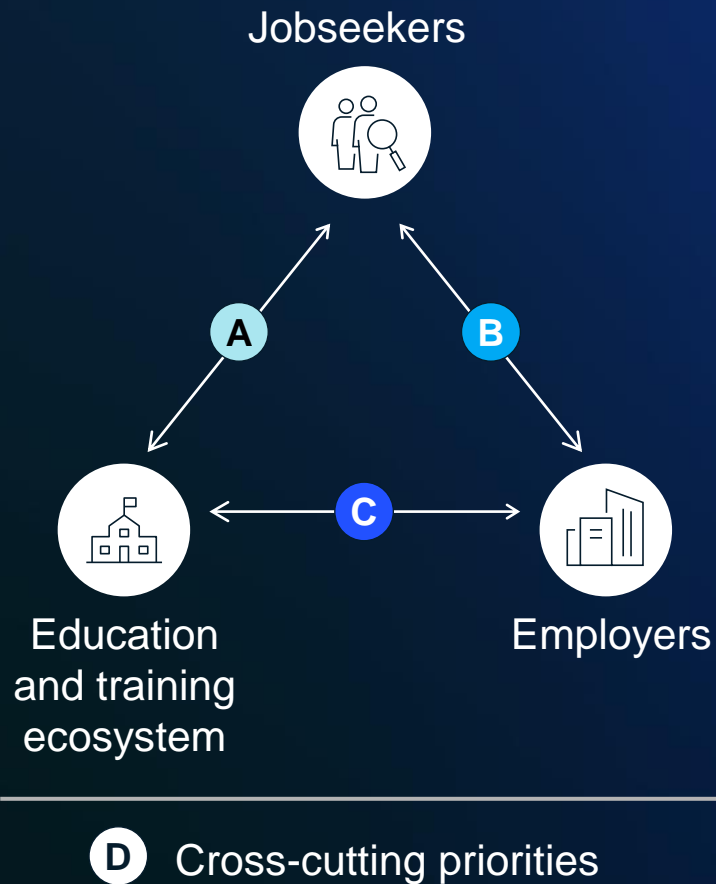
A **Training providers and jobseekers**

Objective: Provide more workers with high-demand skills by enabling training pathways for new and incumbent workers

B **Employers and jobseekers**

Objective: Link jobseekers to employment opportunities by creating awareness, actively matching and coaching individuals, and aligning employer hiring behaviors

C **Employers and training providers**

Objective**:** Drive stronger partnership between employers and providers by fostering active collaboration to align training and catalyze training and employer action

D **Cross-cutting priorities**

Objective: Solve systemic ecosystem challenges, including gaps in equity and inclusion as well as information and technology

3. Based on our research and experience, 13 levers help address workforce system challenge

A **Training providers and jobseekers**

1 Training capacity expansion

2 **Outcomes-driven training**

3 Access and affordability

B **Employers and jobseekers**

4 **Awareness**

5 Career search/ matching

6 Experiential learning

7 **Skills-based hiring**

8 Coaching and support

C **Employers and training providers**

9 **Employer-informed curricula**

10 Integration

D **Cross-cutting priorities**

11 Accountable commitment to marginalized groups

12 **User-centricity**

13 Technology and data

Jobseekers

A   B

Education and training ecosystem   C   Employers

D Cross-cutting priorities
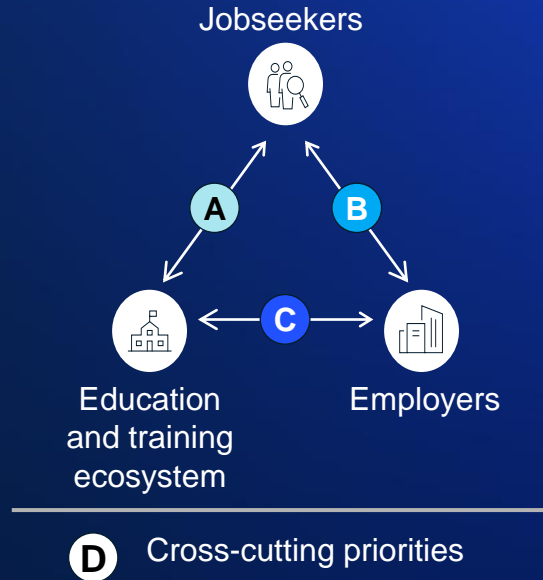
3. Case Study: Large state looking to tackle unemployment across state with regionally-focused actions

Context

A large State experienced significant levels of unemployment; with impact across both urban and rural settings

Facing various workforce development challenges, the State wanted to spur economic development and growth across the state, simultaneously with the workforce transformation required to support demand

Incorporating the necessary regional nuance was focal to the objective

Approach

Developed **overarching fact-base** in coordination with a group of employers and educators:

- Identified priority occupations based on supply / demand modeling
- Tested insights with local employers to further understand and validate gaps in current workforce

Worked closely with training providers – existing and new partners – to identify and develop relevant programs, and outlined potential models for partnership

Developed a **new workforce development entity and working model** to coordinate and bridge the ecosystem across all stakeholders

Impact

Supported local economies: 7,000+ State residents enrolled in the program and accessed reskilling opportunities aligned to in-demand occupations; created a funding-model that allows graduates of the program to receive $1,000 bonus upon completion

Engaged and aligned employers: The entity partnered with 20+ organizations and businesses; partners can provide real-time input on market conditions, shape training content based on skills required, interview graduates of the program and build relationships across the State

Created community partnerships: Leveraged the State's reskilling program to partner with 20+ community colleges to build on existing infrastructure and create public-private partnerships

3. Potential approach to improve workforce outcomes

Illustrative

1. Set aspiration for workforce outcomes

2. Develop comprehensive, data-driven understanding of current and projected labor market, including perspective on regional and demographic differences

3. Conduct workforce ecosystem assessment to identify strengths and pain points

4. Develop targeted initiatives to address pain points, including scaling what is working where possible

5. Continue on-going stakeholder engagement to ensure transparency and buy-i