THE **FUTURE OF WORK** AND THE **MEGACHALLENGES FOR HR** IN 2025 AND BEYOND

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INTRODUCTION

In an era characterized by rapid technological advancements, demographic shifts, and evolving workplace dynamics, the role of Human Resources (HR) is facing unprecedented challenges. As we look toward 2025 and beyond, organizations must prepare to navigate a landscape marked by megachallenges that will reshape the nature of work and employee engagement. From harnessing the power of artificial intelligence and data analytics to fostering inclusivity and adapting to remote work paradigms, HR professionals are at the forefront of these transformative changes. This article looks into the megachallenges for HR in the coming years, exploring strategies to not only survive but thrive in an increasingly complex environment. Join us as we uncover the implications of these challenges and the innovative solutions that will define the future of HR.

To understand the need for HR transformation, let's first have a look at the current global pulse.

THE CONTEXT: ECONOMIC, SOCIAL, ENVIRONMENTAL, AND TECHNOLOGICAL SHIFTS

The global economic scene

Central banks, such as the European Central Bank (ECB), the Federal Reserve in the US, and others worldwide, aim to maintain inflation targets, often around 2%, to foster stable economic environments. These adjustments are carefully monitored as they impact global trade, currency values, and economic stability, influencing everything from consumer prices to international capital flows.

China's slower growth marks a significant shift for the world's second-largest economy, which has long been a driver of global economic expansion. After decades of rapid development fueled by manufacturing, exports, and urbanization, China's growth rate has decelerated due to a combination of factors, including an aging population, high levels of debt, and decreasing productivity. This slowdown affects not only China but also the global economy, as countries that rely on Chinese trade and investment face reduced demand.

Governments worldwide are facing escalating costs tied to their health systems and infrastructure, driven in large part by the impacts of climate change. Extreme weather events, rising temperatures, and unpredictable seasonal patterns are not only straining public health by increasing rates of respiratory and infectious diseases but are also damaging critical infrastructure like roads, bridges, and water systems. As these natural disasters intensify, repair and adaptation costs soar, putting additional pressure on government budgets.

The Global Social Scene

- **Aging population**

  The World Bank's forecasts (2024) indicate a continuous trend of global population aging. According to these projections, individuals aged 65 and over made up 10% of the world population in 2024, doubling the initial percentage of around 5% recorded in 1960. This demographic shift has significant implications for economies, healthcare systems, and social structures worldwide.

- **World Migration**

  Conflicts and instability in various regions have triggered large-scale migration, with people seeking refuge in countries that offer safety and better economic opportunities. This wave of migration creates additional pressure on host nations' resources, infrastructure, and social systems.

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However, concerns persist about the potential strain on infrastructure, health system, public services, and social cohesion due to these new arrivals, often fueling political and social tensions. In advanced economies, the strategic use of job offers, visas, and educational opportunities will become a crucial tool in addressing skills gaps and attracting talent to fill key roles in sectors facing shortages. According to the International Organization for Migration (IOM), key migration indicators have shown significant increases, as illustrated in Exhibit 1 next page. These figures underscore the growing scale and complexity of global migration, with rising numbers of migrants, refugees, and internally displaced people.

The Environmental Scene

- **Minerals scarcity and ecological transition to green energy**

  The struggle for natural resources and the ecological transition are interconnected with global challenges. As populations and economies grow, competition for resources like water, minerals, and fossil fuels increases, leading to conflicts between nations and regions. This struggle is often driven by scarcity and the uneven distribution of resources, which can disrupt geopolitical stability and harm ecosystems. The ecological transition

aims to address these challenges by shifting toward sustainable resource management and renewable energy sources. By reducing dependence on finite resources like fossil fuels, the transition promotes energy efficiency and conservation, helping to mitigate resource-based conflicts.

The fight for critical minerals highlights a global race to secure essential resources like lithium, cobalt, nickel, and rare earth elements, vital for technologies such as electric vehicles, renewable energy systems, and advanced electronics. These minerals are crucial for the transition to green energy. As demand surges, competition among nations has intensified, raising concerns over supply chain vulnerabilities, environmental impacts of mining, and ethical issues, including labor practices.

The technological, data management, and the ungoverned AI scene

Data shapes our world by driving insights, enabling personalization, supporting AI and machine learning, enhancing decision-making, raising privacy concerns, and transforming industries globally.

The rise of ungoverned AI refers to the rapid development and deployment of artificial intelligence technologies without sufficient regulatory oversight or ethical guidelines. As AI systems grow more powerful and integrated into critical sectors like healthcare, finance, law enforcement, and social media, the lack of governance poses risks such as algorithmic bias, privacy invasion, job displacement, and even threats to democracy through misinformation. Ungoverned

AI could exacerbate inequalities, enable surveillance, and lead to unintended consequences that are difficult to control once systems are widely implemented. While some governments and organizations are working to establish AI policies, the pace of technological advancement often outstrips regulatory efforts, leading to calls for urgent, coordinated global frameworks to ensure AI serves society safely and ethically.

THE MEGACHALLENGES FOR HR IN 2025 AND BEYOND

There are distinct angles to which the megatrends in HR can be introduced. The most interesting framework is the one proposed by Dave Ulrich and his colleagues. In their latest research, they emphasize the importance of HR in driving business success through talent management, leadership development, and organizational capabilities. Ulrich's research also highlights the need for HR professionals to develop specific competencies to meet contemporary business challenges. The key insights of their approach include the following:[ii]

EXHIBIT 1 Key Facts and Figures Based on the World Migration Reports

Indicator	2000	2004
Estimated number of international migrants	150 million	281 million
Estimated proportion of the world population who are migrants	2.8%	3.6%
Estimated proportion of female international migrants	47.5	48
Estimated proportion of international migrants who are children	16%	10.1%
Global international remittances (USD)	128 billion	831 billion
Number of refugees	14 million	35.4 million
Number of internally displaced	21 million	71.4 million

Source: International Organization for Migration (IOM)[i]

- **Outside-In Focus in HR**
  HR should focus on helping organizations succeed in the marketplace by aligning HR activities with external business needs, such as customer and investor expectations.

- **HR Competencies and Business Performance**
  HR professionals must develop competencies that enable them to be strategic partners, credible activists, change champions, HR innovators, integrators, capability builders, and technology proponents. These competencies are crucial for enhancing business performance.

- **HR as a Strategic Partner**
  HR should play a critical role in strategy execution, organizational design, employee advocacy, and continuous change management. This strategic involvement helps in delivering organizational excellence and increasing shareholder value.

- **Talent Management and Value Creation**
  Effective talent management involves creating, capturing, leveraging, and protecting value through well-designed talent management architectures. This approach integrates various theories and practices to optimize the value derived from human capital.

- **Improving HR Departments and Professionals**
  HR departments can be assessed and improved based on specific dimensions, and HR professionals should master competencies that help them deliver value. Continuous improvement in HR practices and professional development is essential for maintaining relevance in a rapidly changing business environment.

While the work of Ulrich and his colleagues represents the forefront of HR trends and challenges, we have decided to add several complementary

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trends that perhaps are of utmost importance in the European continent.

1 Supporting the Transition for Upcoming Retirees

The workforce is becoming older, and retirement is becoming a major concern to organizations and society. Preparing to provide relief for those approaching retirement involves addressing their financial, social, and emotional needs to ensure a smooth transition. As retirement nears, individuals often face uncertainties about income security, healthcare, and lifestyle changes. Effective preparation includes offering financial education on retirement savings, investment strategies, and pension planning to help them optimize their resources. Employers can also provide retirement transition programs, which focus on mental well-being and strategies for maintaining social connections post-retirement. Access to comprehensive healthcare plans is essential to address medical needs as people age. Additionally, creating opportunities for part-time or flexible work can help individuals adjust gradually while maintaining a sense of purpose. By supporting these areas, society and employers can ensure a more secure, fulfilling retirement for those leaving the workforce.[iii]

2 Returning to In-Person Work: Boosting Productivity and Efficiency

Organizations that are planning to transition back to in-person work face a range of challenges and

opportunities. Many are focusing on creating hybrid models, blending remote flexibility with the benefits of in-office collaboration. Key considerations include ensuring employee safety through health protocols, adapting workspaces for social distancing, and fostering a sense of community after long periods of remote work. Some companies are emphasizing the importance of in-person teamwork for innovation and productivity, believing it strengthens organizational culture. Others are mindful of employee preferences for remote work, seeking to balance flexibility with the need for on-site presence. The transition requires clear communication, adjustments to technology and infrastructure, and a commitment to supporting employees' well-being as they adapt to new routines and expectations.

## 3 Artificial Intelligence, Data and HR

People analytics transform workplaces by using data to improve hiring, enhance employee engagement, optimize performance, support decision-making, predict trends, and foster organizational growth. The integration of AI in HR management presents both opportunities and challenges for the future. AI can streamline recruitment, enhance employee engagement, and improve decision-making through predictive analytics. It helps HR teams analyze large data sets for talent acquisition, performance tracking, and personalized training. However, challenges include maintaining data privacy, ensuring fairness and transparency in AI-driven decisions, and addressing concerns over potential job displacement. HR professionals must balance leveraging AI for efficiency while fostering a human-centric workplace culture. Additionally, upskilling HR staff to manage and collaborate with AI tools

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will be crucial. Navigating these challenges requires thoughtful integration of AI to enhance, rather than replace, the human elements of HR management.

4 Beyond the Work-Life Balance

Beyond work-life balance emphasizes the need for a holistic approach to well-being, where work and personal life are integrated in a way that supports overall fulfillment. Rather than simply balancing hours, it involves creating flexibility to accommodate diverse personal needs and aspirations. This perspective recognizes that work can be a source of purpose and social connection, while also allowing space for family, hobbies, and self-care. It encourages a focus on mental health, meaningful engagement, and adaptable work structures. Ultimately, this
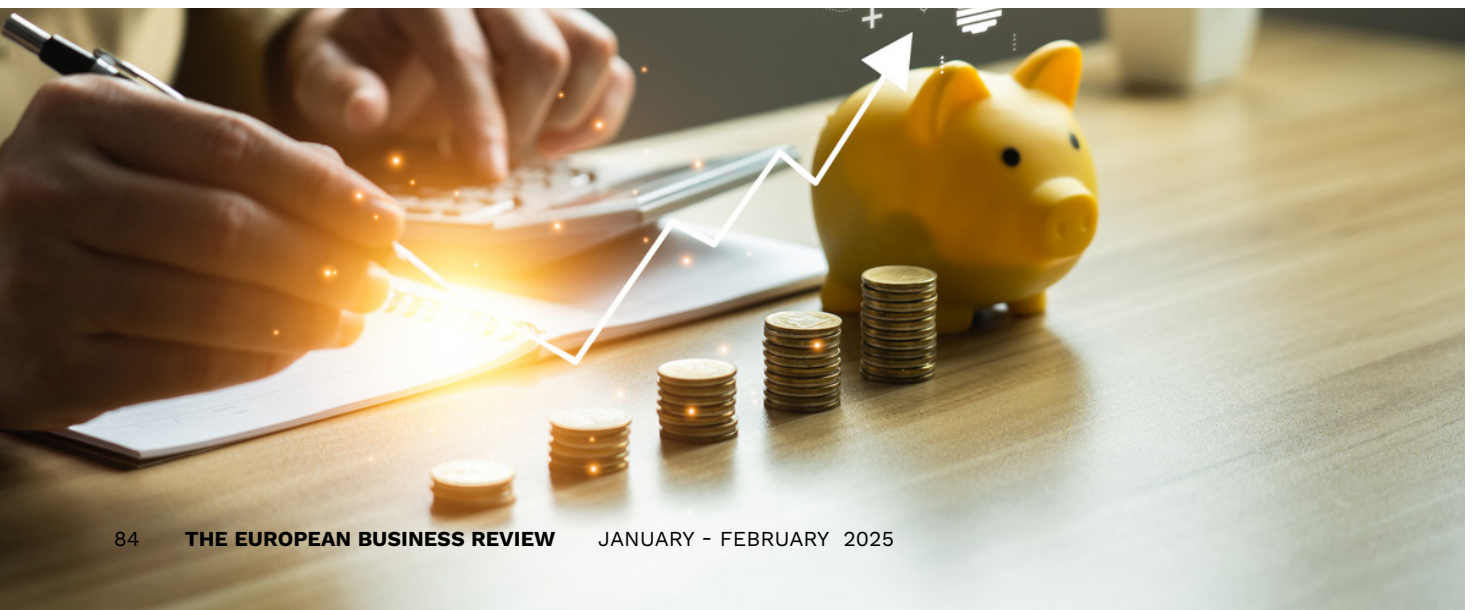
approach aims to foster a more sustainable lifestyle that goes beyond equilibrium, supporting long-term personal and professional growth.

5 Issues of Sustainability

The connection between sustainability and Human Resources (HR) is an increasingly important topic in today's business landscape. HR plays a critical role in fostering a culture of sustainability within organizations, driving social responsibility, and aligning corporate practices with sustainable goals. Exhibit 2 shows a deeper look at this connection.

The intersection of sustainability and HR reflects a holistic approach to business where people, profit, and the planet are seen as interconnected rather than separate concerns. As companies recognize that sustainable practices can drive long-term success, HR becomes a strategic partner in shaping a future-ready, responsible, and resilient organization.

It appears that new strategies for leadership development are necessary, aligned with the previous themes. Kawai, Wilson, and Ulrich (2024) outline five "essential practices for enhancing leadership competence at all levels within an organization."[iv] Exhibit 3 summarizes these practices.

6 Fostering a Culture of Diversity and Inclusion (D&I)

It is increasingly recognized that diverse teams bring a wider array of perspectives and ideas, driving innovation and improving problem-solving abilities. HR leaders must champion D&I practices by establishing policies that promote a fair and inclusive workplace, which not only attracts talent but also enhances employee morale and productivity. By

EXHIBIT 2   Intersections of Sustainability and HR

Intersections between Sustainability and HR	Main points
Embedding Sustainability in Company Culture	HR can integrate values like environmental stewardship, community engagement, and long-term thinking into the company's core culture.
Sustainable Talent Management	HR strategies that highlight sustainability commitments can make a company more appealing to prospective employees.
Diversity, Equity, and Inclusion (DEI)	Sustainable HR policies can focus on fair labor practices, reducing wage gaps, and supporting the physical and mental well-being of employees, which are key to building a sustainable and resilient workforce.
Sustainability Reporting and Metrics	HR can incorporate sustainability metrics into performance management systems and provide incentives for employees who contribute to achieving environmental or social goals.
Future-Ready Workforce	HR departments need to anticipate these trends and prepare the workforce by upskilling or reskilling employees.
Business Value and Societal Good	Organizations can achieve a win-win scenario. Internally, they build a more engaged, committed, and purpose-driven workforce. Externally, they position themselves as responsible actors contributing to the well-being of communities and the environment, which can enhance their brand reputation, customer loyalty, and even financial performance.

EXHIBIT 3 | **Five essential practices for leadership development**

Use evidence-based methods to inform leadership development investments.
Provide more coaching for more leaders.
Personalize leadership development to the level and skills of the individual.
Assess and prioritize leadership skills that deliver stakeholder value.
Dedicate time for strategic reflection and renewal.

Source: Kawai, L.; Wilson, E. and Ulrich, D. (2024)

embracing a holistic view of stakeholder interests, HR professionals help organizations build positive reputations and engage with communities, ultimately boosting brand loyalty and customer trust.

CONCLUSIONS

Given the current business context and the evolution of HR, it looks like the emerging HR competencies are focused on adding value to stakeholders. This is a multifaceted process that requires a strategic mindset, analytical tools, and a commitment to fostering inclusive workplace cultures. As HR continues to evolve in this direction, organizations can expect improved performance, enhanced employee engagement, and stronger relationships with all stakeholders, firmly establishing HR as an essential driver of organizational success.

HR should continually evolve to meet the changing needs of businesses. This includes adopting new technologies, aligning HR strategies with business goals, and focusing on long-term transformation rather than short-term fixes.

HR leaders need to have a strategic mindset to ensure they have a seat at the table with other business leaders. This involves being proactive in shaping the organization's future and aligning HR practices with the broader business vision.

These insights emphasize that HR's role is much more than managing personnel—it's about driving business success by building organizational strength and delivering value across various dimensions. ⬛EBR

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ii. *The summary is based on chapters 6 and 7 in a recently published book by Dolan, Raich, Ulrich, and Albrecht: The Future of Work, myEducator, 2025. It is also based on personal exchanges and the short articles Dave Ulrich is publishing on LinkedIn.*

iii. *A good reference for understanding retirement in the EU workforce and its implications for organizations is the report by the European Commission titled "The 2018 Ageing Report: Economic and Budgetary Projections for the EU Member States (2016-2070). This report provides a comprehensive analysis of demographic trends in the EU, specifically focusing on aging populations and the resulting concerns for the workforce and economy.*

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