

# Future Workforce Report 2021: How Remote Work is Changing Businesses Forever

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The rapid adoption of remote work over the last year and a half has sparked fundamental changes for businesses far beyond where their workforce is located. With 40.7 million Americans expected to be fully remote in the next five years, it has also been a catalyst for a fundamental, tectonic shift creating drastic spillover effects in the way that businesses operate and manage their workforces.<sup>1</sup> Using Upwork's Future Workforce Survey, a representative survey of 1,000 U.S. hiring managers, we can detect early signs of the changes taking shape that will impact businesses for decades to come.

## Key Findings:

- **Remote Work Projections are Strong:** 40.7 million American professionals, nearly 28% of respondents, will be fully remote in the next five years, up from 22.9% in our last survey conducted in November 2020.
- **Remote Has Changed Management Practices:** 67% of businesses reported that there were many more changes to long term management practices than in a normal year, excluding temporary adaptations to the pandemic.
- **COVID Accelerated Remote Freelancer Adoption:** As a result of the pandemic, over half, 53%, of businesses say that remote work has increased their willingness to use freelancers.
- **Businesses Plan to Continue Engaging Remote Freelancers:** 71% of hiring managers plan to sustain or increase their use of freelancers in the next 6 months.
- **Strong Demand for Skilled Tech Freelancers:** The largest increase in freelancer demand has been in the Web, Mobile, and Software Development category, with 80% of hiring managers stating they have increased their use of freelancers in the category since the onset of COVID.
- **Tech Freelance Talent will Remain in Demand:** Similarly, this demand for freelancers in the tech category will continue, as nearly two thirds of hiring managers plan to increase their use of freelancers in the tech category in the next 12 months.

## Full-Time Remote is the Big Change

Although there is universal agreement that companies are making long-term plans to continue embracing remote work in larger numbers than before the pandemic, there is still debate around the full extent to which workplaces will remain remote. Specifically, will firms mostly utilize a fully

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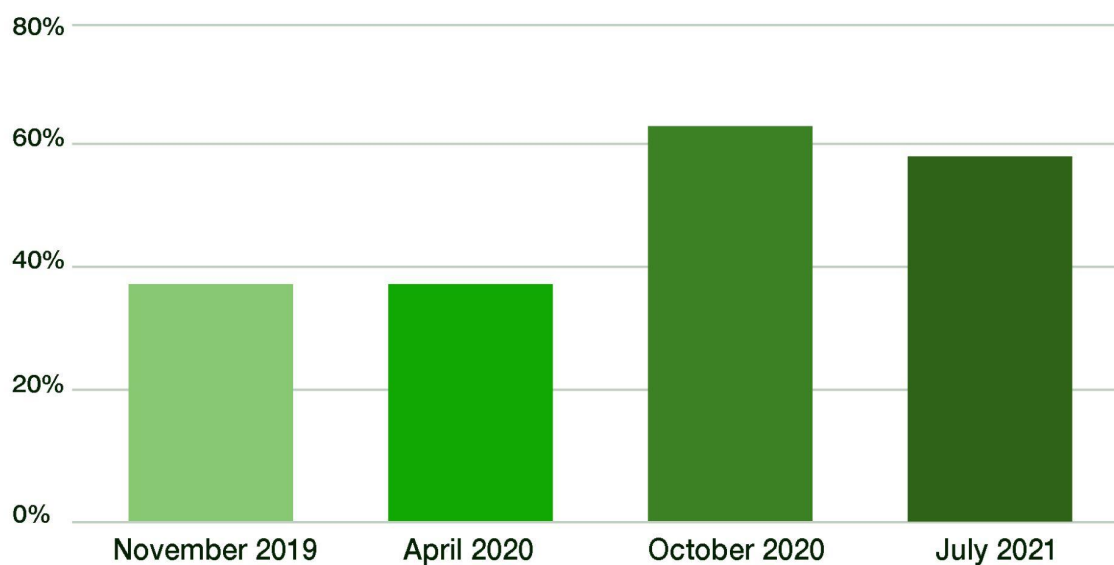
<sup>1</sup> Based on 147 million non-farm payrolls as of August, 2021 and 27.7% fully remote share.

remote model, or will they adopt a hybrid approach that requires workers to come into the office a few days a week?

This question is an important one, as it helps to delineate the types of lasting changes that companies will make. It is also an indicator of evolving business management trends, including the location of their workforce, but also general management principles used across the business.

While there is much uncertainty, the Future Workforce Report suggests that fully remote workplaces will continue to comprise a larger share of businesses that have adopted remote work models. Our study predicts that fully remote workers will represent 27.7% of the workforce, compared to 20.4% who will be partially remote. Both numbers have increased from when we last ran this survey in November 2020.

## Expected share of remote workers fully remote in five years



Expected share of remote workers fully remote in five years

Pre-pandemic, businesses expected that in five years 38% of their remote workforce would be fully remote, while today they expect 58% to be fully remote in five years.

### How Fully Remote Impacts Business Management

The growing embrace of fully remote work means changes to the way we work that go far beyond the physical location of workers. Remote work represents what economists call a

general purpose technology, which is a technology with a wide range of uses that is embraced across the economy and creates a variety of spillover effects.<sup>2</sup> The data already suggests remote work will be embraced throughout the economy in the long-run; the question then is whether this will generate spillovers.

History is filled with examples of these spillover effects of general purpose technologies, and shows how they can drastically transform how businesses operate. For example, electrification did not just allow retail stores to replace gas lighting with electric lighting. Instead, electric lights, elevators, and fans enabled customers to easily explore beyond the ground floor of retail stores, which in turn ushered in the era of grand department stores.<sup>3</sup>

What will the spillovers of a more fully remote labor force be?

### **Adaptations to Management Practices**

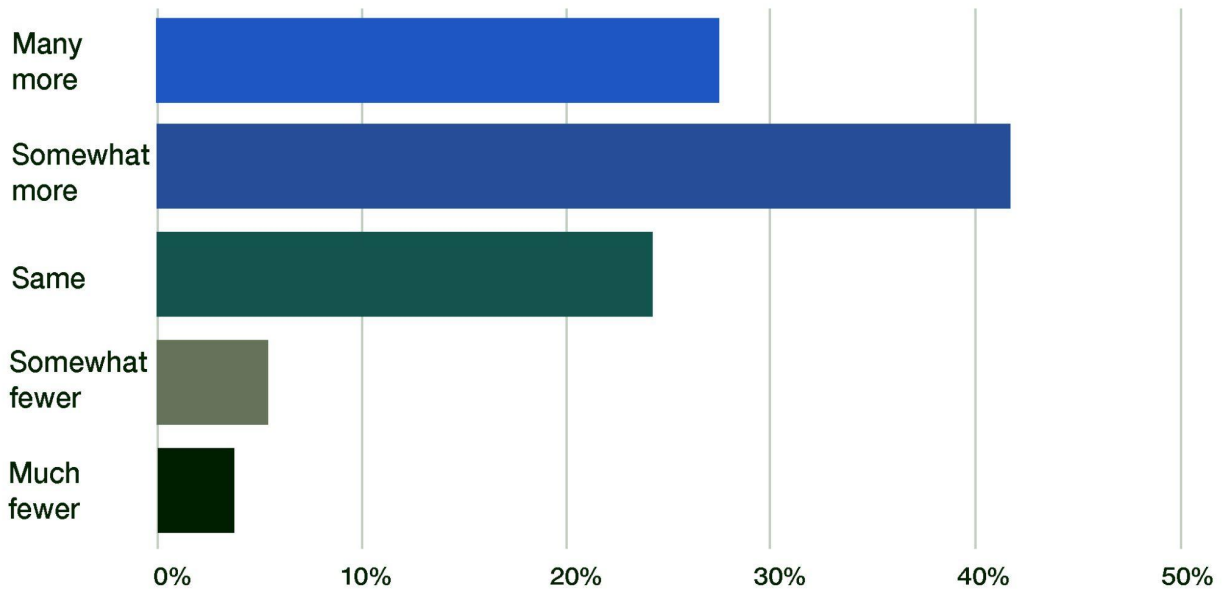
The Future Workforce Report shows signs of broad changes to business operations that one would expect to accompany a general purpose technology. For example, 26% of businesses reported that there were many more changes to long-run management practices than in a normal year, excluding temporary adaptations to the pandemic. Another 41% said that there were somewhat more changes than normal.

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<sup>2</sup> Lipsey, Richard G., Kenneth I. Carlaw, and Clifford T. Bekar. *Economic transformations: general purpose technologies and long-term economic growth*. OUP Oxford, 2005.

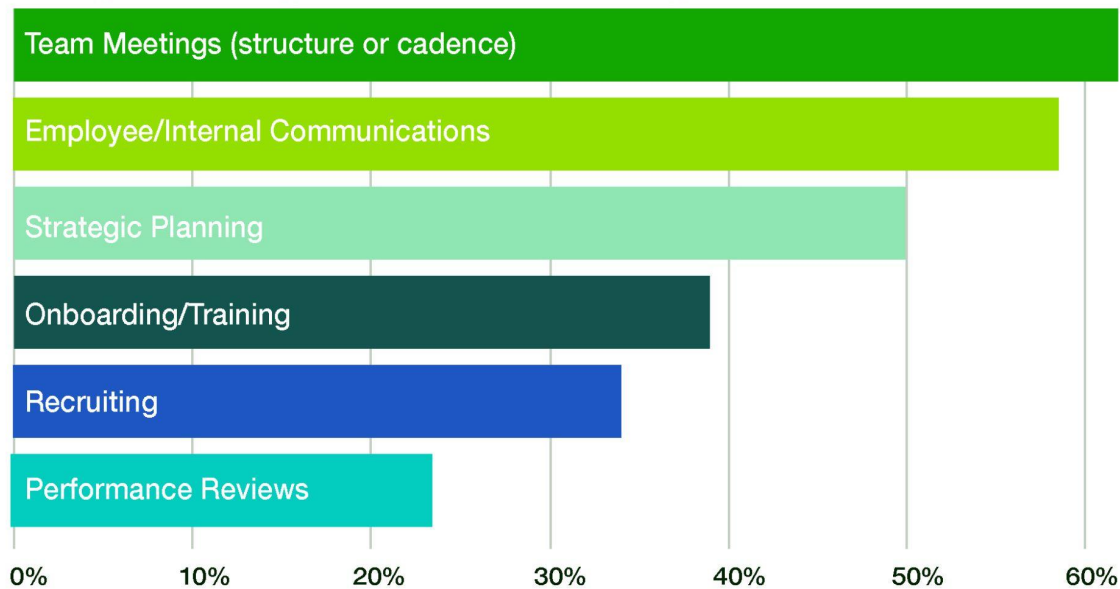
<sup>3</sup> Gordon, Robert J. *The rise and fall of American growth*. Princeton University Press, 2016.

# Outside of temporary adaptations, how would you compare the level of change to the long-run management practices over the last year?



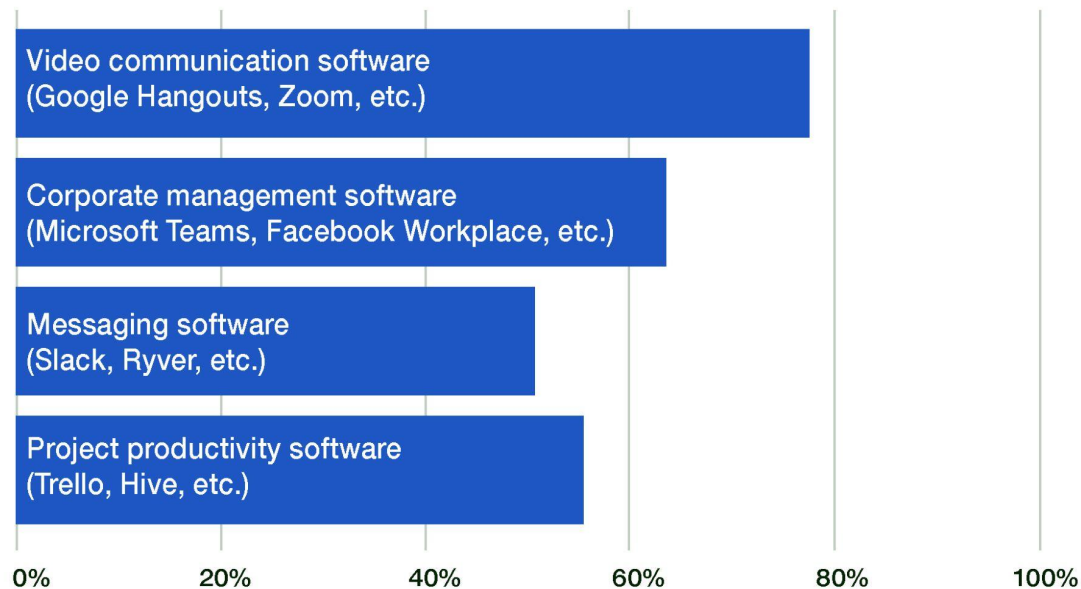
Taking a more granular look, we can see that these management changes are broad, affecting nearly every aspect of how a business operates. These are not typical changes, for example, when an organization hires a new leader or a specific division or team experiences a reorganization; these include changes in how leadership is structured. Over half of all businesses changed strategic planning. Similarly, a significant share of firms altered how they onboard and train, recruit, and even deliver their performance reviews. Even the basics of how companies and organizations communicate shifted, with 60% making changes to team meetings, and over half making changes to internal communications.

# Has responding to the pandemic forced you to make changes to the following management practice areas that will stay with you in the long-run?



Alongside the changes in managerial style, the pandemic also stimulated changes in the use of software. The embrace of Zoom and other video conferencing software is well-understood and well publicized, but the changes go well beyond video communication tools. Managers also looked to corporate management software and project productivity software. The ability to asynchronously collaborate and communicate on work, track progress, and assign action items all became increasingly important for businesses across industries.

## Percent reporting increase in utilization over the last 12 months



Most importantly, these long-run changes won't be put back in the box once the pandemic is over. As business operations are molded by remote work, remote work becomes an even more deeply ingrained part of business.

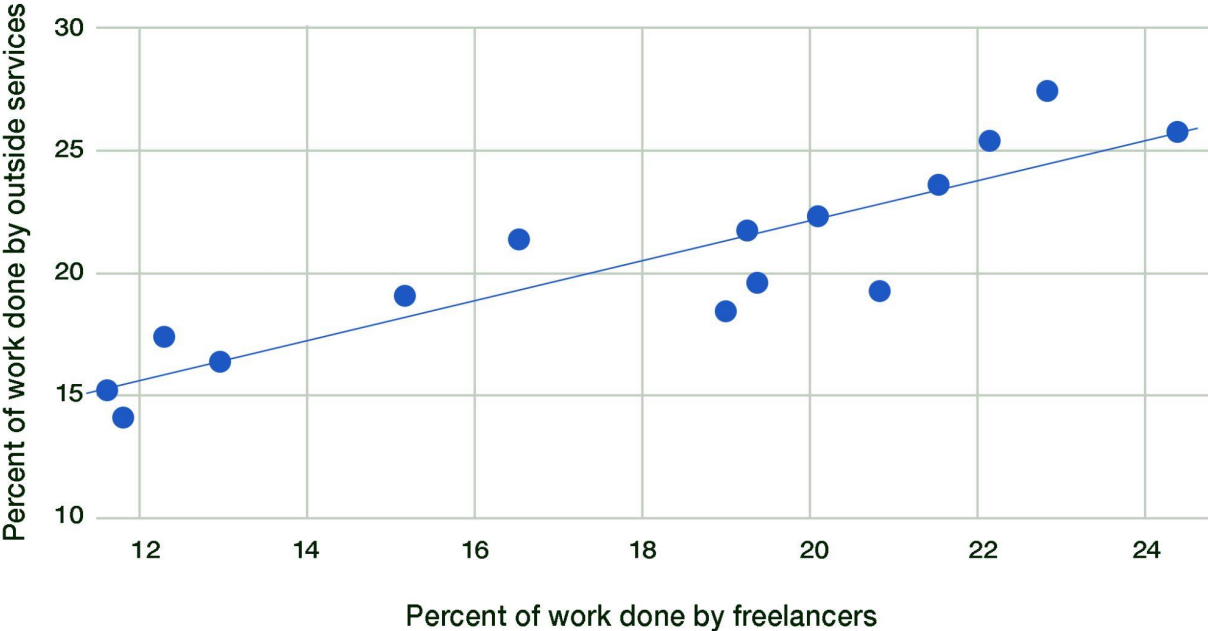
### Work Outside the Firm

Another way that we can already see remote work culture taking effect is in the use of freelancers. Because remote work enables employees to work together at a distance, another spillover of remote work is that it also makes it easier to collaborate with professionals outside the firm. Prior to remote work, an impediment to having work done outside the firm is the status quo of collaborating in person. When work is done exclusively in person at a centralized office, it is more difficult for outside firms or freelancers because doing so would require them to travel to another company's offices every day. Our research provides evidence that remote work enables collaboration between firms and those outside the firm, specifically freelancers and outside services, like consulting agencies and accounting firms.

To start, it is useful to understand freelancing and outside services as being in some ways substitutes for a firm. Both represent a desire for someone other than a firm's employees to do work. The survey asked about the percent of work that was done by employees, freelancers, or outside services in fifteen different work areas. The averages by work area show that the kinds of work that tend to be freelanced also tend to be performed by outside services. For example,

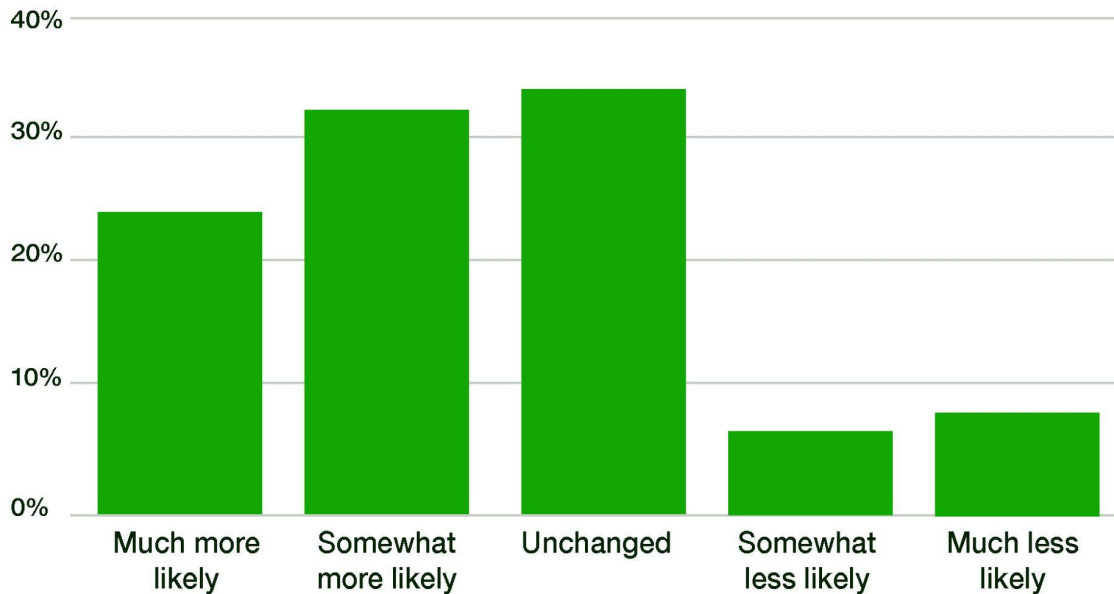
IT & networking, web/mobile/software development, and design and creative are among the top three work areas for both the share done by freelancers and the share done by outside services. This suggests that a common factor drives demand for both: an underlying comfort with and desire to have some work done outside the firm. Sometimes this work is done by other companies, sometimes by freelancers.

## Share of work done by outside service freelancers by work area



The relationship with remote work and increasing comfort hiring freelancers is clear in the survey. When asked directly, **over half of businesses say that remote work has increased their willingness to use freelancers.**

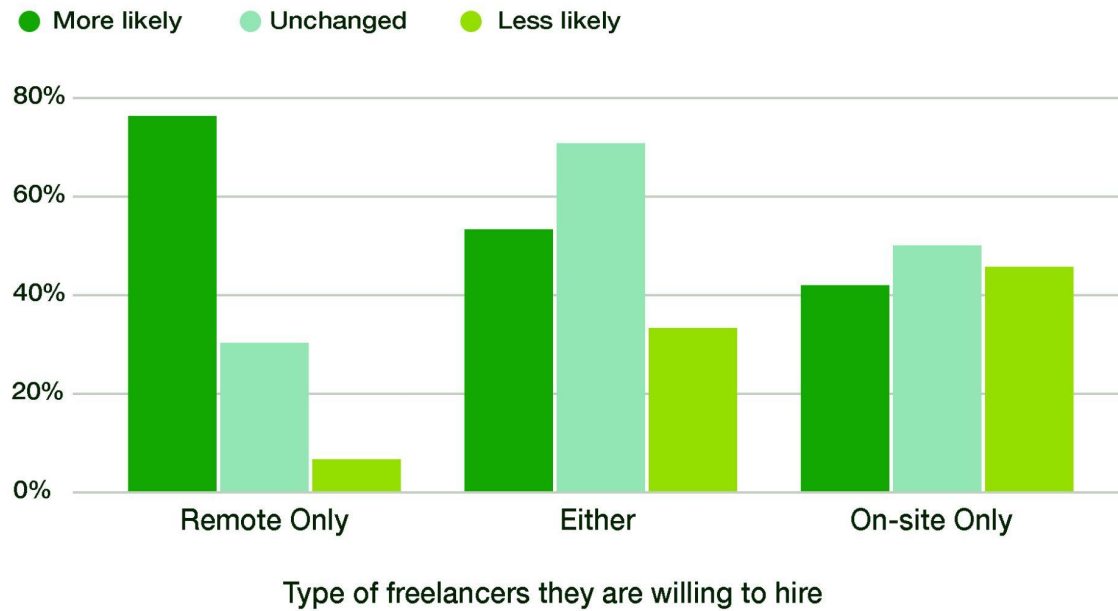
## How has your likelihood to use freelancers changed as a result of remote work?



Looking at companies that are only willing to hire remote workers, we can see an even larger impact on their willingness to use freelancers. These survey results are consistent with trends observed in other [data](#), where remote freelancers supply and demand has gone up dramatically.

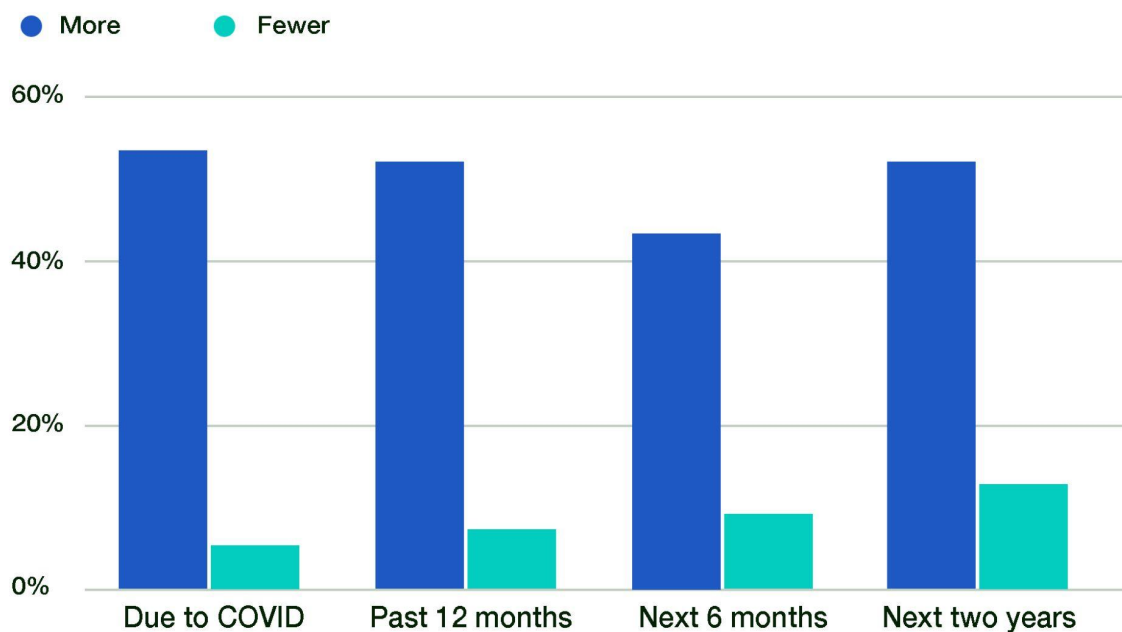


# How has your likelihood to use freelancers changed as a result of remote work?



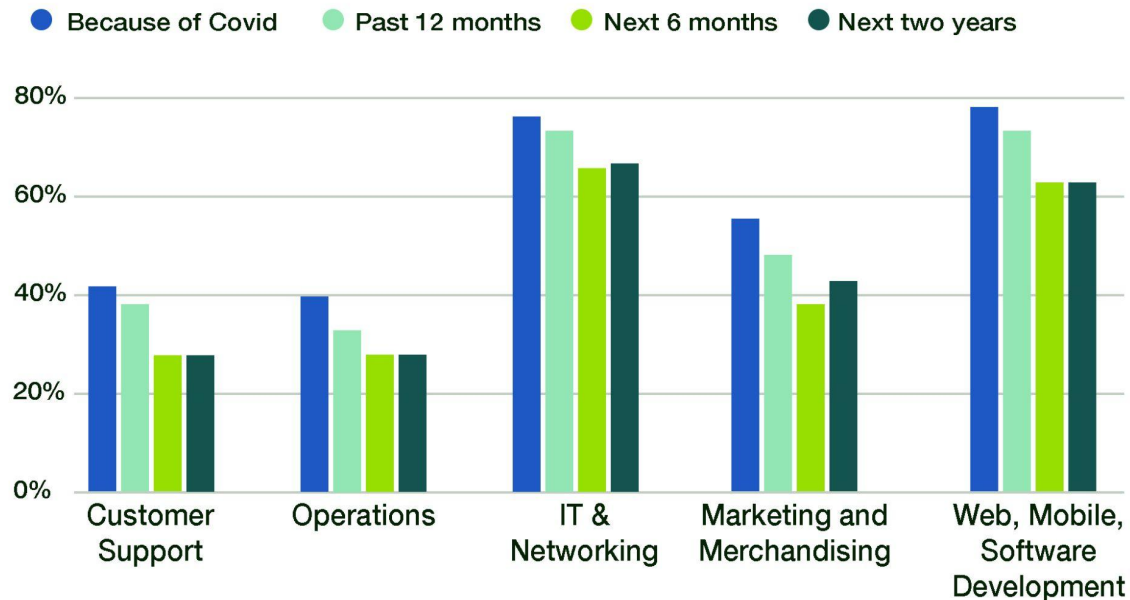
While the pandemic may have delivered the push to embrace remote freelancers, this does not appear to represent a one-time pandemic adaptation: hiring managers expect to use more freelancers in the next six months and even more in the next two years. Relatively few firms are expecting to use fewer remote freelancers, again suggesting that the increased utilization is not just a temporary adaptation.

# How remote freelancer use has changed



If we look at five major areas that hiring managers work in, the biggest growth in remote freelancing has been in Web, Mobile, Software and Development, and those in this area expect usage to continue growing.

# How remote freelancing use has changed



Overall, we see that businesses are increasingly reaching outside the firm to get work done. In addition to the benefits that freelancing brings, like the ability to hire faster and anywhere in the world, this allows businesses to concentrate on their core competencies.

## Conclusion

Remote work by itself is a big change in how we work and is the subject of much discussion, but the spillover effects merit close attention as well. General purpose technologies have historically been drivers of economic growth and major changes to how we live and work. Already, the data is showing spillovers in management practices and signs that businesses are increasingly able to collaborate with those outside the firm with greater ease. While much remains to be seen, the case for remote work as a driver of productivity going forward is strong.