THE 7 BIGGEST HR TRENDS OF 2016

Talent **Intelligence**
Leadership Risk Management

EXECUTIVE SUMMARY

Abstract: Fueled by an increasingly competitive job market, demographic shifts and other factors, in the past year, HR professionals have begun to address new talent recruitment, retention and other concerns — ranging from generationally influenced workforce gaps to greater employee scheduling flexibility.

This white paper will examine the innovative approaches HR departments have adopted to deal with management challenges, including embracing new, creative hiring practices; transforming the job posting process into a widespread branding effort; addressing potential succession planning issues and enacting new communication policies designed to improve employee satisfaction levels.

A CHANGING EMPLOYMENT MARKET

In recent years, optimism has increased in the global employment market. More than one in three adults worldwide (36 percent) said it was a good time to find a job in their communities in 2014 — a two percentage point increase from 2013, according to Gallup, and a significant improvement from employment outlook's lowest level, 25 percent, in 2009.

Finding highly qualified candidates, however, isn't always easy. In some industries, the competition can be fierce. Forty-three percent of IT managers, for example, told Computerworld in a recent survey that they planned to hire more tech professionals this year. Yet 48 percent of employees said they weren't looking for a job, and just 9 percent said they were actively searching for a new job at a new company.

In addition to candidate search and hiring challenges, many organizations have also faced issues relating to succession planning and employee turnover.

In some instances, organizations aren't making the necessary moves to fill future openings and maintain productivity levels. A recent survey of more than 700 businesses in Asia found that 98 percent of organizations believe that workforce planning is important to their organizational success; but just 2 percent were happy with their current planning method.

Retention also remains a costly problem at many companies. In the U.S., turnover can equal 21 percent of an employee's annual salary, according to a Center for American Progress study. According to Oxford Economics research, British businesses spend a minimum of £4.13bn on employee turnover every year.

THE TOP HR TRENDS

In the wake of recent hiring, retention and other challenges, HR departments have established innovative, effective ways to deal with talent attraction, vetting and management needs.

The following seven best practices — which evolved, in part, due to the most significant challenges HR teams faced in 2015 — have the capability to help organizations address employee-related changes in 2016 and beyond.

1. Expanded social media use: At many organizations, the marketing department has traditionally been responsible for making Facebook, Twitter and other social media site updates because the practice was viewed primarily as a promotional and branding effort.

Now, however, an increased number of companies are giving HR a seat at the social media table; and with good reason.

When added on a regular basis, frequent social media posts can enhance ongoing recruiting efforts to reach a larger number of potential hires — particularly younger workers.

Studies, including recent research from content management, analytics and documentation solution provider SDL software, have shown that millennials rely on social media as a key information source. Millennials are 56 percent more likely to discover content on social networks, compared to email or a search engine; Facebook, Twitter and YouTube are the most popular social media sites.

Recruitment-related news is no exception. Posting job information on social media sites can help promote positions to Gen Y workers. Five out of six connect with companies on social networks, according to SDL.

Allowing HR professionals to contribute social media content related to hiring and other topics can also help the organization's general PR efforts.

By effectively establishing a hiring brand — essentially, promoting the organization as a desirable place to work — HR departments can attract and entice top candidates. At the same time, the organization will disseminate information about its amenities and other positive qualities to help enhance its overall image in the marketplace.

The number of companies that used social media sites to increase company branding and recognition grew from 56 percent in 2011 to 84 percent in 2015, according to the Society for Human Resource Management. Sixty-one percent of companies said they'd used social media to recruit or contact candidates for a specific job level.

Working together, marketing and HR departments can create a unified brand that will promote their company culture, job amenities and other advantages to potential hires.

The organization can, in turn, begin building a list of potential candidates, based on which individuals interact with the company on social media, to proactively prepare to fill future openings — reducing panicked talent searches when a position suddenly opens up.

In 2015, 82 percent of companies were using social media to recruit passive candidates who may not otherwise apply or be contacted, according to SHRM.

2. Scheduling flexibility: Millennials were expected to be approximately 75 percent of the world's employees by the end of 2015, according to Psychology Today; in the U.S. alone, they'll be nearly half (46 percent) of the labor force by 2020, according to research conducted by the University of North Carolina.

To recruit and retain Gen Y workers, increased flexibility is becoming a growing standard.

Work-life balance is crucial to millennials. More than half (57 percent) rank having enough leisure time for their private life as a top concern. Forty-five percent say flexible work hours are important to them, according to a survey conducted in 43 countries by graduate business school INSEAD's Emerging Markets Institute, Swedish research house/consultancy Universum and the HEAD Foundation, a Singapore-based think tank.

As a result, an increased number of organizations have embraced flexible work practices.

Workplace flexibility programs are currently an option for some or all employees in more than 80 percent of companies. Roughly 98 percent have retained flexibility programs — most often, flexible start and stop time programs and telework options — that were in place in 2010, according to a global survey conducted by nonprofit human resource association WorldatWork.

If employees have indicated scheduling, commutes or other related factors are an issue, incorporating flex schedule options can have a huge effect on an organization's retention efforts.

Flexible work hours have been found to have a positive effect on workers' job satisfaction and motivation levels, according to a recent Canadian Center of Science and Education study. A 2011 study of more than 600 Best Buy employees, led by two University of Minnesota sociology professors, found that workers who could change their schedules and location were often able to sleep longer, reducing the effects of exhaustion — which, over time, appeared to potentially improve their overall energy and health.

Manager training and frequent contact can help ensure a flex hours program is a success.

Organizations that have established specific efforts to ensure flexible work schedule programs are effective — such as training, written policies and using flexibility programs as a selling point to attract new talent — have a lower voluntary turnover rate, according to WorldatWork.

Clearly communicating time and other expectations can also help prevent productivity and disengagement issues.

Canada's HR Council for the Nonprofit Sector suggests employers make sure staff members understand the pre-determined amount of hours they need to work — which can also help companies manage workflow and employee stress, potentially increasing employee retention rates.

Engagement can be a concern for employees who frequently work outside of the office; however, working remotely doesn't have to mean an employee works alone.

Maintaining frequent face-to-face and/or electronic communication, via phone, video chat, email or meetings can help sustain employee engagement. Managers should try to establish recurring and sporadic check-in points to make employees feel connected to the organization.

Although a growing number of employees at many organizations are asking for flexible scheduling and/or telecommuting policies, some companies are still hesitant to offer them.

If an organization isn't sure a flex hours or remote work option is feasible, it may want to consider offering an amended introductory policy to assess the option.

Employees could, for example, be allowed to work from home one day a week, or flex time could be scheduled on a temporary basis during an off-season time for the business.

A temporary system can provide the flexibility workers desire — making them feel valued — and will also allow organizations to test out and tweak new staffing structures with less risk.

3. Structurally different workspaces: Half of millennials with the highest levels of education and professional focus say they will be looking for a new job within the current year — and more than 90 percent expect to leave their current employer within 3 years, according to a recent report from commercial real estate consultancy Cushman & Wakefield.

Offering an office environment that meets millennials' perceived workplace needs can help organizations recruit, and eventually retain, Gen Y workers.

Research by workplace furnishing company Knoll indicates generational differences will drive a need for an office environment that features stylish design, state-of-the-art technology and the ability to personalize their space.

Structural changes can include, according to Inc., ditching cubicles for a more collaborative environment; adding unique furniture that makes space look more personal than staunchly professional and incorporating residential furniture, such as family-esque dining tables, into office space.

Companies can begin to address the changes now with fairly minor tweaks. Knoll's survey, for example, found Millennials prefer a collaborative environment, with enough privacy to complete their individual work.

Reconfiguring office space or incorporating casual, nonconference room-based seating clusters throughout the office may help.

Commercial building and facilities management resource Buildings.com suggests including communal space, to add a social element to the workplace, and utilizing an open floor plan that de-emphasizes staff hierarchy.

Adding unique incentives can also help make a workplace more millennial-friendly and increase your overall retention rate for all age groups.

Consider Acuity — which has a turnover rate of just 2 percent. The insurance group provides lunchtime comedians and, to boost its fun factor, set up a 65-foot Ferris wheel inside its office.

Similarly, Ultimate Software, which landed in the top 10 on Fortune's 2015 100 Best Workplaces for Millennials list, sports an office space that includes Vitamix blenders to make smoothies, chill rooms and other alternative work spaces, Nerf basketball and TVs. The company says creating a work-life balance-friendly atmosphere is one of its top goals.

Office location is also important to Gen Y workers. Downtown living has been a growing trend among various generations in recent years: U.S. Census data from 2010 showed that, in the past decade, downtown areas in the nation's largest cities (comprised of more than 5 million) increased by 13.3 percent.

Sixty-two percent of millennials prefer to live in the type of mixed-use communities found in urban centers. In addition, two-thirds rent, instead of owning a home, which, cost-wise, is often a more prevalent choice in urban areas.

Some organizations have responded by opening office space downtown, instead of utilizing the suburban campus mode, for greater access to the young labor force, according to Cushman & Wakefield.

However, workplace amenities don't just have to be physical office attributes. If your organization's budget won't allow for more festive design — or a ferris wheel — consider amplifying your current employee recognition and appreciation efforts.

Encouraging employees and fostering a team spirit can have an overwhelmingly positive effect. Eighty-eight percent of millennials say company culture is a key element of their dream job.

4. Employee contact policies: A study published in the European Research Studies journal, highlighted in a recent Psychology Today issue, indicated European workers feel work-life balance has become increasingly difficult to manage — but also increasingly important.

This study also showed employees who feel they are in command of their working environment experience less stress-related illness; in turn, their employers experience less turnover.

Work-life balance is by no means only a concern in Europe. Fifty-eight percent of Canadians feel overloaded with professional and personal responsibilities, according to the Canadian Mental Health Association. A 2010 SHRM survey found that 89 percent of U.S. workers also said work-life balance has become a problem.

With technology making it increasingly easier to contact people from essentially any location, at any time of the day or night, work-life balance is likely to become more of an issue.

Constant communication can have an extremely detrimental effect. Half of workers who said they frequently emailed outside of the office experienced a substantial amount of work stress, according to Gallup.

Intensified telepressure — the expectation that you'll check and respond to e-mails outside of work — can cause physical and cognitive burnout, resulting in poor sleep and additional sick days, according to a study published in the Journal of Occupational Health Psychology.

Employees who are constantly stressed out and can't recharge in their off-hours are prime candidates for disengagement — which, at a cost of more than $2,200 per disengaged employee, can be an expensive problem.

A lack of work-life balance can also upset retention efforts. A recent international Monster.com survey found that 42 percent of workers had left their job due to stress. More than a third cited work-life balance issues, and 39 percent said it was because of their amount of work.

Organizations need to be proactive to prevent work-life balance-related disengagement and other issues. They can benefit from creating a company culture that ensures employees know that they aren't expected to be constantly available.

Establishing a policy to address how managers can contact employees outside of work is the first step. Create a team or appoint an HR individual to craft a formal document that states what is expected of workers, in regard to work and responding to messages outside of work.

Distribute it on an institute-wide level, and ensure it's enforced by periodically reviewing the policy stipulations and surveying employees to find out if they feel managers are respecting their free time. If they aren't, additional training, reviews and policy revisions may be required.

5. Preparing to deal with generational workforce gaps: In the next decade, a significant number of U.S., European and other workers will reach traditional retirement age and may — or may not — leave the workforce.

Recent research has shown employees in their late fifties and early sixties are, in increasing numbers, choosing to work into, and in some cases, past their sixties.

Between 2000 and 2010, the percentage of over-55 workers rose in all 27 EU countries, except Portugal and Romania, according to Eurostat. Countries in Southern and Eastern Europe are expected to soon see a rapid increase in the proportion of older citizens.

Approximately 82 percent of baby boomers also plan to work past age 65, or already are, in the U.S., according to recent research from the nonprofit Transamerica Center for Retirement Studies.

Workers are delaying retirement for a number of reasons. Some nations have raised their retirement age, in part, potentially, to reduce state-funded pension plan costs, according to Bloomberg. Italy, for example recently increased its workforce year requirement to be eligible for a pension.

In other countries, such as the U.S., debt and a lack of retirement savings have played a part. Financial advisers were concerned U.S. workers had incurred too much debt and weren't saving

enough even before the Recession began, according to Gallup. A recent U.S. Government Accountability Office study found that 52 percent of households comprised of people 55 and older don't have any personal retirement savings.

The most severe economic downturn in 70 years has helped fuel the trend in the EU. Only 6 percent of French workers and 4 percent of Polish workers feel very confident about their retirement funds, according to the 2014 Aegon Retirement Readiness Survey.

The uncertainty over the new retirement age norm has prompted mounting concern about potential knowledge gaps and staffing overflow issues.

If a significant number of employees opt to stay on board past the traditional retirement age, an organization's hiring needs and carefully crafted succession plans can become muddled.

In today's job market, organizations need to accurately pinpoint their future staffing needs to avoid productivity drop-offs. Thirty-four percent of companies currently face difficulty filling vacant positions, according to the Manpower Group's 2012 Talent Shortage Survey.

In the U.S., that figure is closer to 50 percent, with management and executive vacancies ranking among the top 10 most difficult to fill.

However, if companies hire new employees to fill positions they anticipate workers will vacate when they retire, and employees then choose to continue in their role, the company may find itself dealing with a costly overstaffing issue.

To deal with the impending retirement shift, organizations can employ several solutions:
- **Find out employees' intent:** Gauge near-retirement-age employee sentiment through company surveys, personal conversations or other approaches so you can plan accordingly.
- **Encourage experienced employees to stay:** If your organization is facing a mass exodus of retiring employees, consider offering incentives to stay to prevent productivity delays. Enticements don't always have to be financial; in some cases, flexible work schedules may encourage retirement-age workers to remain. Indications suggest a significant number of workers may be interested in working part-time in certain countries, such as Italy, where the amount of workers age 50-64 increased from 47.3 percent in 2008 to 49.6 percent in 2011.
- **Establish a knowledge sharing program:** Utilize full-time near-retirement or part-time workers to help train new hires and younger, less experienced employees — which can help prevent future skills gaps from occurring when experienced employees do retire.

6. An increased focus on diversity and inclusion efforts: Emerging markets and expansion, generational diversity changes and other factors have prompted many organizations to re-examine and rework their current diversity and inclusion programs.

In many cases, the emphasis flows from the top down. CEOs or presidents are responsible for implementing diversity initiatives at 21 percent of organizations; even if the CEO isn't directly in charge of the program, CEOs are often involved in a number of ways, according to a 2011 SHRM report.

Forty-one percent of companies with more than 25,000 employees report their CEO personally signs off on diversity metrics and programs (27 percent of CEOs at organizations with 2,500 to 25,000 employees do); 28 percent of large corporation CEOs regularly meet with employee and affinity groups.

Organizational diversity and inclusion efforts range from inventive programs to sharing successes, including:
- **Initiating specialized diversity efforts:** Creating diversity-based talent pipelines can help an organization reach and recruit diversity hires; talent pipelines can also help organizations meet any pre-established hiring goals. PepsiCo, for example, sponsors several diversity recruiting conferences and has an on-campus recruiting program. Sixty-three percent of new hires from the program in 2013 were persons of a diverse background.

  Some organizations have also launched supplier-based diversity efforts — such as Chevron, which sponsors a Supplier Diversity/Small Business Program. The integrated energy company works with small, minority- and women-owned businesses to help cultivate inventive, cost-effective methods of supplying goods and services.

- **Releasing information about your diversity stats:** Eighty percent of the companies that participated in Diversity Best Practices' recent assessment said they've published their diversity statement in corporate materials and on their website.

  In recent years, Yahoo, LinkedIn and Google have released data on the number of women each company employs (according to U.S. News & World Report, 37, 39 and 30 percent, respectively).

Some organizations are also establishing internal efforts to make sure current and potential employees are aware diversity efforts are a focus. AT&T created a Chief Diversity Officer Forum in 2009, which meets quarterly to assess company-wide diversity and inclusion programs' effectiveness. The communications company also sponsors a Business Unit Diversity Council, designed to increase diversity awareness and drive inclusion-related employee engagement at the company.

Promoting your diversity successes can be a helpful recruiting tool because diversity can be a key selling point with job candidates. Two-thirds of respondents said they viewed diversity as an important factor when assessing job offers, according to a recent Glassdoor survey.

7. Integrated succession pools: Establishing integrated succession pools that include external and internal talent can help an organization simultaneously foster promising employees and recruit rising stars to fill future openings.

Integrated talent pools also offer another significant benefit: Market intelligence. By reaching out to industry members who could be potential hires, companies can gain a sense of what salary, incentives and awards their competitors are offering. They'll obtain useful knowledge that can serve as a retention-enhancing benchmark to adjust the company's current compensation package for various positions — using actual metrics, instead of guesses or assumptions about what competitors offer their employees.

Frequently gauging market salary and other information from competitors' employees can also help organizations more accurately assess what skills various roles should possess, and arrange additional training or bonuses accordingly.

However, approximately one-half of business leaders who responded to a recent global survey on succession planning admitted that their organizations did not have a solid pipeline of candidates who could be considered "ready now" to take over critical leadership roles.

A 2012 LinkedIn report found that only 2 percent of organizations had a long-term approach to sourcing passive talent, due, in part, to a lack of time and resources to perform regular talent pipelining work.

To strengthen internal talent, tally current employee skill sets and determine what additional training should be offered to prepare workers for future roles.

To tap into external talent, Monster.co.uk suggests using industry magazines and websites to find players who are "creating a stir within your sector" — in addition to turning conferences and other industry events into recruiting opportunities for potential future hires.

CONCLUSION

The HR industry experienced a number of challenges in 2015; undoubtedly, 2016 will likely present additional issues, which will require additional solutions.

To meet current job market, employee retention and other demands, HR professionals need to prepare for potential knowledge gaps, talent shortages and other productivity-reducing roadblocks.

The above scenarios — and solutions — can help HR departments successfully navigate some of the generational, policy and other changes in the coming year.

It's important to remember resolution often takes time; however, if a solution doesn't seem to work after a considerable implementation period, moving on to another option may be best.

In employee management, a trial and error approach is often a necessary reaction. You may not find the perfect solution on the first try; however, your efforts will show employees that management feels the issue is important — and, in time, the improvements you attempt will hopefully lead to the ideal resolution.

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