

The Human Resource Pool's Changing

Three big workforce trends are shaping the future of work: diversity, longevity, and scarcity. To take just one metric, by 2045, the white population of the US will no longer be the majority, for instance. To inspire and attract tomorrow's multi-faceted workforce, companies must understand the business need for diversity. In parallel, CEOs and CHROs face an ever-growing need to build organisations as diverse as their customers will be.

Here, HR's role is central: Does your company have a culture of psychological safety, equity, and inclusion? Do people listen to each other?

The second issue is that the available workforce is getting older. By 2030, 25% of US workers will be over the age of 55 - a percentage that will continue to increase. There are two reasons for this: increasing longevity, coupled with a very low fertility rate.

Imagine your company with five generations working together, and how multi-faceted their expectations will be: 20 year-olds looking for new relationships, career guidance, constant communication, and excitement; early family creators needing flexibility for childcare and child activities; middle-aged workers who want promotion and to improve their standards of living; older workers desirous of purpose, meaning, and work that fits their older eyes, hands, and legs.

It's time to get serious about new ideas like reverse mentoring (young workers mentoring older ones), part-time careers for older folks, job sharing and accommodations for ageing eyes, backs, and hands.

The third demographic challenge is the overall size of the workforce is shrinking. That means that for now, and probably for the rest of your working lifetime, workers are the ones in charge.

Industries, Jobs, And Careers Are All Being Rapidly Redefined

Industries are converging, creating a massive war for certain skills. Gas making car manufacturers are now building electric vehicles, batteries, and EV power distribution

networks; oil and chemical companies are getting into hydrogen and energy systems, and so on.

To stand any chance of surviving this tsunami of change, the job architecture and structure of your business must adapt. No company can hire its way to growth any more - not only are there fewer workers to choose from, but the high-demand skills are in very short supply.

HR leaders need to respond by looking at recruiting, retention, re-skilling, and redesign of jobs in one integrated system. There is a massive effort to build skills models and assess skills, as well as for improved internal mobility, talent marketplaces, and new ways of nurturing high-value talent from currently low-status employees.

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Yes, You'll Still Be Talking A Lot About Skills This Year

One of the hottest discussion topics in HR right now is skills, but skills and skills-based strategies are not a replacement for the competency models we spent so much time and effort building. "Skills" is different, so warrants a different approach.

In the competency model era, we selected competencies from a book and matched them each to a job. Today, that doesn't work. The "skills" needed in software engineering change every few months. We live in the context of tens to

hundreds of thousands of skills, each of which might trend up or down, based on technology or business shifts.

A skills-based organisation deals with this by using data to focus on who to hire, who to promote, and how to develop people. This new, dynamic way of managing people is not the same as old-style competency management. Simply doing a skills taxonomy is not a good way to proceed, in other words; instead, think capabilities first, skills second, and look to real world data to track which skills you need.

Hybrid Is The Future

The new way of working isn't just about "hybrid." Companies are redefining the whole idea of the workplace to create better models for modern teamwork, performance management, alignment, and multi-functional working. They need to figure out how to make multiple bosses, projects, and assignments all work in parallel, and often in cyberspace.

That's why we're seeing a whole next gen of HR and workplace technology for everything from scheduling, workplace optimisation, real-estate planning, presence awareness, mobile video, and similar productivity tools.

Hybrid work also requires cultural strength. Managers must learn to be not just comfortable with remote, but also how to lead, listen, and help in that context. Rather than mandate "days in the office," I urge companies to build a set of appropriate, organisation-specific tools and guidelines.

And ensure your front line workers are included - all your shop floor sales assistants, cooks and baristas, nurses, pharmacists, drivers, manufacturing workers. They need post-pandemic autonomy and flexibility just as much, if not more so.

Not Just Global, But Workforce Sustainability

Global companies are framing a new idea: "People Sustainability." This is a combination of more conscious support for employees on physical and mental health, but also financial wellbeing. And this is happening against a new background of the need to be aware of contractor health and safety, non-discrimination/DEI, child protection, a right to collective bargaining, freedom from sexual harassment, and the right to have leave for personal needs.

Instead of looking at fairness, equity, belonging, and well-being at work as separate projects, a better approach may well be to unify them into one roof under the label of “long term organisational sustainability”.

Rethinking Leadership

One of the largest and most fragmented markets in HR is leadership development. I foresee most companies seriously revisiting their leadership models this year, as so much has changed in business; today, leaders don't “manage” or “direct” people very much any more, and instead they empower, train, support, align, and move people around.

On that basis, a big theme for 2023, is how to balance the new world of empathetic, flexible leadership with the need for ever-increasing productivity. We learned a big lesson during the last economic cycle - you can't just hire to grow and expect that to always work (look at Meta and Amazon's lay-offs, for instance).

Now is the time for leaders to be more deliberate, careful, and strategic in their hiring. Another key to leadership in 2023 is listening. After all, every great new idea for job redesign or new work processes will likely come from a passionate, well-intended employee.

Performance Management In The Flow Of Work

If revenues slow, companies will look at lay-offs. How to make these decisions in context with the performance process?

The good news is that we're moving to more of a continual performance model and away from the inflexible annual appraisal. We're seeing a lot more OKRs (mutually agreed objectives and key results), more formal check-in processes, and new tools that let team leaders manage performance “in the flow of work”.

Success Factors, which pioneered cascading goal software in the early 1990s, has introduced a team-management, OKR-based system, that lets you manage performance among matrix teams, hierarchical teams, and individual contributors; Microsoft is bringing OKR-based goal management into your MS Teams workspace. Fuel 50, which is primarily a career management and talent marketplace platform, has added performance management functionality, for example.

Keep Pay Equity And Non-Cash Benefits Top Of Mind

This last year has been the most disruptive period in pay practices I've seen in a long time. Every company has been raising pay, changing pay models, and benchmarking pay, at a fevered pitch. Our research shows that it's not the gross amount that is the only thing workers care about; they are six times more impacted by pay equity than they are level of pay.

In other words, if you want to allocate budgets well, fix the disparities in pay before you give everyone a raise. Every time a new person is hired, promoted, or moved, your pay system may need adjustment. Salesforce, for example, spends millions of dollars every year to keep on top of pay equity issues - a process that's built real trust with employees.

By the same token, you reward people in more ways than just money - in 2022, US employers paid over 30% of their total payroll in “non-cash” benefits (e.g., insurance, leave, educational benefits, etc.). Keep an eye on keeping competitive on this front - if the reward system helps your people stay focused and productive, the pay-off is always massive.

Consciously Supporting Workforce Well-Being

CEOs, CFOs, and CHROs understand that today, when both business landscapes and technology change so fast, skilled and highly engaged employees are the most important asset they have. As a result, once considered a benefit to be offered along with vacation and insurance, well-being is now a defined strategy for corporate growth.

workers work more than 50-55 hours, their total work output decreases, for example.

Maybe we're finally figuring out that the old industrial model of 8-5/five days a week just no longer applies.

Productivity = Company AND Employee Satisfaction

There are only two ways to grow: hire more people - or make the company as a whole more productive.

Global business has focused more on the former and ignored the latter. As a result, productivity growth has been disappointing - but now times are tougher, we have to go there.

So, only ever hire if that new member will definitely/in a provable way, boost the productivity of the entire team. Don't just fill the slots. Every new HR process or policy you create should only ever improve productivity, not reduce it.

You'll also want to do this as productivity creates employee engagement. When people feel productive, they love their jobs; when they feel they are wasting their time, they quietly quit or move on. Your people should only ever be doing the jobs that best leverage their credentialed and valued skills, not wasting time on admin.

Expanding The L&D Conversation

Organisations have been leaning heavily on content libraries, programme design, tools, and systems. That means many have lost sight of the real goal in L&D; facilitating employee growth. By going beyond development, you are much more likely to build skills to secure your future.

As an L&D leader, 2023 should already feature either solid plans or early achievement in things like talent marketplaces to build employee skills through projects, gigs, mentoring, relationship building, etc., as well as capability academies where business leaders and L&D create internal teaching support for needed capabilities, skills, and growth.

You should also be looking at tuition-free education to build capacity in particularly constrained roles - a trend we say is less of a career path, and more of a career “pathway”.

Cherish Your Recruiters

A key learning for the sector over the past few years is that while technology is important, the real key to high-performance recruiting is the strength, skills, and relationships of your recruiters.

To maximise this insight, organisations should focus on making recruiters the kings and queens of talent acquisition. Stop seeing them as just salespeople, and more as trusted advisors who can help decide if a candidate fits your culture, and arm them with powerful tools for sourcing, assessment, and selling you as a brand.

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Well-being is also something we have to deal with, as delayed stress and burnout from lockdown is a real factor now. One of the largest US telecommunications providers told me 68% of its employees felt they had too much to do.

Employee burnout is a management problem, not a personal issue for each worker. HR can help by fighting for things like space for teams to rest, reflect, learn, and grow, and push for permanent new ways of worth like four-day work weeks. Data shows that once

Having said that, you'll struggle even more than usual in a tight labour market this year without having a fantastic employment brand. This is a leadership job, not an HR programme.

People Analytics Continues To Evolve

In the 1980s and 1990s, "people analytics" focused on understanding pay, rewards, the annual engagement survey, and to some extent capturing data on employee retention and engagement. Then, we added other dimensions like culture, organisational network analysis, and started looking at things like DEI.

But the field has hardly stopped still, and now we have more and more tools that give us even better insights into employee sentiment, activity, and productivity. People analytics has in effect expanded from an experiment in psychology to a business function delivering data-based insights across all areas of the business (not just HR).

But we have to focus on a new problem: can we use HR data to help the company grow? Here, look for the imminent explosion of interest in 'talent intelligence;' harnessing all your data to do things like tell the CEO with specific

numbers and projections how many people you can hire, re-skill, and grow or which jobs you can redesign.

New HR Tech Orientations

Meanwhile, the HR tech market is taking on a new form: integrated skills-powered talent platforms that create, infer, or store skills. Every HR vendor, from Oracle to SAP Success Factors to Workday, Gloat to Cornerstone, Eightfold to Beamery, wants to be the "system of record" for skills.

Until this shakes out, keep an open mind, and only work with vendors committed to API-based openness to other systems if you demand it. And keep an eye on AI, which has just become ubiquitous in our world.

A New Business "Operating System" With HR At Its Heart

The pandemic forced HR to become focused on infection prevention, working at home, well-being, and mental health. Think about how many new policies you built over the last three years by working with colleagues across the business - this is what HR needs to look like now.

Going forward, everything we do in HR should be part of such integrated, cross-organisational, working.



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