



2019 – 2020 INDUSTRY INSIGHTS:

# HR Trends Guide



# It's time to make HR less administrative and more strategic.



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**AS THE GAP WIDENS** between business leaders' expectations, changing employee preferences and the role HR currently plays in the transformation, HR's ability to become a trusted advisor is threatened. HR professionals report spending approximately 80% of their time on administrative tasks like onboarding, billing and payroll, resulting in missed opportunities to proactively focus on strategic initiatives like long-term workforce planning, mitigating risk and fueling growth.

**In this report, we will examine how the future success of HR professionals lies in their ability to monitor and address the following six critical areas:**

**1** Organizational Success and the Impact of Workforce Trends

**2** Technology and Analytics

**3** The Humanity of HR

**4** The New Workforce

**5** Competitive Rewards Packages

**6** Compliance and How It Can Impact the Bottom Line



# Introduction

As economic and regulatory uncertainty continue to dominate the conversation of U.S. employers, the focus has been squarely put on an organization's ability to remain competitive—all while weathering an era of disruption and transformation.



## 66%

of CEOs expect their company to change its business model in the next three years.

— GARTNER, INC

A recent study by Gartner found that **66% of CEOs expect their company to change its business model in the next three years.**<sup>1</sup>

The road ahead will require businesses to remain nimble, protect their financial stability and look beyond traditional ways to maintain their competitive advantage. It's vital that organizations embrace change and that HR helps drive that change.

In the face of increasingly accelerated transformation and competition, employers often may not realize that **only 50% of change initiatives are successful and, with more than half of change success factors related to talent, the pressure for leaders is on.**<sup>2</sup> Fostering a high-performance workplace and having the right talent in place will force business leaders to rethink how

their talent strategy impacts their bottom line. At 4.1%, unemployment is the lowest we have seen in the last 17 years.<sup>3</sup> Employees have options, and they are not afraid to explore them. Employees expect their employer to do the right thing; in business transactions, in giving back to their community, in education and training and in supporting them as individuals with the ability to affect the organization's bottom line. This kind of organizational change requires all departments to work together to develop and contribute to HR processes, systems and culture to drive this change.

However, change is demanding and may not be easy. HR professionals are often bogged down with day-to-day tasks, urgent issues and tactical employee questions, not to mention struggling to keep up with the pace of legislative reform. HR's inability to become a trusted workforce advisor can lead to misalignment of organizational

goals and an increase in compliance risk, resulting in wasted time and money. To be a champion of change, HR will need to step out of their silos and day-to-day demands to understand the bigger picture and align their priorities with organizational goals.

As more organizations become concerned with long-term strategy, **37% of CEOs complain that HR has a limited view of their organizational goals. 43% of CEOs say they missed their innovation goals last year because they didn't have the right talent in place.<sup>1</sup>**

Furthermore, this disconnect affects HR's reputation within the organization – in fact, **71% of employees don't think HR effectively helps them perform better.<sup>1</sup>** This perception prohibits HR from being a true resource to the company and its employees.



# 43%

**of CEOs say they missed their innovation goals last year because they didn't have the right talent in place.**

– GARTNER, INC.



# Organizational Success and the Impact of Workforce Trends

Start with asking yourself, *what does the CEO worry about? What do business leaders worry about?* Not knowing the answers to these critical questions can lead to misalignment between the strategic initiatives of HR and the greater goals of the organization.

For many business leaders, having the right talent in place is one of their greatest worries. If having the right talent contributes to 66% of successful organizational change,<sup>2</sup> what's often overlooked is the cost of having the wrong talent in place. Typical costs to replace an employee are 33% of an employee's annual

salary. In dollar figures, the replacement cost averages \$15,000 per person for an employee earning a median salary of \$45,000 a year, according to the Work Institute's 2018 Retention Report.<sup>3</sup> The study also highlights indirect costs that stem from knowledge loss when an employee leaves, the time spent finding a

replacement and the time a new hire needs to become fully functional.

With unemployment rates at an all-time low, the battle for talent is fierce. While job growth increased at a record pace, the total number of unemployed people decreased to a 17-year low of 4.1% at the end of 2018.



**Typical cost to replace an employee is 33% of their annual salary.**

Employers  
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employees  
from leaving.

– WORK, INSTITUTE



Employers added new jobs, but quality talent was hard to find. This resulted in a record level of vacant jobs.<sup>7</sup> Not only are next-generation workforce advisors tasked with making sure the right talent is in place, but they're also charged with building bulletproof strategies to retain top performers. In an era of employee choice, employers are facing record-high levels of turnover. A recent

study conducted by the Work Institute found that **employers could prevent 3 in 4 employees from leaving.**<sup>3</sup> When the costs and challenges associated with recruiting are taken into account, retaining employees becomes a much more effective strategy.

Staying ahead of recruiting and retention will help organizations be prepared for the future.

In dollar figures, the cost to replace an employee is **\$15,000 per person** for an employee earning a median salary of \$45,000 a year.

– WORK, INSTITUTE



# Technology and Analytics



Employees look for a customer-centric experience that makes it easier to get what they need when they need it.

**Leaders are faced with navigating the complexities of adopting technology that meets the multifaceted needs of an organization.**

When it comes to digital needs, CEOs, HR professionals and employees all have different demands. CEOs want to deliver products and services better, faster and cheaper, and they expect digital investments to improve workforce productivity and performance. HR seeks automation of day-to-day processes and workforce management improvements. Employees look for a customer-centric experience that makes it easier to get what they need when they need it. So what is the balance?

Fresh-thinking HR professionals are exemplifying how critical it is for organizations to make initial digital investments in workforce management

platforms. In fact, **88% of HR leaders say their organization needs to invest in three or more technologies in the next year.**<sup>1</sup> These investments support automation and enhance the entire employee lifecycle from hiring to off-boarding and everything in between. This includes managing benefits, payroll, time and attendance, PTO tracking, performance management and even helping to minimize compliance risk. This ultimately allows for more time to be a strategic and trusted workforce advisor that can leverage people analytics to forecast workforce needs, elevating the employee experience and supporting organizational growth.



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of HR leaders  
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— GARTNER, INC.



# The Humanity of HR

Let's begin with the obvious: HR is first and foremost about the people. An employee's needs and desires are still at the core of the HR function and although implementing technology solutions can assist HR functions in meeting the needs of employees more effectively, it only works when we remember the people.

Although implementing technology solutions can assist HR functions to meet the employee needs and desires more effectively, technology also lifts productivity and performance only when we remember the people.

**Often overlooked, is the correlation between the employee experience and an organization's bottom line.** IBM explored the financial impact of a positive employee experience and found that **lost profit due to negative employee**

**experience can result in a loss of more than double the return on sales.**<sup>4</sup> On top of that, it also affects HR's reputation organizationally—in fact, **71% of employees don't think HR effectively helps them perform better.**<sup>1</sup>

This perception prohibits HR from being a true resource to the company and its employees.

Building an exceptional employee experience is not a one-size-fits-all approach. HR professionals need to leverage innovation to optimize the employee

experience and make it personal. By asking the right questions and understanding what each employee values, HR will effectively build an engaged, productive workforce culture. Gartner research shows that consumer-centric HR functions improve workforce performance and the employee experience.<sup>1</sup> By embracing the fact that a multigenerational workforce provides varying strengths and skills, you can leverage these differences while keeping up with digitization to develop more productive teams.

**71%**  
**of employees don't think HR effectively helps them perform better.**

– GARTNER, INC.



 **91%**

**of employees are satisfied with support for work and life in a consumer-centric HR function.**

 **17%**

**Consumer-centric HR functions see a 17% increase in employee performance.**

– GARTNER, INC.



# The New Workforce

Artificial Intelligence (AI) is redefining how we do business, including HR. Technology continues to power a virtual workforce, encouraging a gig-economy and cross-country collaboration. Preparing for AI as you manage your resources will keep you on the cutting edge of your HR strategy.

What is the “no-collar workforce” and why does it matter? The future will see a hybrid of both human and robotic production working side by side. Yes, that means humans and machines working together seamlessly. Most manufacturing operations have already been working in this evolved environment for years. HR must understand what this means for their organization. In most cases, we are not suggesting machines and robots replace employees, but rather augment the work, allowing humans to handle the fun stuff: connecting

and communicating. AI will not replace work that requires empathy, problem-solving, social skills or emotional intelligence. It’s not about technology replacing the personal touch; it’s about technology enabling the personal touch and raising the bar.

The changing workforce is giving way to the new “gig economy.” Gone are the days when one employee worked for the same company for their entire career. Now employees jump around or may have

multiple “gigs” at the same time. The Bureau of Labor Statistics reported 55 million people in the U.S. are “gig workers.” **That’s over 35% of the U.S. workforce.** Put in hiring terms, more than **3 out of 10 people** that might have applied for your job, probably have **considered, or are currently participating in the gig economy and also looking at other jobs. That number is expected to jump to 43% by 2020.**<sup>5</sup>

While various studies seem to contradict these numbers,



More than **3 people out of 10** have considered participating in the gig economy.

That number is expected to jump to **43% by 2020.**



– FORBES MAGAZINE



It's not about technology replacing the personal touch; it's about technology enabling the personal touch.

the fact remains that HR professionals must consider gig workers when it comes to hiring and outsourcing and even benefits and succession planning.

Gig employees also provide value to employers because they typically possess real-time skills that may not currently exist within the organization or offer the ability to gain a specific expertise for a finite period, resulting in the cost savings of not hiring a more permanent employee. Many of these gig workers create long-term relationships with the company;

they ebb in and flow out as needed.

Finding a qualified gig worker is easier than ever, and many vendors have a pipeline of skilled workers. Employing gig workers can result in cost savings for a company as they are often employed by the vendor or supplier who manages the pay processes, taxes and performance issues. The challenge becomes how can you get the most out of your "gig" employees, while maintaining a handle on your business and their work?



#### OneDigital HR Webinar Series Playback

Revisit **Artificial Intelligence (AI) and HR: Why Should I Care?** to learn more about how AI is revolutionizing critical dimensions of HR, like talent acquisition, onboarding, retention and training.

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# Competitive Rewards Packages

SHRM reported that in 2018, more than one-third of organizations increased benefits offerings, citing retaining employees (72%), attracting new talent (58%) and response to employee feedback (54%) as the reasons.



Employee benefits make up approximately one-third of total compensation cost.

- SHRM



Employers like The Walt Disney Company, McDonald's and Chick-fil-A **focused on education**, providing employer-sponsored dollars toward tuition and continuing education programs.

During open enrollment in 2018, Fortune 500 companies like Nissan, CVS Health and Estée Lauder focused on enhancing several aspects of family benefits, offering breast milk shipping services, enhancing parental leave benefits and increasing adoption assistance benefits. These companies also looked at expanding benefits to hourly employees, making them accessible to more employees. Employers like The Walt Disney Company, McDonald's and Chick-fil-A focused on education, providing employer-sponsored dollars towards tuition and continuing education programs. Other trends seen amongst innovative employers were centered around offering employer-sponsored voluntary products, such as student loan debt repayment

and employee stock plans.<sup>6</sup>

As organizations look to attract and retain talent, the multigenerational workforce increases the challenge of putting together the right program that will effectively engage your people. The diverse, age-related requirements of today's employee population necessitate a tailored strategy, as the traditional one-size-fits-all approach no longer works. With employee benefits making up approximately one-third of total compensation cost, organizations must strategically select benefits to maximize their return on investment.<sup>7</sup> Offering programs that allow employees to select the benefits that make sense for them has proved to be very effective.

**More than one-third of organizations have increased benefits offerings due to:**



**Retaining Employees**



**Attracting New Talent**



**Response to Employee Feedback**

— SHRM



# Compliance and How It Can Impact the Bottom Line

**Today employers face discrimination, harassment and retaliation claims throughout every stage of the employment relationship.**

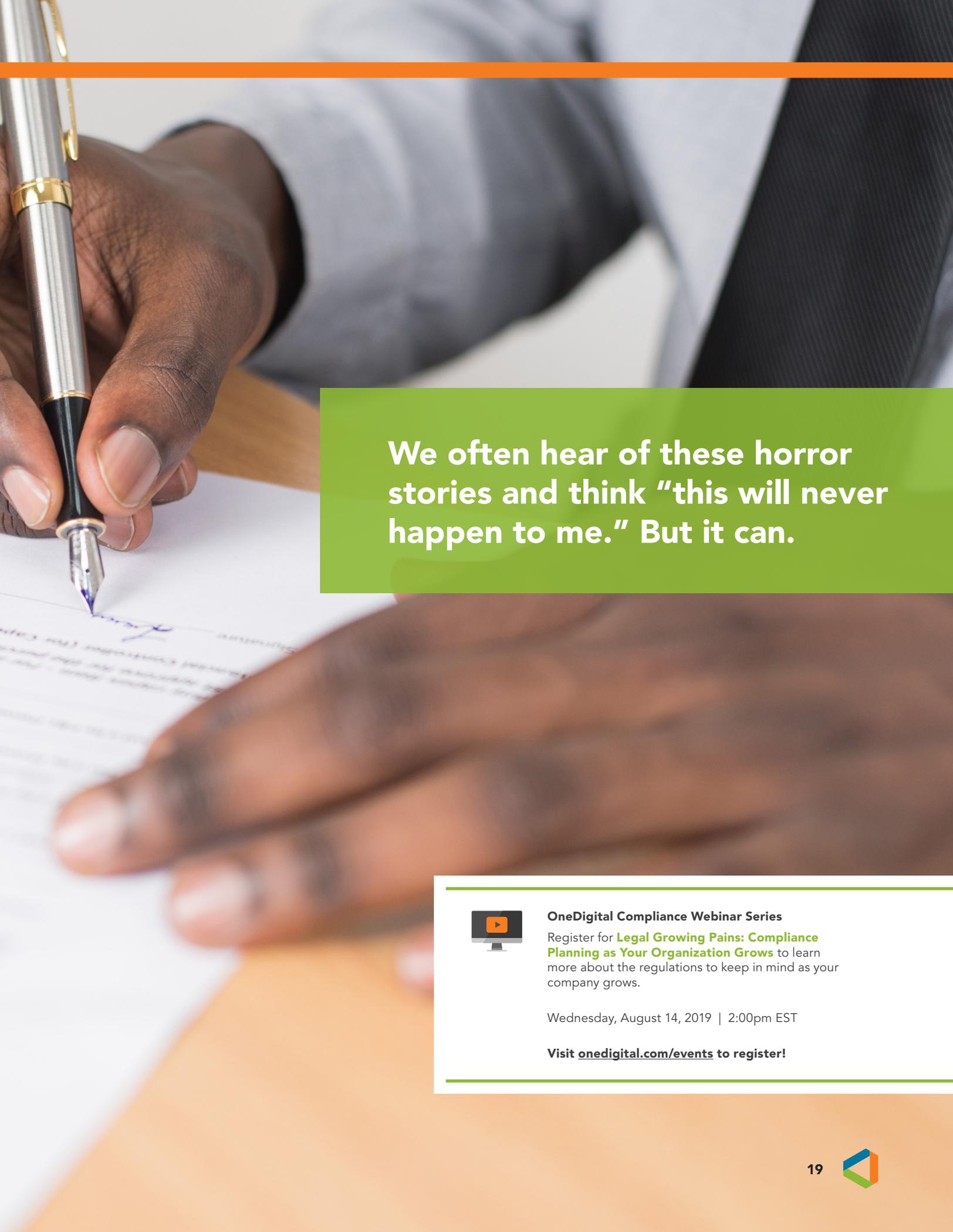
The #MeToo movement has garnered a global response bringing to light the very real problem of harassment and abuse in the workplace. While most HR professionals are getting bombarded with administrative tasks, urgent issues and employee questions, they also face fast-paced regulatory changes, making it a struggle to keep up.

In reality, not proactively managing compliance risks can have detrimental effects. Penalties vary by location and type of violation, but damages can include back pay, future pay, liquidated damages, employment reinstatement, fines, interest, attorneys' fees and punitive damages. In a press release issued by the Equal Employment Opportunity Commission (EEOC), the organization outlined millions of dollars in penalties for violations.<sup>8</sup> We've seen it all—from small-case damages to more

drastic instances where the Department of Homeland Security dropped by one company for a spot I-9 audit and suspended company operations. This resulted in a loss of \$1 million for a week of lost productivity and added turnover-related costs that resulted from disheartened employees negatively impacting the employee experience.

We often hear of these horror stories and think "this will never happen to me," but it can. This is a shocking example of how HR's inability to become a trusted workforce advisor can lead to increased organizational risk and result in wasted time and money—tarnishing the reputation of both HR and the company at large.





**We often hear of these horror stories and think “this will never happen to me.” But it can.**



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# From Insight to Action

The road ahead will require businesses to remain nimble, protect their financial stability and look beyond traditional ways to maintain their competitive advantage.

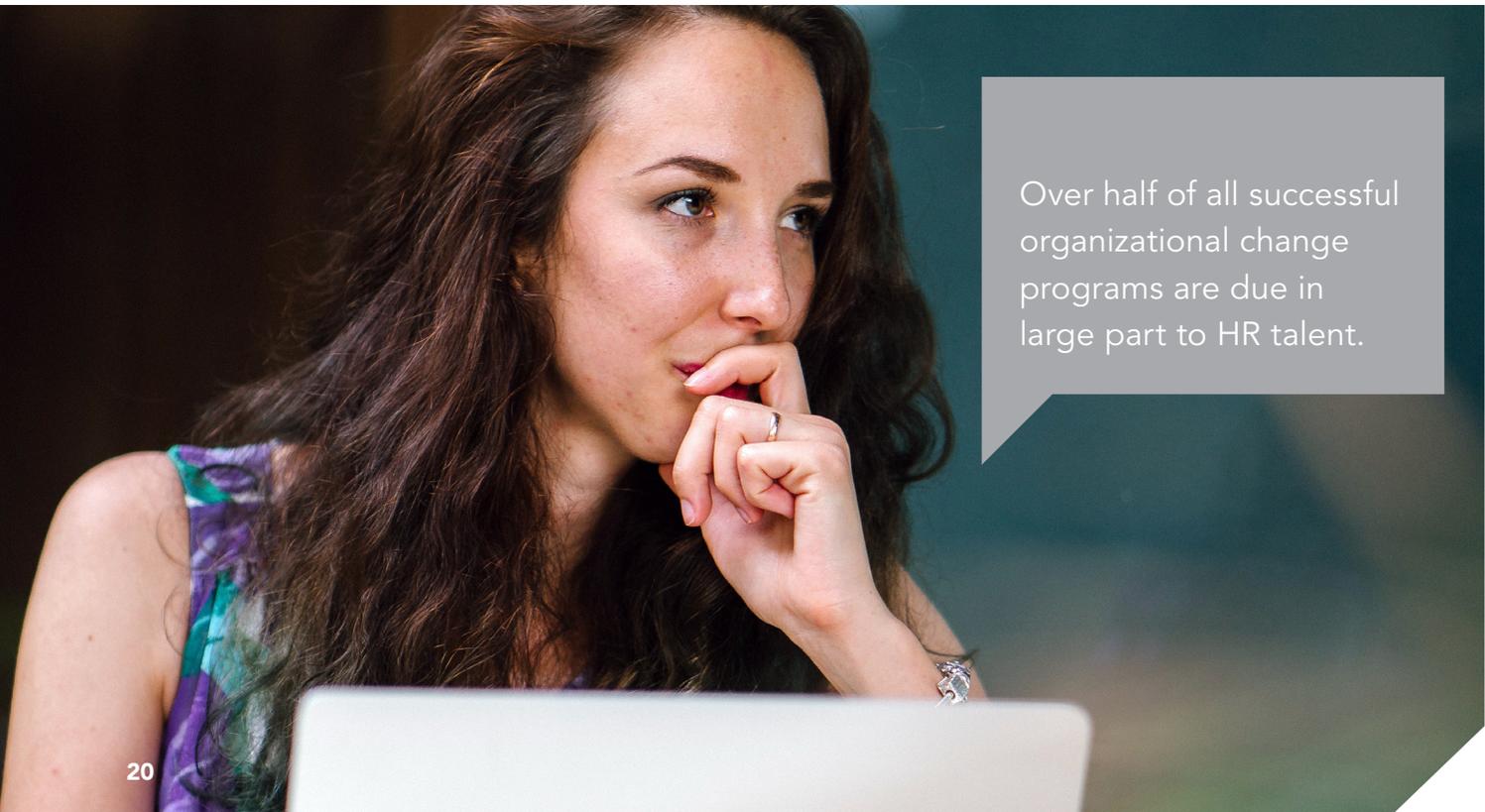
**Since over half of all successful organizational change programs are due in large part to the talent, roles and responsibilities of an HR professional, the demand for these skilled professionals will only increase.**

With the rising demand for immediacy, efficiency and

overall consistency from HR organizations across the globe, it's no surprise that HR is racing to revamp their practices in an effort to keep pace with the latest business requirements and leadership expectations. Trends garnering the most interest are expected to ultimately affect the bottom

line, disrupting the HR landscape as we know it.

HR can no longer afford to be bogged down with tactics. A strategic approach to workforce management and a closer relationship with senior management will remain critical in defining organizational success.



Over half of all successful organizational change programs are due in large part to HR talent.

Staying afloat in 2019 and beyond will require HR professionals to embrace the change ahead and learn to leverage disruption and innovation in ways that work. This will ultimately allow more time to be a strategic and trusted workforce advisor who can leverage people analytics to forecast workforce needs, elevating the employee experience, attracting and retaining employees and supporting organizational growth.



We strive to help our clients take charge of their business by providing a holistic approach to incorporating innovative benefits, HR and technology. We are focused on our customers' bottom line. In an age of digitization, your technology investments should support growth while also enabling you to build an exceptional workplace.

**It's time to make HR less administrative and more strategic.**

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## ENDNOTES

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