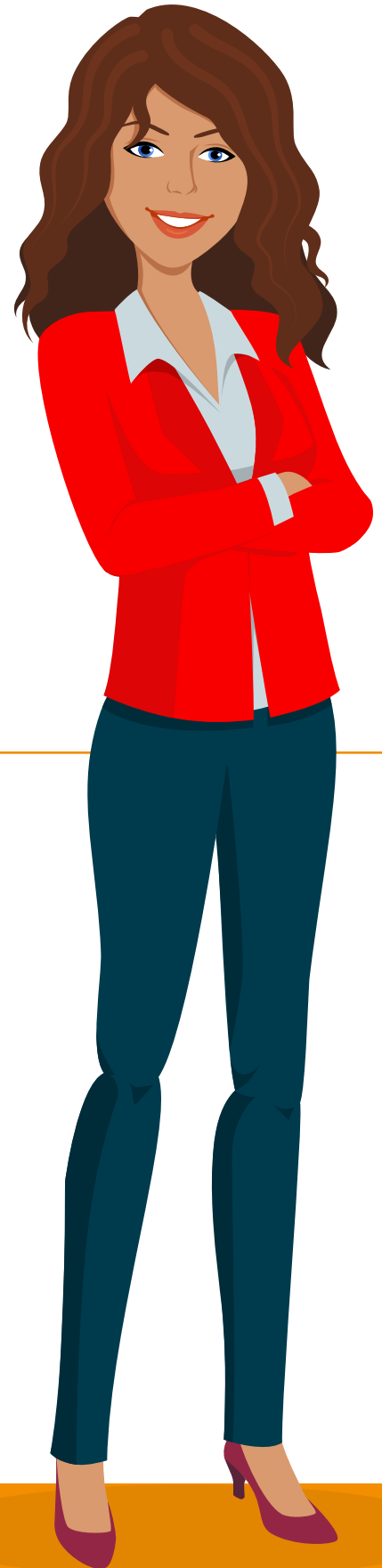


HR Trends Report 2018



The year of the employee.





Welcome to our
HR Trends report
of 2018: **The year
of the employee.**



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HR Trends 2017

Each year, Oracle brings together some of the HR industry's leading influencers to discuss the state of work in Europe, the trends shaping the human resources profession and how technology is helping companies to improve the employee experience.

Held in Amsterdam on the eve of HR Tech World, this year's gathering saw influencers, authors and HR experts share their views on how the field will evolve in 2018. From reviewing the way companies approach employee engagement to challenging long-held beliefs about pay and reward, their predictions point to major change in the year ahead.

Their thinking inspired this report, and Oracle would like to thank all those who attended for their time and insights:

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HR needs to adapt. Fast.

The relationship between employees and employers is under strain. People want to feel a sense of purpose at work. They want to be heard and valued by their managers, and they want to connect with their colleagues. Yet many companies still struggle to deliver on these needs, often relying on their heritage to carry enough weight on the job market and clinging to antiquated employment models instead of adapting to change.

This approach no longer resonates with the workforce. Fewer people are finding the sense of belonging and engagement they crave in traditional company hierarchies, and are instead flocking to businesses that have made it a priority to deliver an improved working environment and an engaging employee experience.

There are also signs of rebellion against conventional employment and full-time work. For instance, the boom in freelance and gig employment continue to reshape job markets around the world, driven in part by peoples' desire for more variety and flexibility, but also by their preference to be their own boss instead of being accountable to companies that don't make them feel engaged.

Added to this are concerns about how the rise of automation, robots and Artificial Intelligence will affect the job market. HR teams will face major challenges in the year ahead, and overcoming these will be essential if businesses are to attract, retain and inspire the best talent to deliver the best work.

HR will play the role of facilitator in this effort. For years, decision-makers in the boardroom have called on HR teams to step out of their support role and add strategic value to the wider business. With employee-employer trust at an all-time low, according to EY, and competition for talent at an all-time high, the time has come for HR to answer the call.

The ability for HR to adapt fast will be crucial, as will a change in the way they think, work and communicate with the rest of the business if they are to bring employee experience to the top of the company agenda. In this report, we'll take a deep dive into the trends and challenges that will shape HR in 2018, and share insights on how these can be tackled using the right mix of strategy, collaboration, and of course technology.

Trend 1: HR enters the post-engagement age.

Employee engagement has been a buzzword in HR circles for the best part of five years. In response to a competitive job market, HR leaders have been given a mandate to help the business attract talented people and foster a working culture that makes them remain loyal.

While this has placed major pressures on HR, the results have been positive. Employee engagement has never factored more heavily in the business's internal decision-making. However, most companies still only consider engagement at the individual level, and must now do more to address the how team dynamics and emotional climates that make up the entire employee experience.

People want to feel a sense of belonging. They want to feel they are part of a club that has their best interests at heart. It's no coincidence that

the companies that consistently top Glassdoor's "Best Places to Work" list offer a work culture that is more akin to a clubhouse rather than just cramming four walls with as many desks, computers and chairs as possible.

Research from KennedyFitch reveals that employee experience is indeed on HR's agenda, yet this is more in theory than in practice. Eighty-four (84%) of HR leaders who participated in the KennedyFitch research admit employee experience will be the focus of the next few years but only 6% are currently working on it.

Tackling the emotional component of work will be particularly important for employees, especially for younger workers who are dealing with more types of stress than previous generations. This includes everything from getting on the property ladder in an unaffordable housing market to rising inflation rates and shrinking wages. These pressures are taking a heavy toll on mental health and well-being of employees each day and, in response, they are seeking employment that can provide both professional satisfaction and peace of mind.



Who will drive employee experience?

It will not be up to HR alone to improve the employee experience in a modern business. This requires buy-in and support from everyone in the organisation. Employee experience must be the focus of senior leadership teams and managers, with HR acting as the facilitator and supplying the people-based insights to inform the company's approach.

HR systems do not have a direct impact on the employee experience but they do provide managers with insight into people's performance, skills and morale, which in turn can help them create an engaging and emotionally satisfying team environment. The onus rests on HR teams to change the way they assess and report on talent, as well as the way they use the data to drive a more employee-focussed agenda in the boardroom.

It is equally important to find the right balance between engagement and productivity. Productive employees are a major asset, but only if they are doing the right work. The ultimate aim for companies is to align team dynamics and employee development with their wider objectives, and it again falls again on HR to work with managers and ensure this is the case.

Trend 2: Hiring for competence instead of confidence.

Despite the changing demands of the workplace, the skills gap show no signs of narrowing and companies are still starved for skilled workers. Clearly, the way we approach recruitment and assess a candidate's aptitude needs a rethink.

The search for employees who are a good "cultural fit" has turned the interview process into a marathon of meetings and personality tests, but often the result is that companies hire to a certain candidate profile and hire for confidence over competence.

As an example of why this approach is flawed, consider the way we test politicians running for office. We make political candidates jump through all sorts of hoops to prove their mettle. We analyse their body language during interviews and speeches, judge their choice of clothing, and make them bend over backwards

to raise campaign funds. How do any of these factors make one candidate more qualified than the other when it comes to running a country? How can we know that someone who ran a good campaign can balance the national budget or lead the nation to economic prosperity?

The point here is not to question the democratic process, but the discrepancy between the way we "interview" politicians and the actual job is impossible to ignore. The same is true in the world of civilian work, where the long-winded interview process has started to show cracks. Companies understand they need a more accurate way to measure aptitude, and are beginning to rely on a wider pool of data and insight to inform their hiring decisions.

For instance, HR teams increasingly use recruitment systems to analyse a person's work experience and interview performance alongside their social media profiles and digital footprint, allowing them to deliver more rounded and accurate candidate profiles.



A word on social recruitment

Social recruitment has made it easier than ever for HR to attract passive candidates. The best people are usually well looked after by their employers, which makes them difficult to engage with proactively, but most still take the time to indulge their curiosity and browse through LinkedIn or Facebook Jobs. Companies can therefore use their own employees' social networks to entice a large number of relevant candidates and occasionally tempt even the most settled, satisfied ones into getting in touch.

Virtually every company now relies on social recruitment, but with this come a number of questions around unconscious bias. By restricting our search to existing employee networks, are we perpetuating clone-ism instead of building an inclusive workforce that promotes diversity? Are we simply creating and filling roles with the same people who have the same mind-set time-and-time again?

Yes, social recruitment is both powerful and time-saving, but its use must be tempered by reason. Businesses that want to keep innovating constantly need fresh blood to help them progress, and while LinkedIn or Facebook are great places to start, they need a recruitment process that casts a wider net to attract a strong mix of talent that will challenge convention.

Trend 3: Balancing man and machine.

In the early days of industry – the age of punch cards and production lines – businesses tried to turn people into robots that could do a single repetitive task for hours on end. Technology has since freed us from this fate.

Software, and most recently robots, have taken on a growing number of repetitive tasks, allowing people to apply their brainpower to more cerebral challenges. For instance, auto manufacturers have almost completely automated their production lines and have turned their teams' attention to developing the electronic "brain" that will power their self-driving vehicles.

There is no escaping the "rise of the machines"; but while concerns around Artificial Intelligence and Automation are well founded, people have proven throughout history that the more work we automate, the more we push ourselves to explore new avenues of progress and productivity.

That's not to say companies don't need to prepare for change. AI and machine learning will only grow in importance, but it is unlikely that every industry will be able to adapt fast enough. In addition, to quote the CIPD's David D'Souza: "Students may be developing the requisite digital skills in preparation for their careers, but a 50 year-old taxi driver isn't going to suddenly become a data scientist overnight."

It's therefore important to map out a path to automation that not only serves the company's financial goals, but also allows teams to thrive alongside new technologies. The goal must be to enhance the way people work, simply using machines to encode human ingenuity so the business can quickly deliver results on a larger scale.

As the voice of employees in the boardroom, HR leaders will play an integral role in balancing human skills with machine-based efficiency. They will need to work with managers to develop suitable automation strategies for their teams, create effective training programmes to help people work better alongside machines, and ultimately help the organisation and employees get the best of both worlds.



Who will drive employee experience?

Innovation doesn't come from hiring and training new employees to think the same way as existing employees. It is the result of challenging experimentation and, occasionally, failure. To challenge the status quo, employees must first be encouraged to question the way they work and each other in a constructive way.

This requires a major shift in the way companies train their people. Many organisations prefer to plunge entire teams into a conference room for full-day teaching sessions that inevitably serve to make everyone approach problems the same way. Some workshops can be beneficial, but only if they are highly relevant and help employees develop specific skills for their jobs.

That is why HR leaders are spearheading the transition from one-size-fits-all learning to personalised development. With the data they now collect on each employee's aptitudes, performance, and personal career goals, HR can help team leaders build bespoke development plans that ensure each employee hones the specific skills that will serve them and their teams.

This raises the question of how we quantify and report on creativity. Will companies be willing to pay for failure in the short term and accept it as a natural part of progress? Managers have traditionally been rewarded for their team's performance, which is a measure of productivity, not their development, which is a measure of improvement. The latter must become the focus.

Trend 4: Gigging hard.

People want flexibility in their work. They want to do the jobs they want, at the times they want, and for a salary they feel is fair. One can hardly blame them.

There is certainly some idealism at play here, but the rise of contract work and the gig economy shows no signs of slowing down. As of February 2017, 43% of adult Americans spent at least some of their time working remotely. Looking to the future, ManPower recently revealed that 94% of workers are open to “non-traditional working arrangements”.

With contract employees soon to be as common as traditional nine-to-fivers, what does this mean for the way companies hire, manage and train employees? How can HR ensure the business maintains a healthy pipeline of talent who not only have the right skills but are also engaged enough to deliver high quality work?

These are not easy questions to answer. Oracle research into the gig-economy revealed businesses and employees are split on the issue of training contractors. In the UK, 40% of HR

decision-makers believe gig workers should manage and pay for their own training while just 11% of employees agree. Both sides need to find a middle ground quickly if they are to succeed in the gig era.

HR leaders have begun to adapt training to a mixed workforce. Employees today prefer on-demand learning, whether it's watching instructional videos on YouTube to help with a quick job or taking a semester-long Massive Open Online Course (MOOC) to earn a qualification, and learning in the workplace is following suit. For instance, Oracle is helping utility companies to make maintenance training materials available to field workers via their mobile phones so they can access crucial information from anywhere at the touch of a button.

Businesses are also questioning whether it is worth investing in on-boarding contract workers, who are not always as invested in the organisation as full-time hires. The best approach will vary based on each company's needs, but as the owners of recruitment and on-boarding HR teams will need to ensure full-time, part-time, and contract employees can collaborate effectively and deliver the best possible work.

Making the case for diversity of experience

Companies globally are working towards a more inclusive and diverse work culture, but most have only focussed on promoting gender and racial diversity. More work needs to be done on this front, but with baby-boomers leading healthier lives and retiring later than previous generations, HR must also address challenges around diversity of experience.

A great deal of focus has been placed on engaging millennials in recent years, and businesses have responded by designing their offices for the tastes and working habits of people under 30. While this helps companies draw young talent, and bolsters ping-pong table sales, it can also be alienating for more experienced workers who have spent decades working in a completely different environment.

These individuals may not be as familiar with the latest digital technologies, but they do have a wealth of experience that is still invaluable to the business. Employers cannot afford to marginalise these individuals and allow that knowledge to walk out the door.

Businesses like McDonalds have seen positive results by inspiring employees of all ages to share knowledge between them. Inverse mentoring programmes allow older workers to learn digital skills from their tech-savvy colleagues, while younger employees can draw on the years of knowledge that their senior team members have accumulated on the job.

Of course, our ageist assumptions are also flawed. Some 25 year-olds have a family and rarely leave their city, and some 64 year-olds take a yearly sabbatical to go mountaineering. In the words of Andy Swann, author of *The Human Workplace*: "These words are just labels. Regardless of age or background, going to work is about individual choice in a collective environment. It's about being able to show up, get what you need from the experience, and contribute to the whole".



Trend 5: Rethinking reward.

As businesses move away from the “productivity factory” mentality that shaped traditional work and towards an employee-centric approach, they are also shaking up their approach to pay and reward. Pay will always be important, but above a certain threshold people today place less value on financial reward than their parents did.

This comes down to their desire for a rewarding employee experience that combines emotional and mental satisfaction with a fair salary. High-paying employers in the financial services and management consulting sectors, which have always drawn the most ambitious and high-achieving business school graduates, are now seeing the same candidates take lower paying jobs with young companies that have built a strong employer brand and promise a more rounded employee experience.

Job hunters view a company’s approach to reward as a reflection of its values. They no longer see wellness programmes and paid paternity leave as benefits but rather as rights owed to anyone who dedicates more than 70% of their time to an employer.

A more rounded approach to reward also serves employers. Wellness programmes in particular are linked to greater workplace productivity and innovation. Tellingly, the same studies reveal that a focus on productivity alone does little to drive innovation.

The question then arises as to whether these programmes are actually effective. Companies cannot simply give every employee a FitBit and claim they are committed to improving people’s wellbeing and health. They need a wellness programme that encourages people to use these devices and promotes healthy camaraderie among teams. Crucially, they need systems in place to help them track how these programmes affect each person’s physical and mental health, and ensure they are having a positive impact.

Unlike pay, which is purely transactional, this form of reward requires continuous curation and tailoring to employees’ needs. It is a way for companies to show that they are genuinely invested in their people. Non-financial reward has always been HR’s domain, but never before has it been so crucial to attracting, retaining and inspiring the best people.

Rising to the challenge in 2018

While businesses continue to improve the employee experience, the challenges they face come at a difficult time. Established players are under immense pressure to grow and innovate if they want to thrive in an uncertain economy and defend their market share from new challengers, who are also luring a growing percentage of today's skilled talent with the promise of a greater purpose.

Competition for talent is also coming to a boil between established businesses. As digital transformation takes hold of virtually every industry, companies are scrambling to hire data scientists, programmers, digital media experts, and other tech-savvy workers, which raises the question of how they can differentiate themselves.

It takes more than a history of success to get people in the door. Indeed, recent research from PwC reveals 52% of CEOs globally plan to increase their headcount but cannot find people with the right skills, and 77% worry that a shortage of skills will impair their company's growth.

As businesses continue to invest in recruiting fresh blood to drive R&D and help them bring new ideas to market, HR leaders must be ready to support these ambitions. An organisation's ability to bring in the right people at the right time, train them effectively, and offer them an employee experience that meets their needs has become the ultimate differentiator.

It will take the combined efforts of managers and team leaders to drive cultural and technological change across the business, but HR teams are in the best position to facilitate this progress. By complementing their unique insight into human behaviours with a growing range of employee data, HR leaders can help their organisation to develop programmes and management approaches that put people first.






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