



2022 Megatrends in HR



Introduction

Every year, an international team of UKG researchers, thought leaders, and social scientists partner to reflect on the previous year's developments, evaluate the implications for business and HR teams, and predict how these forces will shape organizations and the industry for years to come and how leaders should respond.

The past two years have provided much to reflect on. We've changed when, where, and how we work. People are seeking entirely new paths to purpose and fulfillment. Despite continued high unemployment, we're witnessing talent scarcity and mass resignations in record numbers, month after month. It appears the balance is shifting: Employees have more power than ever before, and they're demanding much more from their employers. In this rapidly evolving talent landscape, organizations need to **adapt to survive**.

The good news is, this shift is possible — and it's better for everyone. But in order to remain competitive in the long term, organizations must seek to take better care of all their people, ensure a culture of ethical leadership, and foster trust and autonomy in all things — even compliance.

Let's dive into the three biggest trends driving this unprecedented evolution that and see what leading organizations are already doing to embrace the change.

The balance is shifting: Employees have more power than ever before.

1. The rise of the gray-collar worker

In the past, we've primarily been focused on two areas of the workforce: the so-called white-collar and blue-collar workers. We drew a line in the sand, essentially implying that if you're not one, you're the other. But the problem here is that there are many, many types of jobs that don't fit into this limited dichotomy — there are varying shades of gray.

Gray-collar workers often find themselves at the intersection of technology and service, with hints of both white- and blue-collar aspects. In most cases, these are positions that require some combination of physical and technical skills, which makes them difficult to fully automate. As a result, experts believe gray-collar roles will be one of the fastest-growing demographics after the pandemic; of the Bureau of Labor Statistics' top 20 fastest-growing occupations, 13 fall under the umbrella of gray-collar.¹ Police officers, non-doctor healthcare professionals, teachers, firefighters, and government services workers all fall under the gray-collar umbrella as well as that of “essential worker” — these are the people who have been the backbone of a stressed society and economy.

Gray-collar workers have always been a crucial subset of our workforce, but we have often failed to take their unique needs and considerations into account in traditional workforce discussions. They've been hiding in plain sight, but their agency, importance, prevalence, and influence are growing. For too long, we've focused our investments on retention and development of white-collar workers, regarding blue- and gray-collar workers as replaceable. But business leaders have learned the hard way that *nobody* is replaceable, as these are also fields where most employers are finding it extremely challenging to hire.

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We've witnessed a massive exodus in many gray-collar industries, due to factors including pandemic-related burnout and increased suicide rates as well as the aging workforce and general labor shortage. It's also clear that many workers would prefer to work in jobs where at least part-time remote work is an option, which is a problem for gray-collar fields because these jobs generally require in-person attendance.

As a result, gray-collar industries are facing a hiring boom and a critical talent shortage. The question becomes, how do we entice new employees to lend their talents to our organizations? And how do we provide them the opportunities and benefits they desire? At the same time, employers in all sectors should consider learning from gray-collar fields and adopting many of these same practices in their own organizations.



Essentially, we need to:

Rebrand:

- Rebrand these jobs to clearly define gray-collar workers as **highly skilled, highly paid, and in demand**. Entice younger workers and those from other industries into these fields.

Rethink:

- Rethink degree requirements for certain roles. Researchers have concluded that 6.2 million jobs are currently at risk of degree inflation, including many that fall under the gray-collar umbrella. A resulting talent shortage could reach 85 million people and \$8.5 trillion in unrealized annual revenue by 2030.²
- Rethink standard interview processes. Make digital applications intuitive and attractive to younger candidates, and include skills-based assessments.

Reskill:

- Due to the rapid acceleration of digitization that was only enhanced during COVID-19, gray-collar industries require ongoing reskilling initiatives. This can be accomplished through:
 - Apprenticeships
 - Internal gig economies
 - Learning and development opportunities
 - Intrapreneurship

Retain:

- Recognition and investment expectations are shifting. A past that showed disregard for this vital segment of the workforce needs to be replaced with retention efforts, investment, respect, and recognition of where these workers took us, how they supported us, and how vital to our future they are. Seek creative opportunities to provide the most-desired benefits, such as flexibility, autonomy, and increased compensation.

2. The new ethics of leadership

As issues like diversity, equity, inclusion, and belonging (DEI&B), climate change, and artificial intelligence (AI) come front and center, leaders no longer can hope to scale shareholder value without scaling shared values. Mission and margin, profit and principle, success and significance are now inextricably linked. We are in the midst of an ethical crisis that is confronting leaders with vexing issues, profound dilemmas, and painful trade-offs. People are exhausted and looking to leaders for answers, guidance, action, and hope.

It's a matter of survival; 52% of the Fortune 500 companies from 2000 are extinct.³ Companies will be required to demonstrate the values below authentically and consistently to remain viable in the long term. Others will fail as environmental, social, and corporate governance (ESG) pressures increase alongside unmet employee desires.

Transparency

In a culture of transparency, employees understand the company's vision and how their individual efforts contribute to these goals. The broad nature of transparency at ethical organizations stands in stark contrast to the fraud and deception that have recently made headlines. According to the Great Places to Work Institute, companies with a high trust culture experience increased levels of innovation, stock market returns two to three times higher than the market average, and turnover rates approximately 50% lower than those of industry competitors.⁴

Listening to the voice of the employee

In recent years, a new breed of pulse surveys hit the market and enabled organizations to efficiently and effectively glean valuable insights about what their employees were thinking and feeling. Unfortunately, according to a study conducted earlier this year by The Workforce Institute (WFI), **far too few employers are actually listening**. In particular, essential workers, younger workers, non-caregiving employees, and employees who identified with underserved races and ethnicities felt less heard than their counterparts. What's more, almost two-thirds of employees felt they had been completely ignored.⁵

Support over surveillance

The pandemic pushed many into work-from-home setups, and companies turned to employee data and surveillance tools to keep tabs on their workforces. But the risks associated with improper use of these tools are significant.

Managers may intend to monitor workers to ensure adequate levels of productivity, but data-centric surveillance tools provide employers with both an incomplete picture of worker productivity and more information than what is sought. Monitoring and surveillance tools that give supervisors a glimpse of employee activities can provide insights, but an overreliance on metrics risks narrowing an organization's focus on activity rather than on meaningful contributions.

Instead, organizations should develop **outcomes-based cultures** that allow leaders to define their end goals and empower individual contributors and their managers to determine how to achieve them. This approach results in a much more agile and efficient organization while providing employees with both ownership and autonomy.

Technology can help

A Sapient Insights survey found that in 2020, HR service delivery and case management applications “emerged as **mission-critical tools** to support the COVID-19 response and track important issues.”⁶ This is unsurprising considering their ability to quickly inform employees of health and wellness initiatives and also track activity of online requests. These tools can also inform leaders of trending changes in employee concerns, wellness, or engagement.



3. Compliance agility

Business leaders must rethink their approach to compliance to improve business outcomes and enable employee agency. Compliance laws have been on the rise for decades, and 2020 saw over 10,000 more regulatory changes compared to 2019.⁷ At the same time, more than 75% of HR professionals are concerned about an increasing number of lawsuits due to COVID-19.⁸ Add to this the continued controversy over vaccine mandates and the compliance implications on global, national, statewide, local, organizational and departmental scales, and it's no wonder HR professionals are overwhelmed.

For decades, HR professionals have treated compliance as a set, fixed force, something that occasionally went through updates but was primarily stagnant. Today, due to the continuing fluidity of the workforce and increasing rates of innovation, change, and regulation, we need to completely rethink our approach to compliance.

We need compliance agility.

Many businesses already move faster than the government. Weeks before shelter-in-place orders went into effect, many organizations had already rolled out work-from-home orders and cancelled business travel. Proactive organizations are applying this strategy to compliance. Reactive compliance is avoiding the stick, not chasing a carrot; it's a constant race to stay ahead of fines and regulations. But innovative, proactive organizations are already ahead of the game. They pay attention to the industry trends and public sentiment and understand that the long-term penalties of being viewed as laggards in the field are far worse than any short-term fines. Agile compliance means going beyond simply complying to shaping the trends themselves, delighting both customers and employees in the process.

For example, Ford Motor Company needs its vehicles to comply with emissions and fuel economy requirements, but Ford's CEO read the market and preemptively introduced an entire series of hybrid and electric cars, SUVs, and trucks. Ford is making a historic investment in electric vehicle manufacturing, with an \$11.4 billion plan to build a new electric vehicle assembly plant and at least three battery factories, creating a sustainable U.S. supply chain for electric vehicles by building a massive carbon-neutral plant.⁹ Tyson Foods, the biggest producer of animal meat in the U.S. by sales, needs to comply with U.S. Department of Agriculture food quality standards, but they chose to introduce an entirely new line of plant-based products.¹⁰ These companies aren't simply attempting to remain compliant; they've also recognized that the industry is demanding more than the bare minimum requirements, and that eventually, more change will be on the way.

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An ESG reckoning is coming

There is a plethora of companies that are doing the real, difficult work to improve corporate policies to benefit the public good, but in some cases, we've witnessed token programs and philanthropic side projects that are used more for marketing and maximizing short-term profits than really moving the needle on change. Organizations will eventually be held accountable and required to perform mandatory, audited, and transparent reporting on ESG metrics including:

- DEI&B
- Climate change
- AI/automation
- Mental health

Technology can help

Adaptive HR teams think ahead. They have dedicated teams or consultants to help them navigate recent developments and prepare for the future. They use tools such as HR service delivery to store compliance documents electronically in a system that makes it easy to tag, file, and search those documents. Global complexities are significantly reduced. Fast and simple reporting capabilities can immediately flag missing files or documents about to expire, enabling HR to proactively manage compliance long before an audit comes. And standardizing forms and procedures for inquiries about payroll, harassment, violence, and more is challenging without technology support.



Give employees agency

Safeguarding data privacy is the responsibility of all employees, not just those in HR or information technology. Organizations rely on (and collect) more data than ever before, which, when coupled with tough new privacy laws and the ever-growing threat of cyberattacks, means safeguarding information has become an increasing concern.

Putting data privacy documents in place is just one step out of many. Every organization must **embed good working practices throughout their entire structure** and ensure people instinctively use them in their everyday work. These questions need to be instinctively top of mind for employees in every department and at every level of the company, not just those tasked with responsibility for data protection. Educating HR professionals and other employees on how to apply these principles in their day-to-day work is just as important as technological solutions.

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The way forward

People have more choices than ever before, and what matters to them is changing. We can no longer treat people as replaceable; we can no longer solely focus on the needs of the company; we can no longer pay lip service to these crucial issues that are rapidly deciding the future of humanity. When we adapt to survive, everyone reaps the benefits.

About UKG

At UKG (Ultimate Kronos Group), our purpose is people™. Built from a merger that created one of the largest cloud companies in the world, UKG believes organizations succeed when they focus on their people. As a leading global provider of HCM, payroll, HR service delivery, and workforce management solutions, UKG delivers award-winning Pro, Dimensions, and Ready solutions to help tens of thousands of organizations across geographies and in every industry drive better business outcomes, improve HR effectiveness, streamline the payroll process, and help make work a better, more connected experience for everyone. UKG has more than 13,000 employees around the globe and is known for an inclusive workplace culture. The company has earned numerous awards for culture, products, and services, including consecutive years on Fortune's *100 Best Companies to Work For* list. To learn more, visit ukg.com.

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