People Trends 2016
What HR Will Be Thinking About in the New Year
January 2016
The year 2015 was full of ups and downs: financially, politically, and socially. We saw whole economies rise and fall, markets shift, and new technologies change the way we do business. In the spirit of progress, we have peered into our crystal ball, and looked forward to what 2016 will mean for the human resources (HR) function.

In doing so, we have framed the conversation around the macroeconomic trends we expect to shape the people strategies of companies in 2016. We organized these trends using Aon Hewitt’s Human Capital Strategy Framework, bringing consistency to the vocabulary HR uses to describe the human capital space.

As we look ahead, we believe these will be the major economic and human capital trends in 2016.

**Macroeconomic Trends**

**Generational Shifts:** As Baby Boomers continue to retire in large numbers, companies will have to take an external and internal perspective: customer expectations are changing, and so are the skillsets of employees.

**Non-traditional Workforce Continues to Rise:** Roles are becoming more segmented as work becomes more digital. Organizations will need systems in place to prepare for a more fluid workforce that includes ‘boomerang employees’ and the greater contingent workforce.

**Wage Stagnation with a Twist:** After the recession many organizations became more cautious about their investments. As the labor market continues to tighten, we predict 2016 will see a slight upward trend in wages. Variable pay continues to be a critical part of the total rewards mix (see sidebar).

**Rising Healthcare Costs:** With changes brought about by the ACA and the continued flux in the industry, the cost for the average US healthcare plan continues to outpace earnings gains, and companies are feeling the impact in a big way.

**Volatile International Markets:** The global financial market continues to be highly volatile, from negative interest rates in the EU, to financial instability in China, to big changes in the Oil and Gas industry. We expect these economic trends to be top of mind.
Workforce Organization

**Design Jobs to Encourage Agility:** There is a great deal of rethinking around job design and workforce implications. Organizations are no longer just hiring an employee, but a mindset—the combination of skills is where value is created, and organizations need employees that can take on multiple roles. In addition, the move to digital work is starting to affect nontechnical work as companies begin to redesign jobs around emerging technologies such as machine learning that can perform calculations much faster than any human.

**Acquire Skills Through M&A:** 2015 was the biggest deal year in the past decade, particularly in certain industries such as pharmaceuticals, and we expect this trend to continue in 2016. In the startup world, we saw companies reach critical mass and get absorbed by larger companies. Some of these companies used acquisition as a means of acquiring talent and knowledge, capturing engineers and patents by seizing the entire firm.

**Acquisition and Development**

**Utilize Science in Hiring:** Companies are becoming more strategic about talent management and laser-focused on hiring the right candidate. We expect them to leverage various scientific fields, such as neuroscience and psychometric science (see sidebar).

**Accelerate Digital Development:** As millennials begin to take on more and more managerial positions, companies are looking at ways to enhance their success through accelerated learning and training. Online, just-in-time modules leveraging rich media and game mechanics will take the place of formal, curriculum-based learning.

**Revisit the EVP:** Creating, enhancing, and articulating a unique and compelling employee value proposition that speaks to talent will take center stage and become paramount to new employment experiences. As roles continue to segment (and more workers have two or more jobs), we expect the value proposition will become more specific and targeted.

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**Scientific Talent Management**

We expect to see the following scientific concepts brought into the hiring conversation:

**Neuroplasticity:** This term simply describes changes to the brain over the course of a lifetime. While historically used in the context of brain injury, neuroplasticity is now starting to work its way into the organizational context through applications in job agility, generational differences, meditation, and fitness.

**Neurological Response to Stress:** There has been much discussed around the response of the brain during performance reviews, which triggers a fight-or-flight response. With the current controversy around performance management, we expect this response to be a part of the debate and discussion.

**The Social Brain:** Humans have developed psychological processes that allow us to appreciate emotional cues from others. As emotional intelligence becomes entrenched as a necessary part of the hiring process, we believe more emphasis will be placed on the social aspects of the brain.
Total Rewards

Performance Management Under the Microscope: The need for ratings will continue to be debated (though our data suggests that most companies are not doing away with ratings entirely). Noise about this topic will mean that most companies will have to demonstrate some action in this area. We expect the focus to be on creating capabilities, improvement in the conversation, delinking of ratings and manager discussions, and an increased focus on the ‘development’ aspect.

Differentiate By Means Other Than Cash: With merit increases being perceived as immaterial for some employees, companies are considering offering more choices in benefits. Paid time off and workplace flexibility will continue to rise in importance and will become areas of differentiation among companies.

Ensure Global Consistency: As we continue to see economic changes throughout the world, we expect companies to take steps to standardize their rewards programs globally, particularly in terms of pay levels and the actual rewards being offered.

Prepare for Government Regulation: Although the biggest changes in employee regulations—the Fair Labor Standards Act (FLSA) and minimum wage—are likely to change in 2017, 2016 is being viewed as a year of preparation. Gender pay equity also has renewed attention, particularly in California and tech industry.

Leadership

Segment Millennials to Focus Actions: Millennials will begin to be segmented into ‘emerging millennials’ and ‘adult millennials’. The latter group will become increasingly important, as they take on managerial and leadership roles for the first time. While the jury is still out on how they’ll exactly respond to this challenge, we expect organizations to begin tailoring their training to suit the millennial population. As they take on leadership positions, Millennials are eager to demonstrate impact and distinguish themselves from peers (who may include non-Millennials). Organizations will have to provide accelerated career paths to this population, while managing the noise created among employees of other generations.

Communicate with Authenticity: In the era of social media, communication from leadership will be as essential as the demand for authenticity, transparency, and a relatable corporate story will increase.

Succession Planning for All: There has been pressure from boards to implement succession planning two to three levels down in the organizational hierarchy. In 2016, we believe firms will look to cascade this further down as employees continue to retire and companies look for appropriate replacements.

It’s All About the Experience

There is a shift of power from organizations to employees, transforming the relationship between employers and their people. In order to remain competitive in the war for top talent, organizations must do more than provide a place where people need to work. The most promising competitive advantage is creating a place where people want to work.

Forward-looking organizations are starting to focus on building great employee experiences. Beginning with how people first apply for jobs to how they eventually leave, including everything in between, all are interactions that can be optimized to shape the employee experience.

Similar to consumer experiences tailored to the individual, there’s an expectation that the employee experience will also be personalized and integrated. For HR, that means all of the communication, tools, processes, and policies must be woven together as an intricate ecosystem that creates value for employees with every interaction. It needs to feel like a connected experience to employees that was designed with intention, not approached as individual components or tactical elements.

With new expectations driving the need for new approaches, now is the time to consider what your organization is doing—or more importantly, can be doing—to improve the employee experience.
Culture

**Build a Culture of Growth:** Culture will continue to be a focus area. However, given that efficiency gains have been maxed out by most firms, we expect companies to begin looking for people with a growth mindset rather than just command and control behaviors.

**Promote a Culture of Measurement:** HR functions are moving quickly to rethink how they use technology and analytics to support the business and deliver outcomes.

In 2016, we expect that the volatile, uncertain, complex, ambiguous (VUCA) environment firms have become accustomed to will only become more fluid.

In such a scenario, customers, whether B2B, or B2C, will look for 'partners' and 'advisors' that they can trust—ones that are reliable, sustainable, innovative, and in it for the long haul. Firms that build solutions around adversity, rather than being shocked by it.

HR practitioners must think of their role as being that of a business performance consultant supporting and being accountable for business outcomes. HR strategy no longer just 'follows' business strategy; it actively drives it.

It is the role of HR to help their firms transform into partners and advisors for their customers and clients. This should be the mantra for practitioners in 2016!
Works Cited
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