



# 2026 WORKPLACE TRENDS

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# Meet Our Team



## TRISH STEED CO-FOUNDER AND CHIEF STRATEGY OFFICER

Trish Steed is the CEO and Principal Analyst for [H3 HR Advisors](#), co-host of the [At Work in America](#) podcast and the HR Happy Hour podcast on the HR Happy Hour Network alongside [Steve Boese](#). She is also the creator of the H3 LIVE! vlog.

A former HR executive and HCM product leader with over 20 years of experience in Big 4 public accounting, PR, healthcare, manufacturing, and IT, Trish brings that knowledge to her clients as an analyst and advisor.



## STEVE BOESE CO-FOUNDER AND CHIEF DATA OFFICER

Steve is one of the Co-Founders of H3 HR Advisors, a leading HR technology advisory and services consultancy.

Since 2013, Steve has been the Program Chair and host of the [HR Technology Conference](#), the world's largest gathering of the global HR Technology community, and authors a monthly HR Technology Column for [Human Resource Executive magazine](#). He is a frequent speaker and author on topics in Human Resources, HR technology, and the world of work.



## KAREN STEED DIRECTOR, CLIENT EXPERIENCE & MEDIA PRODUCER

Karen Steed is the Client Experience Director & Learning Analyst of H3 HR Advisors.

Karen works with client teams to promote their organizational needs seamlessly and effectively, through strategy and planning. She is also responsible for the HR Happy Hour Network media production and promotion. Previously, Karen served 15 years as an elementary educator and early childhood administrator. Her focus is on learning solutions that are engaging and practical.

# Executive Summary

## OVERVIEW OF KEY WORKPLACE SHIFTS AND TECHNOLOGY DRIVERS IN 2026

The world of work in 2026 is defined by acceleration, adjustment, and opportunity. Executives and HR leaders face a business environment where technology, economics, and demographics are in constant motion, demanding both agility and clarity of purpose. **The last several years of rapid change, starting with pandemic-era transformation to the first wave of generative AI, have set the stage for a new era of decision-making**, one in which innovation is abundant, opportunity is ready to be seized upon, but proven return on investment is still emerging.

The U.S. economy enters 2026 in a period of cautious optimism: growth has stabilized after earlier volatility, unemployment remains low, and inflation pressures have eased somewhat, though margins are tighter and investors expect greater productivity from every dollar and every hour worked. At the same time, demographic headwinds in the form of aging populations, slow labor-force growth, and restrained immigration continue to limit labor supply. High-profile companies like Amazon, Microsoft, and IBM have all made aggressive headcount reductions. Organizations are learning to compete not by expanding headcount but by expanding capability through technology, data, and human ingenuity.

### Why This Matters Now

The pace of change in 2026 is the environment that leaders must operate in.

Organizations that connect tech, talent, and trust will separate themselves from the rest.

# Executive Summary

At the center of this transformation is artificial intelligence. AI has moved from experimentation to implementation, touching nearly every enterprise function: HR, finance, operations, marketing, and supply chain. Yet even as adoption spreads, evidence of measurable ROI remains uneven. Many organizations are still in the early stages of turning pilot projects into scalable, value-producing systems. Executives face mounting pressure in 2026 to demonstrate not just AI activity, but AI impact. This means clear productivity gains, smarter decision-making, and better employee experiences – and sometimes fewer employees overall. **The challenge for leaders is to move beyond curiosity to competence**, building the infrastructure, data quality, and change-management capability needed to make AI work in the real world.

Beyond AI, other technological factors continue to influence the workplace. **Automation and robotics are extending efficiency deeper into operations**; cloud platforms and APIs are enabling connected data ecosystems; and analytics are giving leaders more precise insight into performance, engagement, and risk. Together, these forces are redefining what “digital transformation” means and what is required for success. Leaders are challenged to integrate systems and manage the balance between people and machines.

The social and cultural dimensions of work are also rapidly evolving. **Hybrid work has become a lasting fixture**, even as organizations refine how to balance flexibility with accountability, and some, like in finance and tech, are increasing in-person work requirements. Employees expect choices regarding where and when they work. They also, increasingly, expect more purpose in their work. **Wellbeing, equity, and trust have become enduring pillars of employee engagement and brand reputation**. Workplace culture is now recognized as an economic driver, not an HR aspiration.

# Executive Summary

For HR and business leaders, 2026 demands an integrated mindset: one that connects technology investment to talent strategy, innovation to inclusion, and productivity to sustainability. The winners in this environment will be those who view technology as a platform for human potential, and who strive to use AI and automation to unlock creativity, efficiency, purpose, and new forms of value creation.

**In short, 2026 marks the beginning of the AI-enabled enterprise era, but also a test of leadership maturity.** Those who can blend optimism with discipline, innovation with integrity, and data with empathy will define how the next generation of work unfolds.

## Are you Ready for 2026?

- Your AI strategy links to measurable value
- Your organization can integrate people & tech
- Your culture supports purpose & flexibility
- Your data is clean, connected, & actionable
- Your leaders can lead with empathy and knowledge

# Executive Summary

## MAJOR TRENDS COVERED IN THE 2026 WORKPLACE TRENDS REPORT

The 2026 Workplace Trends Report explores the most significant forces reshaping how organizations attract, manage, and support people in an age of accelerating change. Together, these trends form a map of how work itself is being redesigned, structurally, technologically, and culturally. Each section of the report examines not only what is changing, but how leaders can respond with clarity and creativity.

### **1. Evolution of Work Models and the Design of Work**

The boundaries of work continue to stretch. Hybrid work has stabilized as a mainstream model, but its design is still maturing. Organizations are learning that flexibility is more than a scheduling perk; it is a productivity and engagement strategy. New work design models emphasize autonomy, cross-functional collaboration, and purpose-driven performance. Technology now allows teams to operate seamlessly across distance, yet success depends on human factors: trust, communication, and equitable access to opportunity regardless of location.

### **2. A Great Leap Forward in HCM Technology, Powered by AI**

Nowhere is transformation moving faster than in HR and workforce technology. 2026 marks an AI-powered leap forward in how organizations work and deliver impact. HR systems are evolving from administrative engines into intelligent ecosystems which are automating routine work, integrating analytics, and embedding decision support directly into workflows. For employers, this shift promises efficiency, insight, and consistency; for HR professionals, it redefines their role from process managers to strategic advisors. The organizations that invest in governance, skills, and ethical frameworks for AI will lead this next era.

# Executive Summary

## 3. Employee Health and Wellbeing

After years of disruption and burnout, employee wellbeing has become a business imperative. Leading employers are expanding their focus beyond physical and mental health to include financial security and caregiving support. The most advanced organizations recognize wellbeing as a driver of retention, trust, and performance, with critical importance to their overall benefit program. In 2026, wellbeing strategies are holistic, personalized, and increasingly data-informed, connecting employee experience directly to organizational resilience.

## 4. New Models of Organizational Culture and Leadership

Leadership expectations are shifting from authority to authenticity. Modern leaders must combine empathy with accountability, using transparency and communication to sustain engagement across hybrid, distributed teams. Organizational culture is evolving toward inclusivity, continuous feedback, and learning agility. In this environment, leadership development and culture stewardship are shared responsibilities which are powered by analytics, reinforced by behavior, and guided by purpose.

## Spotlight Trends

Three special features highlight emerging themes that cross categories.

- **AI as a Co-Worker** explores the dawn of human-machine collaboration and how teams must adapt when AI becomes an active participant in daily work.
- **Recognition in the Workplace, Enabled by AI** examines how intelligent feedback and personalization are transforming appreciation and performance motivation.
- **Women's Health at the Forefront of Wellbeing** analyzes the rise of inclusive health benefits and the growing acknowledgment of women's unique workforce needs as a strategic priority.

# Executive Summary

## Future Trends on the Horizon

Looking beyond 2026, the report concludes with three Future Trends that signal the next phase of workplace evolution:

- **Climate Resilience as a Workforce Strategy** - Organizations preparing for environmental volatility as a human-capital issue.
- **The Four-Day Economy** - Redefining productivity and wellbeing through time innovation.
- **AI Digital Twins** - The emerging frontier of personalized simulation and predictive learning in workforce development.

These futures are early signals of where work is heading. For HR and business leaders, who are often consumed by immediate demands of their time and attention, looking ahead is an act of strategic discipline. Understanding emerging trends before they become urgent enables smarter investment, more resilient workforce planning, and stronger long-term leadership. The organizations that take time to scan the horizon today will be best positioned to shape it tomorrow.

Together, these themes capture a workplace in transition, one that is intelligent, flexible, and increasingly human-centered. Executives reading this report will find both insight and direction: a guide to understanding the powerful forces reshaping work today, and the foresight to prepare for the opportunities and responsibilities that lie just ahead.

# Executive Summary

## IMPLICATIONS FOR EMPLOYERS, HR LEADERS, AND TECHNOLOGY PROVIDERS

Understanding today's workplace trends is no longer a luxury; it's a necessity for employers, HR leaders, and technology providers who want to stay relevant and competitive. The modern workforce is undergoing a profound transformation shaped by cultural shifts, technological advancements, and evolving employee expectations. Each stakeholder must adapt strategically to thrive in this dynamic environment.



### AI and the Future of Collaboration

System of Record with Cisco



#### Recap summary

Leaders emphasized that collaboration demands and workforce expectations are evolving faster than many organizations' technology strategies.

## Employers

The focus has shifted from aggressive recruitment to meaningful retention. The era of the “Great Resignation” has given way to the “Great Stay.” This means **employers must invest in creating workplaces that foster belonging and purpose**. Organizations that prioritize inclusivity, psychological safety, and flexibility are more likely to retain top talent and build resilient teams. Moreover, employers must remain vigilant about the political and legal landscape. With shifting regulations and heightened social tensions, companies face new challenges in maintaining compliance and navigating sensitive workplace dynamics. The upcoming election cycle, for example, may bring renewed scrutiny to workplace policies and employee relations, requiring employers to be proactive and informed.

# Executive Summary

## HR Leaders

While at the heart of this transformation, leaders are balancing the integration of cutting-edge technology with the preservation of human connection. Artificial intelligence is rapidly reshaping HR functions—from talent acquisition and performance management to employee engagement and workforce planning. While AI offers powerful tools for streamlining processes and uncovering insights, it also raises ethical concerns.

HR professionals must ensure that AI is used responsibly, transparently, and in ways that enhance, rather than replace, human judgment. **One of the most promising developments is the rise of skills-based hiring**, which focuses on competencies rather than credentials. This approach not only broadens the talent pool but also reduces bias and promotes equity. At the same time, HR leaders must champion upskilling and reskilling initiatives to prepare employees for the future of work. As roles evolve and new technologies emerge, continuous learning becomes essential for both individual growth and organizational success.

Data-driven decision-making is another critical area where HR leaders must excel. Despite the abundance of workforce data available, many organizations struggle to translate it into actionable strategies. HR must bridge this gap by developing analytical capabilities and storytelling skills that bring data to life. This includes leveraging employee feedback, engagement metrics, and performance trends to inform policies and drive improvements. Inclusion and employee experience are no longer optional. They are strategic imperatives. **Employees expect workplaces that support their well-being, recognize their contributions, and provide opportunities for growth.** HR leaders must design experiences that reflect these values and foster a sense of connection, especially in hybrid and remote environments.

# Executive Summary

## Technology Providers

The demand for human-centric AI tools is growing, and providers must rise to the occasion by designing solutions that support ethical decision-making and enhance the employee experience. This means building platforms that are intuitive, transparent, and adaptable to diverse organizational needs. As companies embrace more agile structures, technology must support dynamic teams, fluid roles, and cross-functional collaboration. Providers must also prioritize privacy and compliance, offering robust features that help organizations navigate complex regulatory requirements. With increasing scrutiny on data usage and employee monitoring, trust and transparency are paramount.

Moreover, technology providers have a unique opportunity to support change management. As organizations adopt new tools and processes, they often face resistance and uncertainty. Providers can ease this transition by offering training, resources, and support that empower users and foster adoption. This includes helping leaders understand the strategic value of technology and guiding them through implementation. By aligning their products with the evolving needs of the workplace, technology providers can become true partners in transformation.

In sum, the implications of today's workplace trends are profound and far-reaching. Employers must cultivate cultures that attract and retain talent. HR leaders must harness technology while preserving humanity. Technology providers must innovate responsibly and support organizational agility. Together, these stakeholders can shape a future of work that is inclusive, adaptive, and resilient. The key lies in collaboration, foresight, and a shared commitment to building workplaces that work for everyone.

# Introduction

## PURPOSE

The H3 HR Advisors' 2026 Workplace Trends Report is designed to equip HR and business leaders with clear, evidence-based insights into the forces reshaping work in the coming year.

Building on our longstanding research and client partnerships, this report moves beyond trend-spotting to provide practical guidance, helping leaders to prepare their organizations for what's next.

## SCOPE

We begin with an overview of the labor market conditions, setting the stage for 2026. From there, we examine four major trends, emerging spotlight trend areas, and a future trends beyond 2026 with areas to watch, highlighting early signals of change.

Each trend section is structured to show:

- What it is and why it matters
- What's driving the trend
- Real-world cases and examples
- Implications for HR and business leaders
- Actions to take in 2026
- Emerging technologies or vendors to watch

While our primary lens is U.S. based, we also note global developments where they are relevant.

## METHODOLOGY

Our 2026 analysis draws on multiple inputs gathered throughout 2025, including:

- Continuous conversations and pulse points with HR technology vendors and service providers in our advisory work
- Insights gained through our HR Happy Hour Network podcast and Workplace Minute episodes

- Briefings and demos from leading and emerging HR technology companies
- Observations from client projects, conference sessions, and analyst roundtables
- A review of publicly available research

This approach ensures our findings reflect both the big picture of the labor market and the experiences of employers and employees.

## OUR PERSPECTIVE

H3 HR Advisors brings a unique view of the HR landscape. Our team members have served as HR practitioners and leaders, technology buyers, product leaders, and analysts.

This experience allows us to translate complex market signals into practical guidance, bridging the gap between innovation and day-to-day execution.

# Introduction

## WHY IS 2026 A PIVOTAL YEAR FOR WORKPLACE TRANSFORMATION

The year 2026 represents an inflection point for the world of work. After several years of rapid and sometimes chaotic change, this is the moment when organizations are being asked to react to dynamic shifts in the environment. Economic conditions remain in flux; new technologies like AI are remaking jobs and industries, and employee expectations continue to evolve faster than most companies can keep pace. The story of 2026 is one of turning uncertainty into opportunity: the chance to build organizations that are more intelligent, agile, and deeply human.

Across industries and geographies, we see several themes emerging, primarily the need for greater responsiveness, adaptability, creativity, and care. **Organizations are being challenged to lead in new ways:** to embrace innovation while preserving trust, to deliver efficiency without sacrificing empathy, and to use technology as a force for both progress, development, and inclusion. The choices leaders make in 2026 will determine how the next era of work is defined and reinvented.



balance  
adaptability  
creativity  
responsiveness  
2026  
trust  
transformation  
inclusion  
innovation  
intelligence  
care  
empathy

This year marks the beginning of a new kind of transformation. A transformation powered by data and intelligence but guided by values and humanity. Organizations that recognize this balance will not only navigate change successfully; they will help define what work means for the decade ahead.

# Introduction

## ECONOMIC AND LABOR MARKET FACTORS

The economic backdrop of 2026 is complex, but optimism persists. Global growth has slowed from the post-pandemic rebound, yet most labor markets remain remarkably resilient. **In the U.S. and many developed economies, unemployment rates are low by historical standards, but talent shortages persist in fields like healthcare, technology, and skilled trades.** Demographic shifts like aging populations, lower birth rates, and immigration challenges are reshaping the available workforce, forcing organizations to think more creatively about how they attract, train, and retain talent.

At the same time, the geography of work continues to evolve. Hybrid and remote models have become normalized in many industries, while others are experimenting with new configurations of on-site, distributed, and flexible work. This has created new challenges in productivity measurement, collaboration, and culture-building, but it has also expanded access to talent and opportunity far beyond traditional boundaries.

Economic uncertainty and persistent inflation pressures have also changed employee and employer behaviors. Workers are seeking stability and purpose, while companies are focusing on efficiency, adaptability, and long-term resilience. **The smartest organizations are thinking more broadly beyond simply cutting costs;** they are investing strategically in technology, skills, and leadership development to prepare for a more volatile world.

In 2026 we expect a period of transition: a labor market that remains strong but uneven, an economy that is demanding more from every worker and every leader, an increased tension between AI technology and human labor, and an environment where adaptability is the defining advantage. For HR and business leaders, 2026 is a year to remain ambitious, and to redesign work with sustainability, agility, and humanity at its core.

# Introduction

## TECHNOLOGICAL ACCELERATION AND AI

No single force is reshaping the workplace in 2026 more profoundly than technology, demonstrated by the rapid rise of artificial intelligence and automation. What only a few years ago felt like experimentation has now become everyday practice. From enterprise systems to frontline operations, AI has moved from pilots to production. **Nearly every organization, regardless of size or sector, now relies on intelligent systems to help make faster, smarter, and more informed decisions about people and work.**

This is the year when AI significantly scales. Embedded within the core of HCM platforms, AI is transforming recruiting, payroll, learning, analytics, and employee service delivery. Automation is quietly eliminating thousands of repetitive tasks that once consumed HR time and attention. For the first time, technology is moving beyond just processing transactions to interpreting patterns, anticipating needs, and advising towards next actions. The promise of “human plus machine” collaboration is becoming a practical reality.

This next wave of innovation is about speed and efficiency and also insight and empowerment. **As data becomes more connected across systems, leaders can see their organizations with greater clarity to better understand the links between skills, performance, and potential.** At the same time, employees are using AI tools to personalize their own learning, manage their wellbeing, and navigate career growth with confidence.

However, these advances bring new challenges. Governance, transparency, bias, and trust are now central to every technology discussion. The leading organizations of 2026 are leaning into these challenges and learning how to use technology responsibly to amplify human judgment and creativity. This is the inflection point where digital progress and human purpose converge, creating the foundation for a smarter and more sustainable future of work.

# Introduction

## SOCIAL AND CULTURAL SHIFTS

The story of work in 2026 is about people, purpose, and belonging – with artificial intelligence technology looming over it all. In the last several years, the expectations workers hold for their employers have transformed along with the tools they use. Employees are demanding jobs that pay well, but more than that they are also seeking experiences that feel meaningful, inclusive, and aligned with their values. **The social contract between employer and employee, formerly based on pay and stability, is being redefined** around trust, growth, and wellbeing.

The pandemic years forced individuals and organizations to reevaluate what matters most, and that reflection continues to shape workplace priorities today. Flexibility, mental health, inclusion, and social impact are no longer seen as nice-to-have but as fundamental measures of a company's integrity. At the same time, a generational transition is reshaping leadership and culture. Gen Z workers are bringing new expectations for transparency, authenticity, and accountability, while older generations are redefining purpose and contribution later in their careers.

For organizations, this means that **culture is now a competitive advantage**. Companies that listen, adapt, and demonstrate genuine care for their people will see stronger engagement, lower turnover, and deeper trust. Those that fail to evolve risk reputational damage and even irrelevance.

Yet, 2026 also carries optimism. Across industries, leaders are embracing a more human-centered approach to business. They are rediscovering that empathy and performance are not opposites, but partners. The most successful organizations in 2026 are creating more than jobs, rather they are building better relationships between people, work, and purpose.

# Introduction

## CARING AND CONNECTION AS COMPETITIVE ADVANTAGES

By now, leaders have learned that people are the true engine of success. **Technology may drive efficiency, but it is human connection, empathy, and care that sustains performance over time.** In 2026, the most forward-thinking organizations are realizing that caring for their people is more than just the right thing to do - it is a strategic imperative that shapes reputation, retention, and results.

Employee wellbeing, once treated as an HR initiative or a benefit program, has become a defining element of organizational success. The stress and disruption of recent years revealed how closely wellbeing is tied to engagement and productivity. Now, leaders are building more holistic strategies that connect mental, financial, and physical health with work design, culture, and leadership behavior. The best organizations are designing work that is sustainable, and that supports purpose and meaning.

Caring also extends beyond the workforce. Communities increasingly look to employers as partners in resilience via skills development, social investment, and environmental responsibility. **In many ways, the line between business success and social wellbeing has blurred.** Organizations that understand this are redefining what it means to lead, viewing compassion and accountability as inseparable.

This human imperative does not compete with organizational performance goals; it enables them to be successful. Teams that feel valued and supported innovate more, stay longer, and deliver greater impact. In a world of constant technological acceleration, it is humanity that differentiates one organization from another. The leaders who recognize that truth and who combine care with capability will be the ones who thrive in 2026 and beyond.

# Introduction

## THE CHALLENGE AND THE INVITATION

Organizations can either adapt or be left behind. For today's leaders, 2026 will force them to decide. The forces shaping this year are not incremental; they are transformative. Artificial intelligence and automation are accelerating faster than most policies or strategies can keep pace. Economic uncertainty continues to test organizational agility. Employee expectations are expanding into new dimensions of purpose, wellbeing, and trust. These forces represent a once-in-a-generation opportunity to redesign how organizations operate and what they stand for.

This is both the challenge and the invitation of 2026. What makes this moment hopeful is that the tools for transformation already exist. **The innovations emerging across HR and workplace technology are giving leaders unprecedented power to connect insight with empathy, efficiency with equity, and data with purpose.** The decisions leaders make now about the adoption of new technology, the re-design work, and the ongoing support of their people will set up the course for the next decade of organizational success.

This report is written for those ready to lead that transformation. It is a guide to the ideas, technologies, and human priorities that will define the workplace of 2026 and beyond. The opportunity is clear: to build organizations that can embrace technological change while keeping humanity at the center. Not just more productive, but more purposeful. The future of work begins with the choices made today.



# Overall Labor Market Conditions

## UNDERSTANDING THE ECONOMIC CONTEXT OF WORK IN 2026

Every decision that HR and business leaders make, from hiring and compensation to automation and culture, is shaped, influenced, and informed by the larger economic and labor market environment in which their organizations operate. While technology and innovation often dominate headlines, it is the underlying macroeconomic conditions that set up the underlying context and define the opportunities that companies can realistically achieve. In 2026, staying informed about these dynamics is essential for effective workforce strategy and long-term organizational resilience.

The U.S. economy enters 2026 in a state of cautious optimism. Growth has slowed from the sharp post-pandemic recovery years, yet the labor market remains surprisingly strong – but as 2025 ends, that strength is being tested. Unemployment hovers near historic lows, but labor participation is constrained by demographic shifts like an aging workforce, declining birth rates, and slower immigration growth. Simultaneously, inflationary pressures, heightened wage expectations, and productivity demands continue to test employers' ability to balance cost management with talent retention. For HR leaders, understanding these forces is crucial to making informed decisions about staffing levels, pay structures, automation investments, and employee wellbeing programs.

Macroeconomic indicators from GDP growth, job openings, participation rates, and productivity trends all carry direct implications for talent strategy. When labor markets are tight, employers must compete through culture, flexibility, benefits, and upskilling rather than compensation alone. When growth slows, they must innovate to sustain performance and efficiency without eroding morale. The challenge for leaders is to position the organization to move beyond simply reacting to economic cycles to anticipate them and design people strategies that can adapt and thrive through volatility and uncertainty.

# Overall Labor Market Conditions

Complicating this environment further is the accelerating influence of artificial intelligence. AI is transforming hiring, job design, and productivity expectations across every industry and in every size organization. **Leaders are simultaneously grappling with labor shortages in some areas and potential labor displacement due to AI and automation in others.** The ability to integrate AI responsibly, focusing on augmenting human potential rather than replacing it, will define both competitiveness and workplace culture in 2026 and beyond.

Layered on top of these structural changes is a growing focus on accountability. From policymakers, regulators, and the public, organizations are under pressure to operate transparently and responsibly. Employment practices, pay transparency, data privacy, and worker classification remain under intense scrutiny. Political and regulatory shifts will continue to shape how organizations operate, particularly in areas such as AI governance, workplace safety, and equitable employment.

This section of the report provides our view of the forces shaping the U.S. economic and labor landscape as 2026 unfolds. It begins with an examination of Trends in Labor Market Data, highlighting participation rates, wage dynamics, and workforce composition. It then explores The Impacts of AI on Hiring and Employment, analyzing how automation and digital intelligence are redefining labor demand. Next, we turn to Increased Pressure on Performance and Productivity, discussing how organizations are responding to the demand for growth and efficiency. Finally, we assess the Compliance, Political, and Regulatory Environment, outlining the evolving workplace landscape that HR and business leaders must navigate.

**Understanding these macro conditions allows leaders to see the bigger picture.** These concepts are the real-world context in which every workforce decision is made. In 2026, the most effective HR and business leaders will understand how this context impacts their organizations which will allow them to read it, anticipate it, and align their people strategies to thrive within it.

# Overall Labor Market Conditions

## TRENDS IN LABOR MARKET DATA

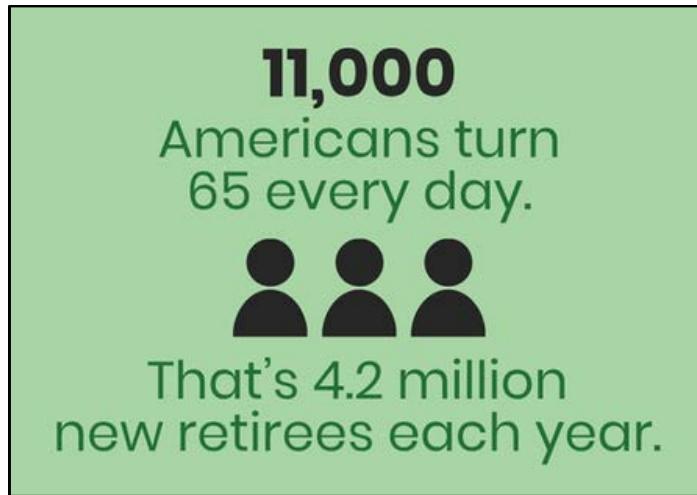
As 2026 begins, the U.S. labor market presents a picture of stability on the surface, but beneath that there are meaningful structural challenges that continue to shape how organizations attract and retain talent. Overall unemployment remains historically low, hovering near 4.0%, a sign of continued resilience even as overall economic growth moderates. Yet beyond these strong headline numbers lies a complex, nuanced story: **slower labor force growth, persistent skills mismatches, and widening gaps between the jobs employers need to fill and the workers available to fill them.**

After several years of post-pandemic recovery and rapid job creation, hiring activity has normalized. Job openings remain near pre-2020 levels, particularly in healthcare, logistics, and professional services, but sectors like manufacturing and retail are showing signs of slowing. The labor market is not in crisis, but it is considerably weaker than in the immediate post-pandemic period. Additionally, the supply of labor is under pressure. **Employers cannot simply assume that labor supply will rise to meet demand.** Structural limits are reshaping the workforce in ways that will persist for years.

Demographic trends are a key factor. Baby Boomer retirements are continuing at a steady pace; removing experienced talent from organizations faster than younger generations can step in to replace them. Birth rates remain historically low, reducing the number of new entrants to the labor force. And immigration, traditionally a major source of labor market flexibility, has recovered partially but remains below pre-2019 levels, contributing to ongoing shortages in sectors like construction, caregiving, and hospitality.

# Overall Labor Market Conditions

At the same time, labor force participation patterns are evolving. More older workers are choosing to stay in or reenter the workforce, often in part-time or flexible roles. Women's labor force participation, which rose significantly after the pandemic, shows a decline in 2025, particularly among mothers, due to the rollback of flexible work policies and dwindling childcare support, leading to an emerging "shecession" despite high participation earlier in the year. The August 2025 rate was 56.9%, with a significant exodus of over 455,000 women from the workforce by August.



Wage growth, meanwhile, has settled into a more sustainable trend. After the sharp increases of 2021–2023, nominal wage growth has cooled to around 3–4% annually. Real (inflation-adjusted) wages have grown modestly, offering relief to workers but not fully offsetting lingering inflation and cost-of-living pressures. Employers are adapting by redesigning compensation packages to focus on flexibility and retention. Strategies include incorporating skill-based pay, retention bonuses, on-demand pay, and total rewards transparency. In many organizations, compensation is now as much a message of trust and fairness as it is an economic exchange.

# Overall Labor Market Conditions

Beneath these broad measurements of the overall labor market, many organizations still encounter persistent skills gaps. Despite advances in AI and automation, employers still struggle to fill technical, digital, and healthcare roles. Many of these shortages reflect both the lack of qualified candidates, and the rapid pace at which job requirements are changing. Skills-based hiring and internal mobility programs are becoming standard practice, as organizations realize that future workforce capacity will depend as much on developing talent as acquiring it externally.

For HR and business leaders, the implications are clear. **The labor market may no longer be in as challenging as it had been, but it is still structurally tighter than it has been by historical standards.** Growth in the working-age population is slowing, skills requirements are evolving faster than education systems can respond, and employee expectations around flexibility and purpose continue to redefine the employer's value proposition. In this environment, talent strategy must focus on cultivating sustainability by retaining experienced workers, reskilling for the future, and designing work models that fit the realities of the 2026 labor force.

The headline numbers may look reassuring, but the real story lies in the layers beneath them. For HR leaders, understanding those nuances in the shape of participation trends, wage dynamics, and skill mismatches, and more, is essential to building resilient organizations that can adapt to whatever the next phase of the economy brings.

# Overall Labor Market Conditions

## IMPACT OF AI ON HIRING AND EMPLOYMENT

By 2026, artificial intelligence has become a visible, daily force across the employment landscape. What was once discussed in terms of pilots and potential is now part of the standard operating model for many organizations. From candidate sourcing and job descriptions to workforce analytics and employee support, AI is transforming how companies hire, manage, and deploy talent while upending how employees experience work.

Many organizations are at an inflection point where experimentation has given way to execution. Nearly every major HCM platform now includes embedded AI functionality. Recruiting teams use generative tools to write job descriptions, screen resumes, and communicate with candidates. Managers rely on predictive analytics to identify flight risks or skill gaps. Chat-based HR assistants handle routine employee questions in real time. AI is rapidly becoming embedded in the infrastructure and fabric of modern workforce management.

### **Oracle AI World 2025 – It's Time to Operationalize AI Systems**



At H3 HR Advisors, we've tracked the evolution of AI across HR and enterprise technology for the last several years, and we see Oracle's approach standing out.

Talent Acquisition processes have changed most directly. AI sourcing tools scour enormous databases to match candidates to open roles with impressive precision. Conversational bots, powered by Generative AI, can schedule interviews, answer applicant questions, and keep candidates engaged throughout the hiring process.

# Overall Labor Market Conditions

Assessment algorithms analyze skills, experience, and even tone or writing patterns to identify potential role fit. These tools have made recruiting faster, more consistent, and more data-driven, driving those who successfully adopt them to a significant advantage in a tight labor market. But they have also introduced new risks: bias embedded in algorithms, lack of transparency in decision-making, and uneven oversight. Regulators are taking notice, and employers must now demonstrate that AI-driven hiring systems are fair, explainable, and compliant.

Beyond specific HR processes and transactions, **AI is now transforming the structure of employment itself.** Automation continues to replace or reshape routine work. From payroll and data entry to scheduling and basic reporting, organizations are seeking to improve accuracy and efficiency and potentially reduce associated head count.

At the same time, generative AI is augmenting higher-value functions such as data analysis, external and internal communication, software development, and even the creative process. HR, marketing, customer service, and even software engineering roles are being redefined as “human plus machine” collaborations. **Employees who can combine technical fluency with creativity, judgment, and empathy are increasingly in demand.**

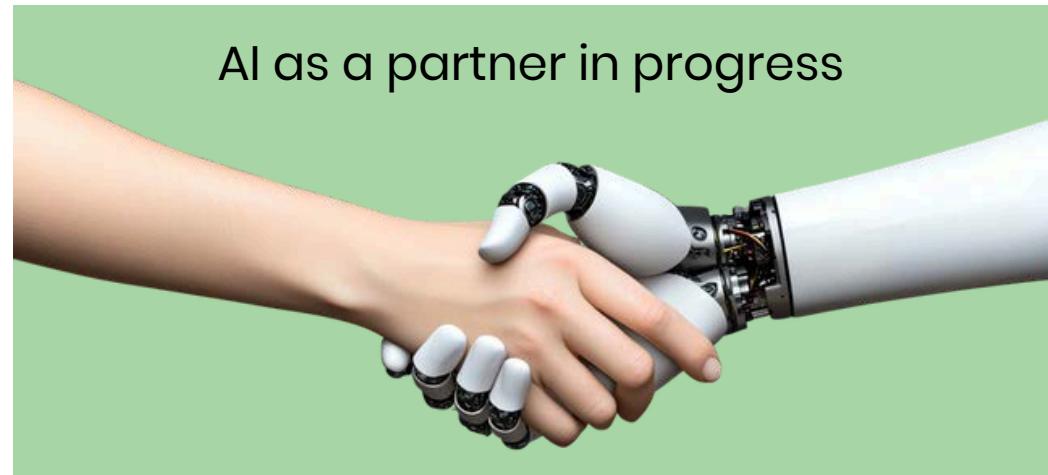
These changes are reshaping the overall labor market. While fears of mass job loss have not yet materialized in a widespread manner, the nature of jobs is shifting rapidly. Many roles are being redesigned while some are being eliminated, with employees taking on more complex, consultative, or relationship-focused responsibilities. New job categories such as AI trainers, ethics officers, automation managers, and prompt engineers and consultants, are emerging across industries. This transition creates both opportunity and anxiety, particularly among workers in administrative or operational functions most exposed to automation.

# Overall Labor Market Conditions

Economically, AI's expansion is beginning to show measurable effects. Productivity growth, stagnant for much of the past decade, is ticking upward as organizations learn to deploy AI at scale. U.S. labor productivity showed strong growth in mid-2025, with a 3.3% increase in nonfarm business productivity in Q2 2025. Yet this growth is uneven. Companies that invest in technology and reskilling are pulling ahead, while those slower to adapt risk falling behind in efficiency, and also in their ability to attract talent.

For HR leaders, the implications are important. AI is not only a technology to adopt but a capability to manage. It requires new governance models, ethical frameworks, and skill development strategies. Leaders must balance automation with humanization and work to ensure that technology amplifies human potential rather than diminishes it. The organizations that succeed will be those that make AI a partner in progress, not a substitute for people.

In 2026, AI's impact on hiring and employment is operational and increasing in significance. The challenge now is to ensure that this transformation strengthens organizations and the long-term relationships between people and employers and the work itself.



# Overall Labor Market Conditions

## INCREASED PRESSURE ON PERFORMANCE AND PRODUCTIVITY

As economic growth plateaus or even slows, and margins tighten, 2026 is becoming a year defined by performance, and doing more with less. Across industries, boards and executives are asking the same question: where are the productivity gains? After years of investment in digital transformation, hybrid work, and now artificial intelligence, leaders are under mounting pressure to demonstrate measurable improvements in efficiency, innovation, and profitability.

Macroeconomic signals are pointing to a challenging 2026. GDP growth has moderated; capital remains more expensive than in the post-pandemic years, and investors are demanding leaner operations. Organizations that thrived on expansion during the recovery years are now focused on optimization. For HR and business leaders, that means linking every talent initiative, from workforce planning to employee wellbeing, to productivity outcomes. **The challenge is no longer simply doing more; it's achieving more impact with greater precision and sustainability.**

At the same time, the nature of productivity itself is being rewritten. Hybrid and digital work models have delivered flexibility but also have presented persistent challenges with collaboration and culture building. Many employees operate across multiple digital tools and collaboration channels, blurring the boundaries between focus and distraction. Many leaders trying to quantify productivity are moving away from hours and visibility toward outcomes, quality, and creativity. The organizations that succeed are those that combine measurement with meaning, ensuring data enhances understanding rather than policing behavior.

# Overall Labor Market Conditions

Technology sits at the center of these challenges. AI and automation promise to unlock new levels of efficiency, and early adopters are beginning to see results in faster decision-making and reduced administrative work. Yet these same tools have also raised productivity expectations. Once AI automates routine tasks, the bar for human performance rises. Employees can experience an “acceleration effect,” where technology saves time only to have that time immediately reinvested into new responsibilities. The result can be performance compression and employee burnout. Are we asking employees to do more, faster, and with little additional recovery time?

Progressive organizations are responding by redefining how they manage and measure performance. Annual reviews are being supplemented or even replaced by continuous, data-informed feedback processes. Agile goal setting is helping teams align on outcomes rather than tasks. Managers are being retrained as coaches who interpret data, remove barriers, and connect productivity to purpose. In many organizations, HR analytics now link performance metrics with indicators of engagement and wellbeing, recognizing that sustainable productivity depends on energy as much as effort.

For HR and business leaders, 2026 offers both urgency and opportunity. Economic conditions demand greater efficiency, but the tools to achieve it are more powerful than ever. The imperative is to align them thoughtfully. Leaders are challenged to balance automation with autonomy, metrics with meaning, and speed with sustainability. True productivity is not about squeezing more output from people; it's about enabling people and technology to work in concert toward clearer, higher-value outcomes.

In the end, performance pressure is not inherently negative. When guided by insight and empathy, it can drive clarity, innovation, and growth. The task for 2026 is to ensure that the pursuit of productivity strengthens, rather than strains, the human core of work.

# Overall Labor Market Conditions

## COMPLIANCE, POLITICAL, AND REGULATORY ENVIRONMENT

In 2026, one of the most important contexts for HR and business leaders is present in the shifting environment of regulation, politics, and policy. The laws, rules and political signals that once represented backdrop noise now play front-and-center roles in workforce strategy. From how workers are classified to which visas are issued, and from AI oversight to pay transparency, regulatory change is reshaping the how, who and where of work.



### The Startup Mindset in Employer Services

HR Tech Perspectives with Michele Bodda



In this video, Michele Bodda shares how Experian brings a start-up mindset to enterprise HR, using people-first innovation, transparency, and technology to help employers navigate an increasingly complex regulatory environment with agility and care.

First, compliance demands have grown in both complexity and speed. Laws on pay transparency, wage equity audits, work authorizations, worker-classification (employee vs. contractor) and extended family-leave mandates are multiplying on the Federal level and across states. Simultaneously, emerging regulations around AI ethics, algorithmic bias, and data privacy are forcing organizations to rethink how they use people-systems and talent-analytics. For HR leaders, this means a broader scope; compliance is more than solely a legal or HR operations administrative function; it is central to the talent experience, employer brand and risk profile.

# Overall Labor Market Conditions



## **Compliance with Care: The Next Era of Accessible HR**

HR Tech Perspectives with Melisa Stanwood



This video highlights how HR can balance increasing compliance complexity with accessibility and compassion by leveraging technology and AI to make regulatory processes more human-centered and employee-friendly.

Perhaps the most immediate labor-market consequence lies in U.S. immigration policy. The U.S. has long depended on immigrant labor to fuel workforce growth, fill critical roles and balance demographic decline. Yet during 2024–25, more restrictive migration policies, reduced visa allocations and heightened enforcement began to shift that balance. Analysts estimate that slower immigration and reduced work permits will have material effects on labor-force growth, particularly in industries like construction, hospitality, agriculture, and caregiving.

For HR leaders, the implications are striking. A tight domestic labor supply already places pressure on hiring, wages and retention. Additional potential constraints on migrant-labor flows and the risk of unexpected talent gaps make the challenge more acute. Sectors that rely heavily on foreign-born workers are especially exposed. Moreover, workforce planning must now incorporate immigration scenarios: what happens if visa quotas remain constrained? How will slower population growth affect talent pipelines longer term?

# Overall Labor Market Conditions



## Navigating Compliance within a Shifting Landscape

HR Tech Perspectives with Mara Nicholl, Sr. Director of Product, Experian



In this video, we explored how accelerating changes in pay transparency, worker classification, and data-use regulation are forcing HR teams to modernize compliance frameworks in real time.

Shifting trade policies, labor-market reform and global mobility rules all impact hiring, payroll and talent strategies. For example, a surge in infrastructure funding may drive increased demand for manufacturing and construction talent just when labor-supply constraints are tightening. And remote-work policies enabling global talent use may face regulatory or tax headwinds. Leaders must stay attuned to this broader context, as it affects the talent management strategies of most organizations.

Optimistically, regulatory change also opens opportunities. Organizations that proactively align policy strategy with talent strategy will emerge ahead. Companies that build robust frameworks for AI governance, classification compliance and immigration-sensitive workforce design will enhance flexibility, reputation and efficiency, while managing and reducing risk. In 2026, HR's role is evolving from "keeper of the rules" to "designer of agile systems."

# Overall Labor Market Conditions

For 2026, regulatory change is a core part of workforce strategy. Leaders must meet three imperatives. First, embed regulatory-based scenario planning into workforce design: anticipate visa and immigration disruptions, regulatory shifts, and talent-pipeline risks. Second, build transparent systems and analytics that track not only compliance but also the operational implications of regulatory change (e.g., number of visa-dependent roles, classification audits, AI decision-logs). Third, turn compliance into capability: use regulatory frameworks as a springboard to improve talent practices, automation, transparency, and trust.

In a year defined by transformation, the organizations that succeed will understand that the regulatory environment is a signal. It reflects how work, talent, government, and society interact. It points to imbalance, risk, and opportunity. HR leaders who respond by designing resilient, ethical and agile people-systems will help their organizations not only navigate 2026 but lead into the decade ahead.

## The 2026 Compliance Triangle



# **Business Development 3.0: The Evolution of Work Models, Structures, and the Design of Work**

- Five Years of Disruptive Change Leads to a New Model
- The Maturing of Skills-based Hiring and Development



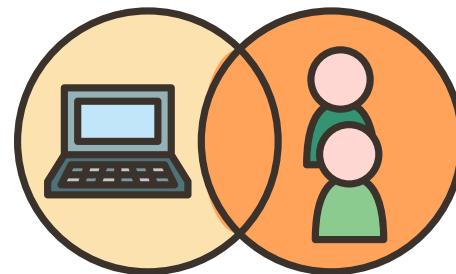
# 5 Years of Disruptive Change Leads to a New Model

## WHAT THIS TREND IS

One of the most profound shifts has been the rise of the hybrid-flexible model. Initially born out of necessity, it has matured into a deliberate strategy. Organizations realized that flexibility isn't just about location, it's about autonomy, trust, and outcomes. Employees began to expect more control over how, when, and where they work. And the most forward-thinking companies responded by redesigning work around life, not the other way around.

This new model is characterized by asynchronous collaboration, dynamic team structures, and performance metrics that prioritize impact over presence. It's not without its challenges. **Leaders have had to learn how to build culture without proximity, and HR teams have had to reimagine engagement in a distributed world.** But the payoff is clear: increased productivity, deeper employee satisfaction, and a more inclusive approach to talent.

Parallel to this shift, another revolution was taking place, one that redefined how organizations attract, develop, and retain talent. For decades, hiring was anchored in pedigree: degrees, titles, and tenure. But as the pace of change accelerated, those markers became less reliable. Skills became the new currency.



# 5 Years of Disruptive Change Leads to a New Model

## WHY IT MATTERS IN 2026

The past five years have reshaped how we think about work, not just where it happens, but how it fits into our lives. Hybrid and flexible models aren't just trends; they're now foundational to how organizations attract talent, support well-being, and stay resilient. As we head into 2026, these models matter more than ever because they reflect a deeper shift: people want work that aligns with their lives, not the other way around. And in a world still adjusting to disruption, that alignment is a strategic advantage.

For employers, flexibility is no longer a perk, it's a differentiator. **The most sought-after talent is choosing roles that offer autonomy, purpose, and adaptability.** Whether it's flextime, asynchronous collaboration, or location-agnostic teams, the ability to personalize work is becoming a baseline expectation. At the same time, leaders are being called to design intentional hybrid strategies that foster connection, equity, and clarity. It's not about being everywhere or nowhere. It's about being deliberate, human-centered, and aligned with the work that matters most.

Looking ahead, the organizations that thrive will be those that embrace flexibility not as a compromise, but as a catalyst. Hybrid teams, when supported well, can unlock creativity, broaden perspectives, and respond faster to change. But it takes more than policy. It takes trust, new metrics, and a culture that values outcomes over optics. **In 2026, the question isn't whether hybrid work works. It's whether we're willing to lead with the clarity, care, and courage it demands.**

# 5 Years of Disruptive Change Leads to a New Model

## HOW IT CONNECTS TO BROADER WORKPLACE TRANSFORMATION

The shift toward hybrid and flexible work is part of a much larger workplace transformation and one that's redefining how we think about productivity, leadership, and human connection. It's not just about where people work; it's about how organizations design experiences that honor autonomy, purpose, and inclusion. The old models of control and visibility are giving way to trust, clarity, and impact. And as we move into 2026, this transformation is accelerating, not because of technology alone, but because people are demanding work that feels more aligned with their values and lives.

This evolution is forcing leaders to rethink everything from performance metrics to culture-building. **We're seeing a shift from rigid hierarchies to more fluid, cross-functional collaboration.** From standardized roles to skills-based ecosystems. From transactional management to emotionally intelligent leadership. Hybrid work is a catalyst here. It exposes the cracks in legacy systems and invites us to build something more intentional, more human. It's not enough to digitize workflows; we must reimagine how people thrive within them.

At its core, this transformation is about designing work for life, not just for output. It's about creating environments where people can contribute meaningfully, connect authentically, and grow sustainably. That means integrating wellness, equity, and adaptability into the fabric of how we lead and operate. **The organizations that embrace this shift will be the ones that attract the most curious, creative, and committed talent.** And they'll be the ones best equipped to navigate whatever comes next with clarity, compassion, and courage.

# 5 Years of Disruptive Change Leads to a New Model

## WHAT'S DRIVING THE TREND

### Technological

From a tech standpoint, the rise of hybrid and flexible work is being fueled by smarter, more human-centered tools. These platforms don't just digitize work but reimagine how it flows. AI is automating the repetitive and surfacing the meaningful, while collaboration tech is finally catching up to the nuance of real human interaction. We're seeing systems that adapt to people, not the other way around with tools that support asynchronous creativity, contextual nudges, and inclusive decision-making. It's not about tech for tech's sake. It's about designing ecosystems that make flexibility sustainable, equitable, and deeply connected to how people work and live.

88% of organizations say their companies are regularly using AI in at least one business function.

McKinsey "The State of AI: Global Survey 2025"

### Economic

Hybrid and flexible work models are now tightly interwoven with economic strategy. In a climate of uncertainty and shifting costs, these models offer organizations a way to stay lean, resilient, and competitive. Leaders are using flexibility to reduce overhead like real estate, utilities, and even relocation expenses, while still attracting top talent across geographies. At the same time, the broader economy is being reshaped by this decentralization of work: local economies are diversifying, coworking hubs are thriving, and digital infrastructure is becoming a growth engine. Flexibility isn't just a response to economic pressure, it's a lever for reinvention, agility, and long-term value creation.

In 2025, over 32.6 million Americans (approx. 22% of the workforce) work remotely.

Neat "The State of Remote Work 2025 Statistics"

# 5 Years of Disruptive Change Leads to a New Model

## Cultural

Culturally, hybrid and flexible work are reshaping the very fabric of how we connect, lead, and belong. We're moving from proximity-based culture to purpose-driven culture—where rituals, language, and shared meaning matter more than physical presence. This shift is challenging leaders to be more intentional about inclusion, communication, and emotional resonance. It's also empowering employees to show up more authentically, with space to integrate their identities, rhythms, and values into how they work. In 2026, culture isn't built in the breakroom—it's built in the clarity of our interactions, the trust in our systems, and the stories we choose to tell together.

81% say remote or flexible work is the most critical job factor in 2025 – surpassing salary (77%).

Gable "28 Workplace Statistics That Defined 2025"

## Regulatory

Hybrid and flexible work models introduce complex regulatory and ethical responsibilities that leaders can't afford to overlook. From labor laws to equity concerns, these models demand intentional governance and human-centered design.

Legally, organizations must navigate a patchwork of state, national, and even international regulations, especially as employees work across borders. That means rethinking everything from tax compliance and wage laws to data privacy and working hours. Ethically, the challenge is even deeper: ensuring that flexibility doesn't create inequity. When some employees have more access to visibility, mentorship, or advancement simply because they're in-office more often, we risk reinforcing old hierarchies under a new banner.

In 2026, responsible leadership means designing hybrid models that are not only compliant, but inclusive, transparent, and built on trust.

# 5 Years of Disruptive Change Leads to a New Model

## Key HR Technology Innovations Driving AI Adoption

AI adoption in HR is accelerating because the technology is finally aligning with the realities of hybrid and flexible work. We're seeing innovations that go beyond automation such as tools that personalize the employee experience, surface insights in real time, and adapt to asynchronous workflows.

Intelligent scheduling platforms, skills-based talent marketplaces, and AI-driven performance management systems are helping leaders design work around people, not just processes. Predictive analytics is giving HR teams the foresight to support well-being, engagement, and retention across distributed teams. These aren't just upgrades, they're strategic enablers for a more human, agile, and inclusive workplace.

## SIGNALS FROM THE FIELD

Signals from the field show that hybrid and flexible work are now being refined, challenged, and embedded into the DNA of workplace strategy. Leaders are wrestling with how to balance autonomy and accountability, while employees continue to prioritize well-being, purpose, and personalization. AI and skills-first models are converging to support distributed teams, and younger generations are pushing for flexibility as a baseline, not a benefit. The cultural and operational shifts are real.

Organizations are investing in new rituals, inclusive tech, and trust-based leadership to make hybrid sustainable. What's emerging is a call for clarity, equity, and human-centered design at every level.

# 5 Years of Disruptive Change Leads to a New Model

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

### Opportunities

The opportunities, though, are profound. Hybrid work allows organizations to tap into broader talent pools, personalize the employee experience, and build more resilient, adaptive teams. It opens the door to skills-based models, inclusive leadership, and tech-enabled agility. For HR, this is a chance to lead transformation, not just in policy, but in mindset. To design systems that honor individuality while driving collective impact.



### Risks

For HR and business leaders, the risks of hybrid and flexible work lie in fragmentation of culture, communication, and equity. Without intentional design, these models can create uneven access to mentorship, visibility, and advancement. There's also the risk of burnout if flexibility becomes boundaryless, or if leaders fail to support asynchronous collaboration with clarity and care. The challenge is to ensure that flexibility doesn't become chaos, and that autonomy doesn't erode connection. Looking to workforce planning and design cohorts will strengthen the organization's work model.

### Cultural and Operational Impact

Culturally, these models are reshaping how we define belonging, trust, and purpose. We see the most successful leaders cultivating culture across time zones and touchpoints, using rituals, storytelling, and emotionally intelligent communication. The office is no longer the heartbeat of culture, connection is. And that means HR must become architects of experience, curators of meaning, and stewards of human-centered design. This is the moment to lead with empathy, clarity, and courage.

# 5 Years of Disruptive Change Leads to a New Model

## ACTIONS TO TAKE IN 2026

### Key Questions to Consider as you Begin 2026 Planning

As leaders plan for 2026, the first question they must ask is: Are we designing work around people or around legacy systems? That single shift reframes everything, from workflows and tech investments to culture and leadership. It's not enough to offer flexibility; we must define what it means in practice, and how it supports both business outcomes and human well-being. Leaders need to consider how their hybrid models foster clarity, equity, and connection across distributed teams. Are we measuring impact or presence? Are we creating space for autonomy without losing alignment?

The second layer is about readiness and resilience. Leaders must ask: Do our systems, rituals, and metrics support adaptability at scale? That means rethinking performance management, talent development, and even how we build trust. It's about designing for change, not just reacting to it. As AI, skills-first strategies, and new cultural expectations reshape the workplace, leaders need to be intentional about what they keep, what they evolve, and what they let go. The organizations that thrive in 2026 will be those that lead with clarity, compassion, and the courage to reimagine work from the inside out.

- How do we define flexibility?
- Are we measuring impact or presence?
- Are we designing work around people or systems?
- Do our systems support adaptability?
- What do we keep, evolve, or let go?

# 5 Years of Disruptive Change Leads to a New Model

## BONUS: TECHNOLOGY WATCH 2026

### Key Technologies and Vendors to Monitor

Vendors making the biggest strides in hybrid and flexible work are those designing for adaptability, inclusion, and intelligence, not just efficiency. They're not just digitizing old workflows; they're reimagining how people connect, grow, and thrive in distributed environments.

Platforms like [Workday](#) and [ServiceNow](#) are leaning into AI-powered orchestration, helping organizations personalize experiences and streamline complex workflows across hybrid teams. [HiBob](#) and [Lattice](#) are doubling down on culture and performance, offering tools that support continuous feedback, goal alignment, and manager enablement in flexible settings. Meanwhile, [Deel](#) and [Remote](#) are redefining global employment infrastructure, making it easier to hire, pay, and support talent across borders without friction. These vendors are responding to the real-world complexity of hybrid work with systems that are modular, human-centered, and built for scale.

**What sets these players apart is their focus on experience as strategy.** They're embedding nudges, insights, and inclusive design into the flow of work, whether it's through AI-driven scheduling, skills intelligence, or well-being analytics. They're not just solving for HR, they're enabling leaders to build trust, clarity, and connection in a world where work is no longer bound by place or time. As we move into 2026, these vendors are helping organizations shift from reactive flexibility to intentional, sustainable transformation.

# 5 Years of Disruptive Change Leads to a New Model

## Market Activity

The latest market activity in HR tech is signaling a decisive shift toward platforms that make hybrid and flexible work not just possible, but purposeful. Vendors are rapidly innovating around AI-powered scheduling, skills intelligence, and predictive analytics, tools that help leaders anticipate needs, personalize experiences, and support distributed teams with clarity. We're seeing a wave of investment in employee experience platforms that treat culture and connection as strategic assets, not soft metrics. These systems are embedding nudges, feedback loops, and well-being insights directly into the flow of work, making flexibility feel less like a compromise and more like a competitive edge.

At the same time, global employment infrastructure is expanding fast. Vendors like Deel and Remote are simplifying cross-border hiring, compliance, and payroll, removing friction from the flexible workforce equation. CHROs are responding by rethinking governance, balancing global consistency with local nuance. And as return-to-office mandates stir cultural tension, organizations are recalibrating their value propositions to reflect what employees want: autonomy, purpose, and trust. What's emerging is a more adaptive, human-centered ecosystem, one where HR leads transformation, not just administration.



### Designing Work that Can Work for Everyone

At Work in America with Flex+ Strategy Group



“The flexibility we’ve had for the last five years since the pandemic was executed under crisis circumstances...now we have to intentionally come together and say, based on the work we do, how, when, and where does that work happen best.”

-Callie Williams Yost

# 5 Years of Disruptive Change Leads to a New Model

## H3 HR INSIGHTS

After spending our careers working as HR practitioners, leaders and in product strategy, we see hybrid and flexible work models as more than operational shifts. These are cultural and strategic inflection points. It's a time to challenge leaders to move past the binary or remote vs. in-office and ask more challenging questions. Thinking of the experience you're designing, and who it serves, as well as the purpose of the policies around work models you can lead with clarity, trust, and a deep understanding of how people live and work most effectively.

We'd also push vendors to step up, not just with features, but with frameworks that help leaders navigate complexity. It's not enough to automate workflows or digitize performance reviews. The real opportunity is in building systems that support connection, adaptability, and human-centered growth.

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AI and skills intelligence can unlock new levels of agility in workplaces today. Solutions support the many types of work models that organizations need.

-Steve Boese

“

It's also about the warmth and connection you create so that employees feel part of the bigger picture.

-Trish Steed

”

The future of work isn't just about flexibility, it's about intentionality. It's about designing ecosystems where people can thrive, not just survive. And it's about giving leaders the tools, and the language, to lead with empathy, insight, and courage. That's the work worth doing.

# Skills-based Hiring and Development

## WHAT THIS TREND IS

Skills-based hiring emerged as a powerful counter-narrative to the legacy of pedigree-driven recruiting, where resumes were scanned for degrees and titles rather than depth and dexterity. As organizations faced mounting pressure to evolve, they began to question whether traditional filters such as formal education and linear job histories truly reflected a candidate's ability to thrive in dynamic environments. The shift wasn't just tactical; it was philosophical. It asked leaders to reimagine talent not as a static credential, but as a living system of capabilities, curiosity, and context.

This reframing opened the door to more human-centered hiring practices, where adaptability, problem-solving, and potential took precedence over rigid role requirements. **AI-powered platforms accelerated this transformation by mapping skills across teams and surfacing hidden strengths**, enabling internal mobility that felt more like growth than churn. Instead of boxing people into roles, companies began to build ecosystems of opportunity where skill clusters replaced titles, and where a person's trajectory was shaped by what they could learn and contribute, not just what they had done.

The implications for career design were profound. Ladders gave way to lattices. These fluid, multidirectional paths that honored reinvention and resilience became the desired paradigm. **Employees could pivot, stretch, and remix their journeys** in ways that aligned with both business needs and personal purpose. For organizations, this meant cultivating cultures of continuous learning and inclusion. For individuals, it meant being seen not just for where they'd been, but for where they could go. Skills-based hiring wasn't just a trend, it was a redefinition of value, voice, and vision in the workplace.

# Skills-based Hiring and Development

## WHY IT MATTERS IN 2026

This wasn't just a tactical shift; it was a philosophical one. It signals a belief in growth over gatekeeping, in potential over pedigree. And it extends beyond hiring into development. **Learning platforms are evolving to offer more personalized, bite-sized content.** Managers are feeling empowered as coaches. Employees feel enabled to own their growth journeys, supported by transparent skills taxonomies and community-based learning.

As these changes are taking root and leadership itself is transforming. The command-and-control archetype is giving way to a new kind of leader, one who leads with empathy, cultivates belonging, and embraces ambiguity. The leader employee relationship is finally evolving. Another key factor in this change is that emotional intelligence has become a skill that is as critical as strategic acumen. When we talk to leaders now, they are asking questions about how to create psychological safety for their employees, what biases might be shaping their decisions and how to build a more trusting work environment.

## HOW IT CONNECTS TO BROADER WORKPLACE TRANSFORMATION

For decades we've told leaders they need to prioritize soft skills like storytelling and empathy, but we were not building those things into their goals or tying them to compensation magnetic cultures are. **In 2026, we are seeing leadership leaning in on executive coaching and cross-functional collaboration as well as all the soft skills that help them connect to employee needs.**

With a fluid talent ecosystem filled with gig workers, fractional executives, and internal talent marketplaces, it's pushed the C-suite to consider themselves as curators of employee experience. Employees aren't just choosing jobs; they are choosing cultures. And the most those that offered flexibility, growth, and authenticity.

# Skills-based Hiring and Development

## WHAT'S DRIVING THE TREND

### Technological

The acceleration of generative AI, agentic systems, and intelligent automation is reshaping the HR function from support to strategic infrastructure. In 2026, AI isn't just augmenting decisions, it's executing them. Autonomous platforms now handle almost all aspects of the employee journey, freeing HR teams to focus on culture, ethics, and human connection. Skills mapping, sentiment analysis, and predictive modeling are no longer experimental, they're embedded in daily workflows. The rise of interoperable systems and low-code/no-code tools also empower HR leaders to customize solutions without waiting on IT.

### Economic

Economic volatility and pressure to grow are forcing organizations to rethink workforce agility and approaches. CEOs are demanding faster execution, leaner operations, and talent strategies that scale with demand. AI is seen as a lever for efficiency and profitability, but only when paired with redesigned workflows and cross-functional collaboration. Talent shortages persist in key areas, especially data science, cybersecurity, and green tech, making internal mobility and skills-based hiring essential.

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The cost of inaction is rising, and HR is being asked to deliver measurable business impact, not just engagement metrics.

-Trish Steed

”

# Skills-based Hiring and Development

## WHAT'S DRIVING THE TREND

### Cultural

From a cultural standpoint, employee expectations haven't shifted dramatically, but the demand for action has. For leaders who joined the workforce in the 1990s through 2000s, this ultimatum feels like something to push against with all our might. But when we remember these expectations were our own, we can start to ensure that things like transparency, flexibility, and most of all, purpose are what it takes to make someone stay in the organization. However, these generational desires are not the only cultural barriers at work.

The return-to-office debate has exposed deeper tensions around autonomy, trust, and inclusion. In parallel, the rise of neurodiversity awareness, mental health advocacy, and identity-conscious leadership is pushing HR to evolve its language, rituals, and policies. Culture is no longer a soft metric; it's a performance driver. AI tools that surface behavioral patterns, team dynamics, and burnout signals are helping leaders respond with empathy and precision.

### Regulatory/Ethical

With any new technology come fear and anxiety around how and why it is used. In today's environment where AI is being used in these new skills modeled organizations, there is growing concern. Governments and watchdogs are catching up to the pace of AI. New regulations around algorithmic bias, data privacy, and workplace surveillance are emerging globally.

In the U.S., the EEOC and FTC are scrutinizing AI-driven hiring tools for fairness and transparency. The EU's AI Act is setting precedent for risk-based governance. Ethical AI isn't optional; it's a reputational imperative. HR leaders must now vet vendors not just for features, but for explainability, auditability, and alignment with DEI goals. Ethics committees, bias testing protocols, and employee consent frameworks are becoming standard practice.

# Skills-based Hiring and Development

## Key HR Technology Innovations Driving AI Adoption

As we've noted in other areas of the workplace, HR technology is undergoing a profound shift toward skills-based hiring and development, powered by generative and agentic AI. Vendors like **Oracle** and **Workday** are embedding intelligent agents into core workflows, enabling organizations to automate performance reviews, internal mobility planning, and personalized career recommendations. **Oracle's AI Agent Studio** exemplifies this trend, offering customizable agents with a focus on explainability and enterprise-grade security. **Workday's Skills Cloud** and generative AI copilots further this evolution by aligning job architecture with real-time skills data, supporting continuous performance management and ethical governance. These innovations are transforming static job frameworks into dynamic, skills-driven ecosystems.

Meanwhile, platforms like **Cornerstone OnDemand**, **Guild**, and **SAP SuccessFactors** are redefining how learning and development intersect with career mobility. **Cornerstone** leverages AI to personalize learning journeys and infer skills from behavior and performance, while **Guild** focuses on frontline workers, using AI to match education pathways with upward mobility. **SAP's Joule** assistant supports dynamic team formation and DEI-aligned career planning through agentic workflows. Together, these technologies create opportunities for organizations to unlock hidden talent, foster inclusive growth, and build agile, future-ready workforces. In this way, development is continuous, personalized, and deeply aligned with both business strategy and human potential.



# Skills-based Hiring and Development

## SIGNALS FROM THE FIELD

The exciting bit is that HR is no longer waiting at the end of the tech pipeline, we're co-architecting the future of work! Across industries, we're stepping into the AI conversation not as recipients, but as strategic partners, shaping how intelligent systems support human potential. Skills-based hiring isn't a trend; it's the new foundation. We're moving beyond job titles and static roles, building ecosystems where skill clusters drive opportunity and career paths resemble lattices, not ladders.

Employee experience has become the operating system of agility. It's not a side conversation. This lens through which performance, trust, and innovation are measured is one that gives the most realistic picture. And as AI reshapes workflows and decision-making, fluency in its implications is no longer optional. CHROs and people leaders are expected to understand how AI intersects with strategy, ethics, and risk, because the future of work isn't just technical, it's human.



### Skills-based Hiring and AI Making Gen Z Think Again About College

The Workplace Minute



“According to recent research from Indeed, up to 52% of U.S. job postings on the site did not have a formal education requirement.

–Steve Boese

# Skills-based Hiring and Development

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

### Opportunities

We're redesigning work to be more fluid, responsive, and human. AI is helping us move beyond rigid roles and static org charts, thus unlocking modular workflows, cross-functional teaming, and real-time resource shifts that reflect how people collaborate. Skills intelligence platforms are surfacing hidden talent, revealing internal candidates who've been overlooked by traditional filters and giving us new ways to nurture potential. We're also using data to drive inclusion. And this isn't just tracking diversity, but actively detecting bias, improving accessibility, and understanding behavior in context.

And when it comes to growth, we're scaling coaching and development in ways that feel personal. AI-powered nudges, feedback loops, and adaptive learning journeys are helping people grow with intention, not just compliance. These innovations are invitations to build workplaces that are more equitable, emotionally intelligent, and ready for what's next.

### Risks

As we embrace AI in the workplace, we must stay grounded in what makes it sustainable and human centered. Poorly designed tools can quietly perpetuate bias, opening the door to legal exposure and reputational risk. When we over-delegate to automation, we risk losing the nuance of human judgment, empathy, and accountability, especially in moments that call for care. Transparency is non-negotiable; without it, AI can feel more like surveillance than support, eroding trust before it even begins.

And let's not forget the operational side, the rapid adoption without a clear integration strategy can leave us tangled in tool sprawl and data silos, making it harder to deliver on the promise of agility. Thoughtful design, ethical guardrails, and intentional rollout aren't just best practices, they're leadership imperatives.

# Skills-based Hiring and Development

## Cultural and Operational Impact

We're moving from hierarchy to networks where AI-enabled workflows support fluid teaming and decentralized decisions that reflect how work gets done. But with that shift comes a deeper responsibility: leaders must create new rituals of trust, making space for dialogue, consent, and co-creation around how AI shows up in our organizations. **Leadership itself is being reframed**; emotional intelligence, ethical reasoning, and narrative fluency aren't soft skills anymore, they're strategic. And to make it all work, HR must partner across IT, legal, and operations to ensure these tools don't just drive efficiency, but align with our values, our culture, and the kind of future we want to build.

## ACTIONS TO TAKE IN 2026

As we step into 2026, it's time to ask sharper questions about how we're designing work and shaping culture. Are we truly mapping and mobilizing skills in ways that reflect people's potential and not just their past roles? Are the AI tools embedded in our workflows explainable, ethical, and inclusive, or are we still chasing efficiency without accountability? These aren't just tech questions, they're leadership questions. **Because navigating the cultural shifts AI brings requires more than adoption; it demands fluency, empathy, and strategic intent.**

We also need to look outward and inward: Do our vendors reflect our values and meet evolving regulatory standards? Are we measuring the impact of AI not just on performance, but on trust, equity, and belonging? And as agentic work models take hold, what rituals, language, and policies need to evolve to support them? AI fluency can't live in the IT department alone; it must be woven into every level of leadership and learning. This is our moment to lead with clarity, courage, and care.

# Skills-based Hiring and Development

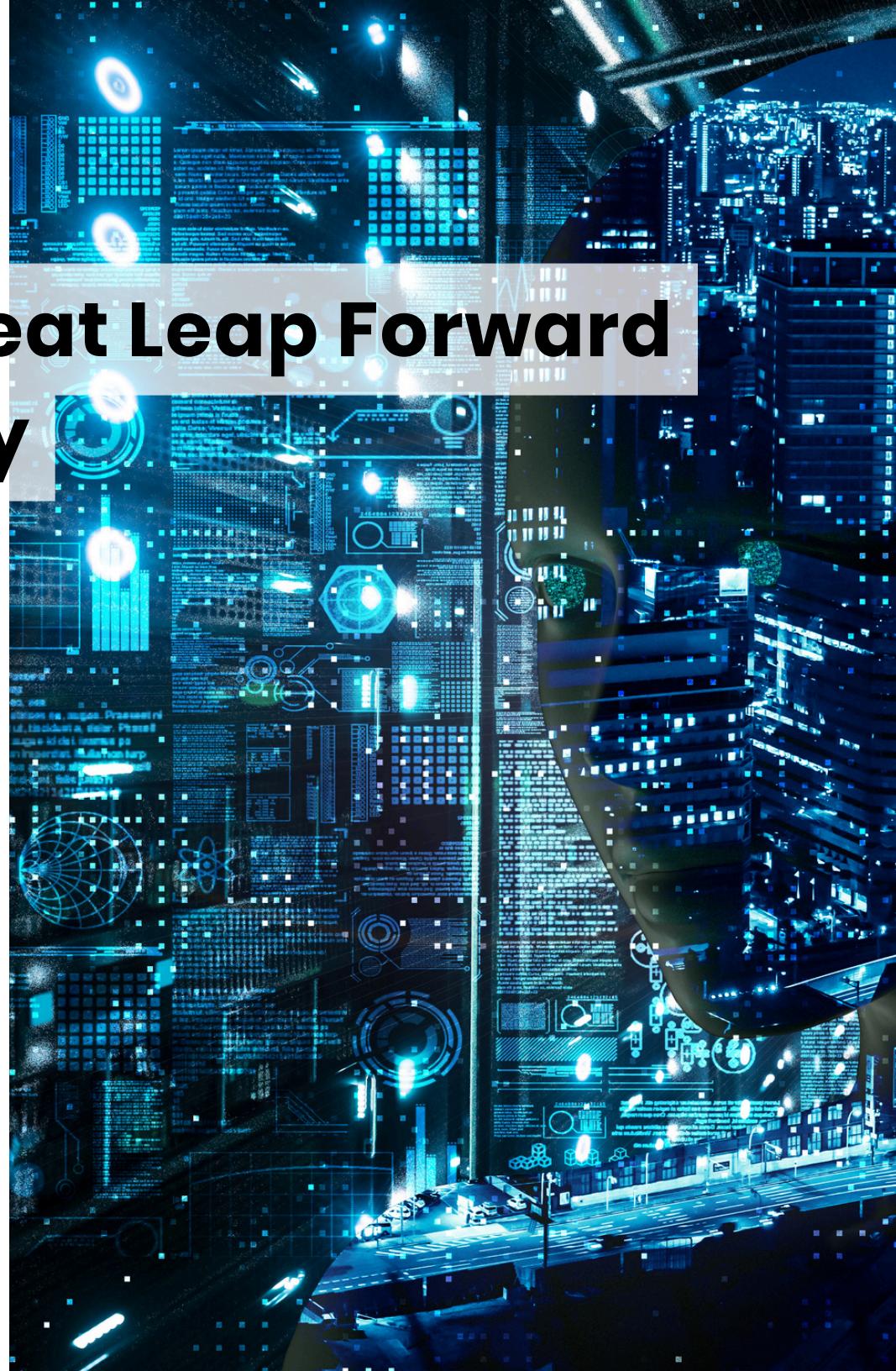
## H3 HR INSIGHTS

As we interviewed organizational leaders from manufacturing, healthcare, professional services, and retail, it became increasingly clear. AI transformation in the workplace demands co-leadership across silos, with HR playing a central role in guiding adoption that reflects human values and ethical intent. The way organizations frame their AI narrative, both internally and externally, has become a strategic lever for building trust, engagement, and cultural alignment. As the market evolves, human-first innovation is proving to be the winning formula: tools that empower people rather than replace them are gaining traction, delivering measurable ROI, and reinforcing the importance of inclusive, emotionally intelligent design. For C-suite leaders, the action needed is to spread the word that AI is here to aid, not replace in this work world where measured skills are now the real currency.



# An AI-powered Great Leap Forward in HCM Technology

- AI Becomes an Essential Tool for HR
- Automation of Routine HR and Talent Management Work
- Expansion of Platform Capability
- A Surge of Payroll Innovation



# AI Becomes an Essential Tool for HR

## WHAT THIS TREND IS

In 2026, AI is no longer an emerging idea in HR; it will become the essential operating layer. Across recruiting, payroll, learning, benefits, analytics, and employee support, **AI is now the invisible infrastructure that makes modern HR systems smarter, faster, and more responsive to the needs of people.** What began as cautious experiments with chatbots and candidate screening tools has matured into a foundational technology woven throughout the entire employee experience.

For years, HR leaders have talked about AI transformation in limited ways, think “pilots,” “proofs of concept,” and “responsible experimentation.” Today, the language has shifted. **AI is embedded in nearly every tool that HR teams use daily.** Whether it’s a recruiter sourcing talent, a payroll professional validating complex pay scenarios, a manager preparing for a difficult performance conversation with an employee, or an employee asking a digital assistant about their benefits, AI is quietly powering these moments behind the scenes. The focus is no longer on if AI will impact HR, but on how to use it effectively, responsibly, and transparently.

The result is a workplace transformation beyond simpler ideas like automation or replacement of staff, but rather by augmentation, partnership, and co-existence. Just as spreadsheets once revolutionized finance, AI is redefining HR as a data-driven, insight-led discipline. **In 2026, AI will enable HR teams to deliver on the promise of almost every tech revolution in the last 25 years** – to spend less time on administrative tasks and more time shaping workforce strategy, developing culture, and driving performance.

**“For HR in 2026, the question isn’t whether to use AI but how to use it responsibly and effectively.”**

HR leader

53

# AI Becomes an Essential Tool for HR

## WHY IT MATTERS IN 2026

The adoption of AI in HR coincides with a broader shift in how organizations operate. Economic uncertainty, rapid technological advancement, and growing pressure to improve productivity have converged to make AI a practical necessity. **HR leaders are under pressure to deliver more personalized employee experiences, faster decision-making, and measurable value to the business with leaner teams and tighter budgets.**

AI is the key that unlocks organizational efficiency. It enables HR professionals to analyze performance data in seconds, identify skill gaps across the workforce, predict attrition risks, and recommend internal career moves before an employee even considers leaving.

At the same time, employees are more comfortable using AI tools. Workers now use generative tools like ChatGPT, Copilot, and Gemini daily, and the use of these tools at work has been normalized. That familiarity has lowered resistance to AI's presence in HR workflows. **The narrative has evolved from fear of job loss to curiosity about how AI can make work better, faster, and more meaningful.** In 2026, the cultural shift will be subtle but profound: AI in HR will evolve from something to be explained to something to be expected.

**FEAR → CAUTION → CURIOSITY → ADOPTION → EXPECTATION**

# AI Becomes an Essential Tool for HR

## HOW IT CONNECTS TO BROADER WORKPLACE TRANSFORMATION

The rise of AI in HR is part of a larger organizational movement from automation to augmentation. In this model, technology doesn't replace people - it expands their capacity to think, understand, decide, and act. HR teams are now operating alongside intelligent systems that analyze data, generate insights, and even take action.

In this environment, HR professionals can become translators between humans and machines. Their role is to ensure that technology decisions reflect empathy, ethics, and equity. As AI becomes more embedded in HR platforms, the profession itself is evolving: HR leaders are now part technologists, part ethicists, and part strategists.

We see that 2026 will represent an important shift for HR. In this new model, HR professionals are not being replaced by algorithms; they are becoming interpreters and curators of intelligence. The role of HR will expand from process administration to intelligent decision orchestration. That evolution is perhaps the most important transformation of all.



**“AI in HR is no longer the new thing; it’s the next layer of capability every HR team must master.”**

H3 HR Advisors

# AI Becomes an Essential Tool for HR

## WHAT'S DRIVING THE TREND

### Technological

The integration of generative AI and large language models into enterprise HCM platforms has created a new baseline for innovation. Vendors like Workday, Oracle, SAP SuccessFactors, Dayforce, ADP, and Paycom have made AI native to their platforms rather than a bolt-on feature. AI "agents" can now take action such as scheduling interviews, generating job descriptions, etc.

### Cultural

Workplace culture has adapted to AI's presence. Employees are increasingly comfortable interacting with AI-driven systems and expect seamless, consumer-grade digital experiences at work. The cultural resistance that once slowed adoption has largely faded. Organizations falling behind on AI adoption will be seen as less innovative, exciting, or forward-thinking.

### Economic

Organizations continue to face pressure to improve efficiency and manage labor costs while maintaining employee engagement. AI's ability to automate repetitive tasks like report generation, candidate screening, draft job descriptions, HR help desk case management, and more, has made it indispensable for HR teams trying to "do more with less."

### Regulatory/Ethical

As governments worldwide introduce AI transparency and bias-audit requirements, HR is emerging as a key player in enterprise governance. HR leaders must ensure that AI-driven processes in functions like hiring, promotion, performance, and compensation are explainable, auditable, and equitable.



# AI Becomes an Essential Tool for HR

## Key HR Technology Innovations Driving AI Adoption

Several powerful forces have driven AI's rise to essential status in HR. Technological progress is certainly at the forefront. Enterprise HCM systems have embedded AI deeply within their platforms, making it a native capability rather than an add-on feature. Companies like [Oracle](#), [SAP SuccessFactors](#), [Workhuman](#), [Dayforce](#), [G-P](#), [Paycom](#) and others have all released generative AI features that help users take action. [Oracle's Applications AI](#), [Paycom's IWant](#), and [Workhuman's Human Intelligence](#) are all examples of how vendors are moving toward embedded intelligence. [Microsoft](#) has even brought its [Copilot for Work](#) directly into HR workflows across its productivity ecosystem, closing the gap between everyday work and enterprise systems.

## SIGNALS FROM THE FIELD

In the field, AI's impact is already visible. IBM has restructured its HR operations around AI-driven insights for HR support and service delivery, workforce planning and internal mobility, cutting time-to-fill roles by more than 25%. Unilever's use of AI-based skills matching has improved internal mobility and diversity outcomes. PepsiCo is partnering with SAP on responsible AI applications in workforce analytics. And startups like Eightfold, Gloat, and SeekOut are setting new benchmarks for talent intelligence, skills mapping, and workforce planning.

The data reinforces the story. Gartner reports that nearly eight in ten HR leaders now view AI as critical to their strategies by 2026. According to SHRM, 64% of HR professionals already use AI tools in their daily work, and LinkedIn Learning data shows that more than half of organizations are retraining HR staff to improve AI literacy. [Together, these signals suggest that the long-anticipated "AI era" in HR has quietly arrived and that it's here to stay.](#) These data points reveal a clear inflection point: AI in HR has crossed the threshold from early adoption to enterprise-wide normalization.



# AI Becomes an Essential Tool for HR

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

### Opportunities

AI offers dramatic gains in efficiency, insight, and personalization. It can elevate HR's strategic value by surfacing insights that drive better workforce planning, performance management, and employee experience. When implemented well, AI helps HR operate with precision and empathy by anticipating needs rather than reacting to problems.

### Risks

At the same time, ungoverned AI use can erode trust. Bias in models, unclear decision-making, or poorly communicated automation can undermine employee confidence. Overreliance on "black box" algorithms risk replacing human judgment with unchecked automation.

### Cultural and Operational Impact

As AI becomes integral to daily HR work, AI literacy is becoming a new core competency. HR professionals must learn to question outputs, understand model limitations, and uphold ethical standards. Organizations that treat AI literacy as essential for professional development, leveraging training, certifications, and collaboration with IT and data teams, will build a significant competitive advantage.

# AI Becomes an Essential Tool for HR

## ACTIONS TO TAKE IN 2026

The next step for HR leaders in 2026 is to operationalize AI with purpose. That starts with an audit of where AI is already at work, often invisibly, within the HR tech stack. Then make sure you understand the inherent AI capabilities present in the tech stack, but that have not been activated yet. From there, organizations should develop clear governance frameworks that define accountability, transparency, and communication practices. **Equally important is ensuring HR professionals are trained in both the mechanics and the ethics of AI.** The most forward-thinking companies are redesigning their HR workflows to take advantage of “human + machine” collaboration by allocating repetitive work to AI while reserving judgment, empathy, and creativity for people.

## Key Questions to Consider as you Begin 2026 Planning

- Where is AI already influencing HR decisions?
- Do we fully understand how AI is operating in our HR Tech Stack?
- How transparent and explainable are the AI systems that are in place?
- Does the HR team have the skills necessary to successfully adopt AI in HR?
- What new HR and talent processes would benefit from the application of AI solutions in 2026?

# AI Becomes an Essential Tool for HR

## BONUS: TECHNOLOGY WATCH 2026

### Key Technologies and Vendors to Monitor

- Generative AI platforms embedded in HCM systems (Workday, Oracle, SAP, Dayforce, ADP, Paycom).
- AI “agents” capable of autonomous actions within HR systems (IBM, G-P, Workday).
- Emerging tools focused on AI bias auditing, explainability, and governance (Paradox, Holistic AI, Plum).

### Market Activity

Expect continued M&A among AI-focused HR startups, especially in skills intelligence, compliance automation, and conversational AI. Larger providers are developing what are often called AI marketplaces which are portals that bring together AI Agents that are delivered by the provider, as well as Agents that are customer or partner developed. These marketplaces will allow organizations to choose and configure models for specific HR functions.

### H3 HR Insights

AI's evolution from “add-on” to “essential” marks one of the most significant shifts in HR and in HCM technology in decades. It enables HR to move faster, think smarter, and act with more precision and empathy. But this transformation also demands new accountability and insights like transparent governance to upskilling the very HR professionals who will use it.

In 2026, the HR organizations that succeed won't be the ones that have the most AI – they'll be the ones that know how to use it best.



# Automation of HR and Talent Management Work

## WHAT THIS TREND IS

In 2026, the automation of HR and talent management work will enter a new phase – one that is smarter, broader, more expansive, and more transformative than anything we have seen before. For years, HR professionals have dreamed of moving beyond manual data entry and repetitive administrative tasks to shift their focus to strategy, leadership, development, and culture. Powered by advancing AI technology, that dream is finally becoming closer to reality.

Today, the convergence of AI, workflow automation, and digital AI assistants is fundamentally reshaping how HR work gets done. Tasks that once required a person to check approvals or answer routine questions are now handled by software, often in the form of agents that can think, learn, and act. In many organizations, these systems are already scheduling interviews, managing onboarding checklists, answering payroll questions, and triggering compliance workflows automatically.

AI is redefining the purpose of HR in the organization. Automation is allowing organizations to finally free HR professionals from the repetitive, low-value work that while necessary, has long limited their strategic impact. It gives them time to focus on what they most love to do and what truly matters: guiding leaders, coaching employees, shaping culture, enhancing employee wellbeing, and driving organizational performance.

By 2026, nearly every HR system includes embedded automation. Payroll runs are verified automatically. Leave requests route through digital assistants and in some cases, are automatically approved. Learning systems recommend courses and even register employees. Recruiting platforms handle everything from candidate sourcing to interview scheduling to AI-enabled remote interviews. Employees and managers can complete HR transactions via conversational interfaces using natural language assistants that make self-service truly usable. The result is a workplace where much of the “busywork” of HR simply happens in the background.



# Automation of HR and Talent Management Work

## WHAT'S DRIVING THE TREND

This shift matters deeply in the context of 2026. Organizations are under intense pressure to operate leaner, faster, and more efficiently. HR departments, often stretched thin, face rising expectations from leadership to deliver insights and outcomes without adding additional headcount. Automation provides a practical, and perhaps the only path forward. **Done well; automation ensures consistency, strengthens compliance, and improves the employee experience** - while controlling costs. It also makes work more predictable, enabling HR to focus its energy where human judgment is irreplaceable.

Advances in generative AI and no-code workflow design in many HR tech platforms have made automation accessible not only to large global enterprises but also to mid-sized organizations. What was once a complex IT project now takes hours instead of months. These tools allow HR leaders to deploy automation on their own, using AI-powered assistants to build workflows, generate documentation, and even optimize processes based on historical data. The rise of AI agents, semi-autonomous systems capable of taking independent actions, has accelerated this evolution. Instead of waiting for HR staff or managers to respond, these agents can detect issues, take corrective action, and report outcomes automatically.

The economic rationale for automation is clear. Labor costs remain the largest expense for most organizations, and **HR teams themselves are rarely growing and in many organizations might even shrink in 2026**. Concurrently, the volume of HR activity and responsibility, anything from compliance tracking to recruiting to managing performance reviews, continues to climb dramatically. Automation helps bridge this gap by increasing HR capacity without adding people. The cultural readiness is there too: employees have grown accustomed to self-service and automation in every other part of their digital lives. They now expect HR processes to be just as fast, simple, and personalized.



# Automation of HR and Talent Management Work

## SIGNALS FROM THE FIELD

Technology vendors have responded in kind. [ADP](#) is expanding automation across payroll, compliance, and employee service management through AI-powered assistants. [Oracle](#) has integrated autonomous capabilities into performance management and career development workflows, allowing systems to generate recommendations or even execute tasks automatically. [Workday](#) and [ServiceNow](#) are connecting workflow automation across HR, IT, and finance, allowing data to flow seamlessly across departments. Other HR tech providers like [Paradox](#), [Rippling](#), [Darwinbox](#), and [Deel](#) are pushing the boundaries of what processes can be fully or almost fully automated with capabilities that orchestrate recruiting, manage onboarding, track global employment, and ensure compliance from end to end with minimal human touchpoints.

The data reinforces this shift.

[Deloitte](#) estimates that roughly 40% of HR tasks can be fully automated by 2027, and [McKinsey](#) projects that organizations could achieve HR productivity gains of up to 30% by embracing intelligent automation.

These aren't hypothetical forecasts, rather they reflect the momentum already underway. Organizations continue to benefit from automation; [Paycom](#) surveys reveal the cost of manual HR processes continue to grow – making it HR automation and operational imperative.

# Automation of HR and Talent Management Work

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

The impact of automation goes beyond efficiency metrics. As routine work becomes automated, HR's identity is evolving. The HR professional of the future will not be measured by how many transactions they complete, but by the quality of their counsel, the depth of their insight, and their ability to help leaders and employees thrive. The more automation takes over the mechanical work of HR, the more space HR has to become what it was always meant to be.

However, automation is not without risk. Poorly designed workflows or ungoverned AI agents can introduce errors or erode trust. When automation is implemented without clear communication and intentional change management practices, HR teams can feel displaced rather than empowered. HR must take an active role in designing, testing, and monitoring automated processes. Automation should serve people, HR, employees, managers, leaders, and not the other way around.

## ACTIONS TO TAKE IN 2026

The most successful organizations in 2026 will approach automation with clear goals and defined success criteria. Automation can be intended as a cost-cutting exercise certainly, but it also can be framed as an opportunity to re-focus human energy. **The best organizations will use automation to give HR time to focus on coaching managers, supporting wellbeing, and helping the business navigate rapid change and increasing complexity.** They will redesign HR roles to emphasize data interpretation, workforce strategy, and culture development. And they will invest in training HR professionals to understand automation systems both as users, and as co-creators.



# Automation of HR and Talent Management Work

In practice, this means mapping HR processes end-to-end to identify where automation delivers the greatest return. It means aligning HR automation efforts with IT and finance to ensure consistent governance and shared platforms. And it means rewriting HR job descriptions and developing new HR skills to reflect a new balance between human and machine work. Some organizations are already creating hybrid roles for these purposes with titles like automation designers, people analytics translators, and HR/AI technologists to bridge the gap between systems and strategy.

## BONUS: TECHNOLOGY WATCH

The HR technology landscape is evolving quickly. All major HCM platforms now deliver structured automation capability for employee and manager access, and increasingly these automation engines are being enhanced using AI capabilities. And more HCM platforms offer automation studios or extensions – like [Workday Extend](#), [ServiceNow HR Service Delivery](#), [Oracle's AI Agent Studio](#), and [Rippling's](#) modular automation tools, among others. We're also seeing the early emergence of predictive orchestration: systems that don't just automate tasks but anticipate when a process should start. These developments point toward an HR environment where workflows trigger themselves, powered by intelligent signals from across the business.

Ultimately, automation should not be about replacing HR professionals. These tools should free them from manual, tedious, repetitive, and low-value tasks. The HR organizations that thrive in 2026 and beyond will be those that use automation to create capacity for the highest-value, most human work. Coaching executives. Developing leaders. Supporting mental health and wellbeing. Building trust and connection. These are the areas where human expertise can never be replaced. Increases automation, done well, is what will make that focus possible in 2026.



# Automation of HR and Talent Management Work

## H3 HR INSIGHTS

Automation in HR is expected to increase in 2026, and with it, to help return HR to a higher purpose and a position as more meaningful contributors to people and organizational success. For years, HR has been trapped in administrative circular cycles that drain energy and creativity. Previous enterprise technology evolutions (ERP, Cloud, Mobile, Big Data, etc.) made many of these same promises. But in 2026, the new technology revolution is poised to finally break those cycles. The future of HR is more human work – in concert with emerging and powerful new technologies. The leaders who recognize that truth will be the ones who transform their organizations, not just their systems.



# Expansion of HCM Platform Capability

## WHAT THIS TREND IS

Over the past decade, HR technology has evolved from a patchwork of disconnected systems into something far more unified and intelligent. In 2026, that shift toward consolidation has accelerated, as leading HCM vendors continue to expand their platform capabilities across HR and talent management. What began as a desire for convenience and cost efficiency has now become a strategic imperative: we believe that to harness the full potential of AI, organizations must bring their HR data, workflows, and analytics under one platform.

For years, H3 HR Advisors has advocated for consolidation and encouraged organizations to operate with as few core HR systems as possible, ideally from a single primary platform. The reasoning has always been clear. A tighter, integrated ecosystem reduces complexity, improves user experience, lowers support costs, simplifies reporting, and streamlines training. But in 2026, there's a new and even more powerful reason for consolidation: AI works best when the HR, people, and business data live in one place.

AI models depend on context – the ability to “see” across recruiting, payroll, benefits, scheduling, learning, and performance data to generate meaningful insights. When an organization’s data is fragmented across multiple providers, the context is incomplete. The AI tools can’t understand the relationships between hiring decisions and turnover, or between compensation and engagement. A single, unified platform allows AI to recognize patterns across the entire employee lifecycle, enabling predictive insights, generative solutions, and advanced Agentic AI applications.

HCM vendors are racing to expand their coverage and broaden their capabilities. From small business systems to enterprise suites, the industry has entered a phase of platform expansion defined by the deliberate and determined effort to extend functionality, capture more of the HR value chain, and create seamless, end-to-end experiences for customers.



# Expansion of HCM Platform Capability

## WHAT'S DRIVING THE TREND

Several forces are the catalysts for platform expansion in 2026, reflecting provider strategies and customer expectations.

On the technological front, innovation cycles in HR tech have accelerated dramatically. Major HCM providers are now fully transitioned to the continuous development model, rolling out new features and integrations several times a year rather than through large, periodic releases that require lengthy testing and training cycles to adopt. Modern platforms are built on open, API-driven ecosystems that make it easier to connect HR with finance, IT, and business operations systems.

At the same time, embedded AI modules have become standard across nearly every HCM suite. These built-in capabilities allow systems to analyze, recommend, and even act on workforce data directly within the platform, which emphasizes the benefit of platform consolidation. The result is a more unified, intelligent, and extensible technology foundation that encourages organizations to centralize as much of their HR work as possible.

Economic realities are also playing an important role. Many organizations are still navigating cost pressures that began during the pandemic years and now have returned amid slower global growth. IT and HR technology budgets are tightening, prompting leaders to question the value of maintaining and integrating multiple systems. Each additional vendor adds complexity in the form of licensing fees, integration costs, maintenance contracts, differing user experience, and siloed data. The drive to cut redundancy and streamline vendor relationships is pushing companies toward single-platform solutions that offer broad functionality and lower total cost of ownership.

# Expansion of HCM Platform Capability

Employee expectations have evolved as well. We expect technology at work to feel as seamless as the consumer apps we use in our daily lives. Logging into five different systems to complete basic HR tasks is no longer acceptable. Single sign-on, unified navigation, and a consistent user experience across pay, performance, and learning are now considered table stakes. Organizations increasingly view platform consolidation as an essential part of delivering a modern employee experience that builds trust and engagement.

## SIGNALS FROM THE FIELD

There's a strong strategic motivation behind this trend from the vendor point of view. As the HCM market matures and competition intensifies, growth increasingly depends on cross-selling and increased customer adoption of more modules and applications of the platform. Expanding platform capability allows vendors to offer more value to existing customers while capturing a greater share of their HR technology spending. Acquisitions have become a primary path to this growth for many providers. This helps them fill capability gaps quickly and extend their reach into new areas such as analytics, learning, recruiting, and employee experience. The result is a highly dynamic market in which platform providers are racing to become the comprehensive system of record and intelligence layer for all people-related data.

For example, in the small and mid-sized business market, vendors like Paycom, Paycor, and ADP are adding adjacent modules for learning, benefits, analytics, and employee engagement to their established payroll cores. Their strategies are clear: by offering a single, unified database, they can deliver the simplicity and consistency their customers need while supporting the AI intelligence those customers increasingly expect. Paycom's "IWant" command-driven and conversational interface and ADP's AI-based payroll and compliance tools are examples of this evolution in action.



# Expansion of HCM Platform Capability

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

We believe that HCM platform consolidation creates measurable efficiency gains, improves decision quality, and strengthens governance. It allows for a single source of truth for people data, creating a foundation that simplifies reporting and also enables more advanced analytics and AI-driven insights. HR can operate more confidently when it knows the data behind its decisions is accurate, consistent, and complete.

Of course, consolidation does require thoughtful planning. Organizations must weigh the benefits of standardization against flexibility and sometimes better capabilities they might lose from smaller, specialized tools. But as platforms expand, they increasingly incorporate the best capabilities of those niche solutions, often at a lower cost and with better integration. **For most organizations, especially those investing in AI, the benefits of a unified platform now clearly outweigh the drawbacks.**

The next few years will likely see even greater platform expansion and integration. Vendors are building open ecosystems that let customers activate new capabilities through modular licensing, giving them flexibility without fragmentation. The lines between HR, finance, and operations systems will continue to blur.

“Consolidation isn’t always easy, but it really does make work better. When your systems talk to each other, the data is cleaner, reporting is simpler, and you just make better decisions.”

-Steve Boese

# Expansion of HCM Platform Capability

## ACTIONS TO TAKE IN 2026

For HR leaders, this means it's time to take stock. We recommend a full audit of the HR technology stack to identify redundant systems and integration gaps. Next, assess your total cost of ownership across the ecosystem. Include licensing fees, maintenance, data governance, and training costs. Confirm your alignment with your provider's strategy and roadmap for analytics and AI. And finally, work to ensure that technology consolidation is accompanied by strong change management and adoption programs.

Ultimately, the expansion of HCM platform capability is more than software. It's about creating infrastructure for the next generation of intelligent, human-centered organizations. AI cannot thrive when data is in silos. The future belongs to the HR leaders who simplify, unify, and consolidate, therefore creating an environment where data can be transformed into insight.

## BONUS: TECHNOLOGY WATCH

The expansion trend is visible across the HR technology market. [Workday](#) continues to broaden its product portfolio through internal innovation and targeted acquisitions, adding new AI-powered features in skills, analytics, and spend management, most notably its acquisition of [Paradox](#). [Oracle](#) has expanded its Fusion Applications platform into workforce communications, health and sustainability tracking, and deeply into Agentic AI. [UKG](#) has enhanced its unified platform experience following major acquisitions, integrating AI into its time, scheduling, and engagement modules. [Dayforce](#) continues to push its unified data model referred to as “one record, one employee”, into new functional areas, reinforcing the efficiency and reliability of its single-system architecture. Meanwhile, [ADP](#), [Paycom](#), [Paychex](#), and [Paycor](#) continue to close functional gaps, introducing advanced analytics, employee engagement, AI, and learning capabilities to broaden their platforms for smaller employers.



# Expansion of HCM Platform Capability

Mergers and acquisitions have become a primary vehicle for this expansion. [Deel's acquisition of Zavvy](#) added learning and development capabilities; [HiBob](#) continues to evolve its performance and analytics features; and [Darwinbox](#) has made inroads into the North American market with its full-suite approach to HCM. Across the industry, this activity reflects the same underlying goal: to build more complete ecosystems that customers can rely on for all their HR and talent needs.

## H3 HR INSIGHTS

The expansion of HCM platforms isn't just a vendor story or a marketing message. Consolidation and reduction in disparate tools represent a real customer opportunity. The move toward unified systems gives organizations the foundation they need for real intelligence, better employee experiences, reductions in total cost of ownership, and more consistent governance. As AI becomes central to HR, the value of clean, connected, comprehensive data will only grow. [The time to simplify is now, because the future of intelligent HR depends on it.](#) At both extremes of the market, from the smallest organizations to the largest global enterprises, in 2026 we will continue to advocate for platform adoption wherever possible and practical and use our influence on the vendor community to encourage them to continue the build out their solutions to better support customers' goals.

# A Surge of Payroll Innovation

## WHAT THIS TREND IS

For decades, payroll sat quietly in the background of HR as a necessary, highly technical process that only drew attention when something went wrong. But in 2026, payroll has become one of the most exciting areas of HR technology innovation. **Once defined by rules and repetition, payroll is now powered by intelligence, flexibility, enhanced user experience, and employee empowerment.** Advances in automation, AI, and real-time data are transforming how pay is calculated, delivered, and experienced by employees which are turning payroll into a critical lever for engagement, trust, and wellbeing.

Modern payroll innovation reflects several converging forces. Employees expect the same digital convenience with their pay as they have with their personal finance and banking apps. **Companies are managing more complex and distributed workforces that stretch across jurisdictions – sometimes globally.** Regulators demand accuracy and transparency as well as compliance with a myriad of regulations. And HR leaders are searching for ways to bring efficiency and strategic value to one of their most essential functions. Together, these pressures are driving a wave of creativity and technological advancement that is redefining the payroll experience in 2026.

Let's examine some of the key areas of Payroll innovation that matter in 2026:

### Real-time and On-Demand Pay

The most visible innovation has been the rise of real-time, and on-demand pay. The traditional two-week or monthly pay cycle, more a tradition than a requirement, is giving way to continuous pay models that let employees access earnings whenever they need them. Earned Wage Access (EWA) services, once considered an unusual fringe benefit, are now mainstream features embedded directly within most payroll platforms.



# A Surge of Payroll Innovation

ADP's [Wisely](#), Dayforce [Wallet](#), Paychex [Pay-On-Demand](#), and Paycom's [Beti](#) all give employees control over when and how they are paid. For employers, these tools improve attraction and retention in a tight labor market, while helping employees manage cash flow and reduce financial stress. Real-time pay has quickly become both a financial wellbeing strategy and a competitive advantage. Employers who don't offer EWA in 2026 will seem very out of step with employee expectations.

## Employee-Managed Payroll

Another major development is the emergence of employee-managed payroll, where workers actively participate in verifying their pay before it's processed. In traditional models, payroll teams bore the entire burden of accuracy. Now, automation and self-service technology have turned that model inside out.

Paycom's [Beti](#) feature allows employees to review, confirm, and correct their own payroll data in real time, dramatically reducing post-payroll adjustments. Similarly, Dayforce [Copilot](#) uses conversational AI to let employees ask questions and verify information about their upcoming paycheck through natural language interactions. The result is not only fewer errors but also greater transparency, which are essential ingredients in building employee trust.

## Global Payroll Integration

As organizations grow more global and hybrid, the need for unified, multi-country payroll has become critical. Historically, managing payroll across borders meant juggling multiple vendors, currencies, and compliance regimes; an administrative headache that also made accurate, consolidated reporting nearly impossible.

# A Surge of Payroll Innovation

Today's leading payroll innovators are making great strides towards solving that problem. Companies like [Deel](#), [Papaya Global](#), and [ADP GlobalView](#) are bringing together global payroll, Employer-of-Record (EOR) services, and compliance management into a single platform. [G-P](#) (formerly Globalization Partners) has built similar capabilities, allowing organizations to hire and pay workers in over 180 countries with one data model. [G-P](#) has also released their award-winning AI solution, [Gia](#), that provides answers and insights supporting complex, global compliance. For HR leaders, these tools simplify governance and provide unprecedented visibility into global labor costs and trends.

## AI in Payroll

Payroll accuracy has always been non-negotiable, but manual auditing is slow, costly, and prone to oversight. That's changing fast with AI-driven compliance and error detection tools that can review thousands of transactions in seconds, spotting anomalies that might otherwise go unnoticed, and alerting Payroll professionals to take action.

[Oracle Fusion Payroll](#) and [Workday Payroll](#) now include AI-based monitoring that identifies potential errors before payroll runs, alerting administrators to missing data or inconsistencies. [Paychex](#) has incorporated machine learning models that continuously check for compliance risks in areas like tax withholding and wage reporting. This automation doesn't just save time; it dramatically reduces the risk of costly compliance violations which are growing concerns of organizations in an era of increasingly complex labor regulation.

# A Surge of Payroll Innovation

## Payroll and Financial Wellbeing

The final major innovation in this wave connects payroll directly to employee financial wellbeing. Payroll systems are no longer just about issuing payments; they now serve as gateways to smarter financial management.

Through products like ADP's [Wisely](#), [Even](#), [Chime](#), and fintech partnerships with employers such as Walmart, employees can route earnings into savings accounts, budget in real time, and access financial education tools directly from their payroll app. By linking pay to long-term financial wellness, employers are helping workers build stability and strengthening retention in the process. In 2026, Payroll is evolving into a platform for holistic financial empowerment.

## SUMMARY

Payroll's reinvention is one of the clearest signs that the "back office" of HR is moving to the front line of employee experience. These innovations, from real-time pay to AI-based error correction, have made payroll more accurate, transparent, responsive, and human-centered. What once felt like a mechanical function is becoming a vital part of the employee value proposition.

For HR leaders, payroll innovation offers a unique opportunity to improve both operational efficiency and employee trust. Modern Payroll is about more than compliance and processing; it's about creating a pay experience that reinforces fairness, wellbeing, and connection between people and their organizations. In 2026 and beyond, payroll is not just the end of the bi-weekly pay cycle. It has become an integral part of the overall employee experience.



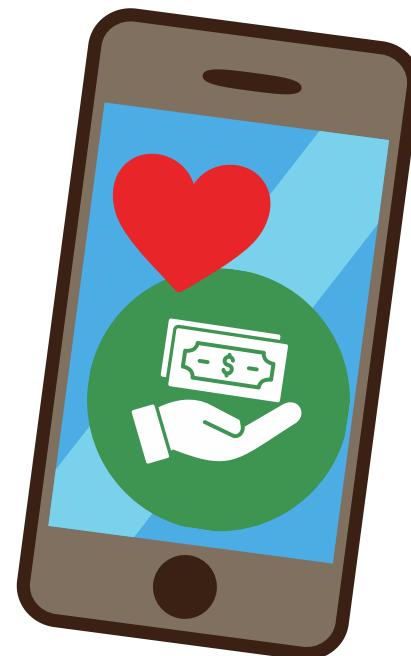
# A Surge of Payroll Innovation

## H3 HR INSIGHTS

Payroll has long been the most fundamental HR process, and perhaps the most overlooked and underappreciated. In 2026, we predict that changes. Innovation in payroll is redefining what it means to “get paid” in a digital world. It’s faster, smarter, and more personal. HR leaders who embrace these advances will not only build more efficient operations but also stronger, more trusting relationships with their employees. Because in the end, few things say more about how an organization values its people than how well it pays them.

When pay is instant, accurate, and aligned with personal needs, employees feel valued.

That’s the new payroll promise for 2026.



# SPOTLIGHT TREND

## AI as a Co-Worker

### WHAT THIS TREND IS

The workplace of 2026 feels different because, for the first time, not everyone on the team is human. Across industries, employees are finding themselves increasingly working side by side with artificial intelligence systems that analyze data, write content, code software, answer customer questions, and even suggest alternative business strategies. The phrase “AI as a Co-Worker” captures this moment and trend when AI moves from being a behind-the-scenes tool to an active participant in the daily flow of work.

In this emerging model, AI is more than an isolated application; it’s an entity that collaborates, communicates, and contributes. Some HR systems already allow organizations to onboard AI co-workers and agents with “employee” profiles, permissions, inclusion in the org chart, and defined roles, treating them like digital team members. Managers can assign tasks, track activity, and evaluate outcomes through the same systems used for human colleagues. Perhaps even give the AI colleague its own performance review. It’s a small step technologically, but a huge one culturally: work itself is becoming a partnership between people and intelligent systems.

# AI as a Co-Worker

## WHY IT MATTERS IN 2026

This transformation matters because it's reshaping both the experience and the economics of work. As AI capabilities become embedded in nearly every business function, collaboration between humans and machines is redefining what productivity means. Routine and repetitive tasks are being offloaded to AI, which in theory will free up people to focus on higher-value, creative, and relational work. Yet success isn't automatic. And previous waves of technological innovation made many of these same promises. Despite this, in 2026 more employees will be charged with learning to collaborate with AI systems that "think" differently, and leaders must develop new skills for guiding teams that blend people and technology.

For HR, the implications are profound. Policies, training, and governance now extend to digital co-workers that never take vacations, never call in sick, don't cause drama in the break room, and can process thousands of tasks simultaneously. Questions once reserved for humans now apply to AI: Who owns its output? How should it be evaluated? What happens when it makes a mistake? The answers will shape the ethical and operational foundation of the AI-enabled enterprise. But with more AI being created and adopted seemingly daily, these are questions that HR can't afford to ignore in 2026.



Humans + AI =  
The New Team Model

# AI as a Co-Worker

## WHAT'S DRIVING THE TREND

Several forces are driving this evolution. Technologically, the explosion of generative AI and Agentic AI systems has accelerated adoption. From [Microsoft's Copilot](#) to [Oracle's AI Agent Studio](#), enterprise platforms now come equipped with AI colleagues capable of drafting reports, reconciling payroll, or answering employee questions in real time.

Economically, organizations face continued pressure to boost productivity without expanding headcount – in fact as 2025 closes, many organizations are reducing administrative staff levels. AI offers a path to scale output and improve consistency while controlling costs. [Culturally, attitudes toward automation are shifting](#). After years of apprehension, employees are increasingly curious and pragmatic about AI, seeing it as a collaborator that can reduce friction and amplify impact and often use AI tools for their own personal productivity.

Finally, vendors are institutionalizing the idea of AI as part of the workforce. Several HCM providers are piloting “digital worker records” within HR systems and establishing profile records that allow organizations to assign AI tools to departments, place them on teams, monitor their usage, and track their outcomes. Regulators are following suit, pushing for transparency around algorithmic decision-making and requiring organizations to disclose when AI systems play a role in hiring, evaluation, or service delivery. These regulatory and reporting requirements will encourage HR to manage AI systems and workers as if they were human colleagues, in order to comply with the range of compliance demands.

# AI as a Co-Worker

## SIGNALS FROM THE FIELD

Early adopters are already exploring what collaboration with AI looks like in practice. In HR, AI copilots draft job descriptions, screen applications, and generate interview questions, allowing recruiters to spend more time building relationships. Candidate facing AI tools are guiding job seekers in discovery, skills assessments, and scheduling. In finance, AI assistants reconcile accounts and flag anomalies before audits occur. In marketing, AI content generators collaborate with human creatives to build campaigns in hours rather than weeks.

Some organizations have gone further, assigning AI co-workers or agents to teams. For example, at a global technology company, an AI project analyst attends meetings (virtually), summarizes discussions, and tracks deliverable deadlines. **These AI colleagues become a part of the team** – a reliable co-worker that remembers everything, misses nothing, and does not play favorites or participate in office gossip. Similarly, HR software vendors are beginning to allow AI agents to be “onboarded” like employees, with role definitions, permissions, and visibility controls.

Research backs up these experiments. A 2025 MIT Sloan study found that teams integrating AI collaborators saw **productivity gains of up to 30%** but also required new communication protocols to prevent confusion and duplication. Trust, transparency, and clear boundaries emerged as the determining factors in whether human–AI teams succeeded or struggled.

**INPUT → AI ASSIST → HUMAN JUDGEMENT → OUTCOME**

# AI as a Co-Worker

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

For HR leaders, the emergence of AI co-workers presents both opportunity and additional responsibility. On one hand, digital colleagues can dramatically improve efficiency, consistency, and decision quality. On the other hand, they raise new challenges in ethics, accountability, and culture. And there will always be some underlying tension as employees often see AI as a threat to their employment stability.

Managers will need training in how to lead when teams are comprised of people and AI. This includes understanding what tasks can safely be delegated to AI, how to validate its outputs, and how to maintain fairness when humans and algorithms collaborate on the same goals. Performance management frameworks will also need to evolve. **How AI contributes to outcomes should be measured while simultaneously ensuring that human contributions remain visible and valued.**

Job design will also change. As AI takes on more administrative and analytical responsibilities, human roles will pivot toward skills that technology cannot replicate: empathy, creativity, strategic thinking, and leadership. New roles with titles like AI Operations Manager, Prompt Engineer, Digital Workforce Coordinator will emerge in more organizations and be dedicated to managing and optimizing human-AI collaboration.

Perhaps most importantly, **organizational culture must adapt and evolve**. Employees will need reassurance that AI is a partner, not a replacement. Open communication, clear boundaries, and shared learning will be key. The organizations that thrive will be those that normalize collaboration with AI as part of professional growth rather than a threat to it.

# AI as a Co-Worker

## ACTIONS TO TAKE IN 2026

We recommend that HR leaders consider the following actions to best prepare the organization, its managers, and its employees to successfully navigate the complex dynamics between AI and people in the workplace.

1. **Assess readiness.** Map where AI is already functioning as a co-worker and identify new areas of opportunity or risk.
2. **Define governance.** Establish onboarding, role assignment, and offboarding processes for AI systems, just as for human employees.
3. **Develop guidelines.** Create policies for accountability, privacy, and transparency that clarify what AI can and cannot do.
4. **Build literacy.** Train all employees in AI fluency and ethical collaboration.
5. **Evaluate technology.** Assess the AI capabilities of your current HR tech platform(s) and determine gaps between capabilities and opportunities to augment staff with AI
6. **Foster dialogue.** Encourage feedback on AI performance and impact; treat this as an ongoing conversation, not a one-time rollout. Assure employees that AI is not designed to replace them but rather enable them to succeed.

These actions can serve to set needed context, guardrails, understanding, and decision criteria for the seamless integration of AI and human teams.

# AI as a Co-Worker

## BONUS: TECHNOLOGY WATCH

The “digital workforce” ecosystem is expanding rapidly. [Oracle](#), [Microsoft](#), [SAP](#), [Workday](#), and others are integrating AI agents directly into enterprise workflows, complete with access controls and audit trails. HR platforms are developing AI-governance dashboards that track which algorithms contribute to specific outcomes. New collaboration tools allow AI agents to interact across systems, coordinating tasks much like human colleagues do via chat or email. Training vendors are launching simulation environments where employees can practice human–AI teamwork, learning how to delegate, prompt, and validate effectively. This convergence signals a new phase in workplace design, where human capability and machine intelligence are fully interdependent.

## H3 HR INSIGHTS

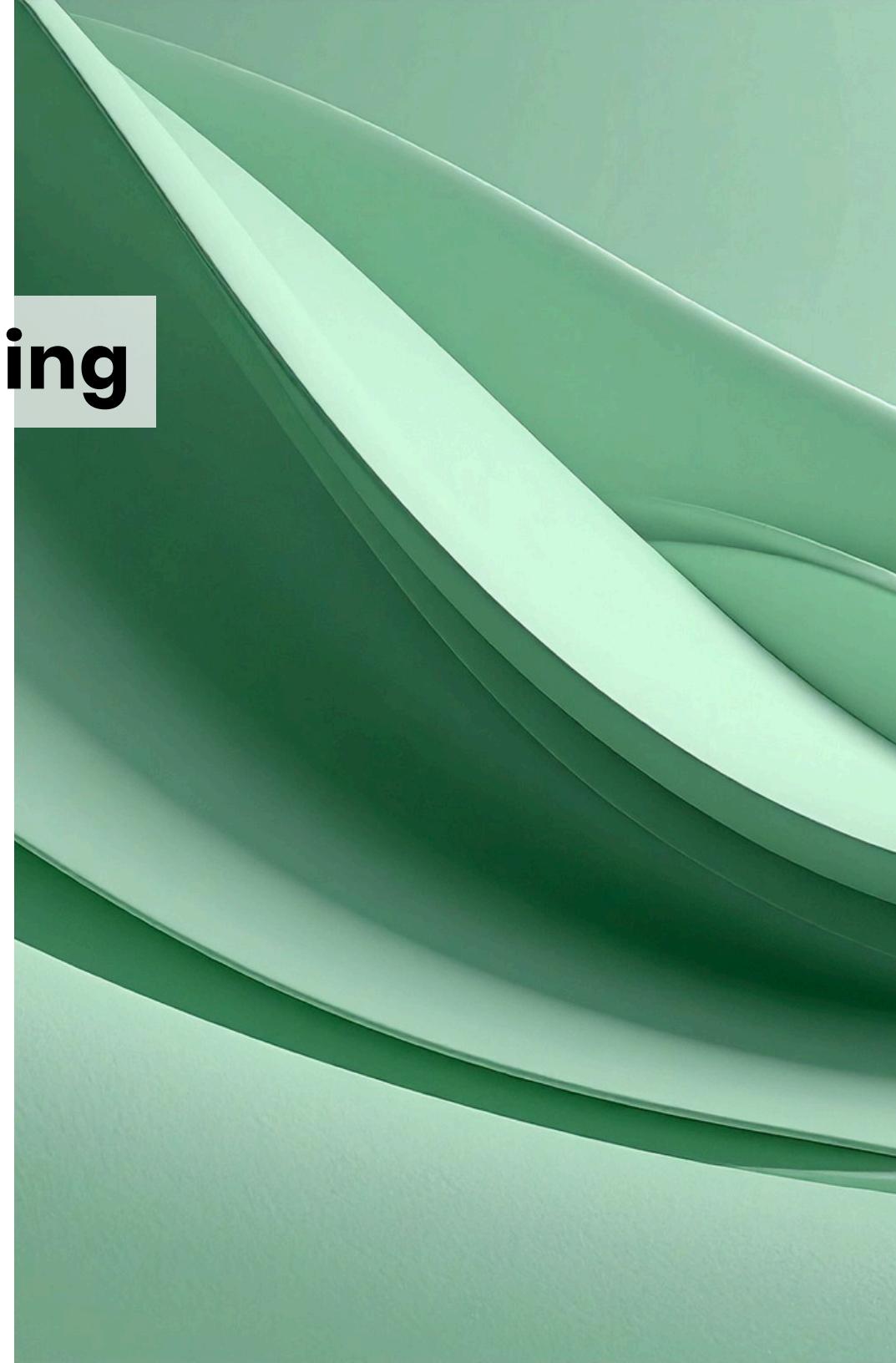
While AI has been touted as the future of HR technology, we see the story of “AI as a Co-Worker” as, ultimately, a story about trust. For the first time, organizations must build trust not only between people, but between people and technology. That will require transparency, literacy, and leadership grounded in ethics and empathy.

In the years ahead, every job will, in some way, become a collaboration between humans and machines. The question for leaders is when AI technologies are incorporated as if they were actual co-workers, how will they ensure that the partnership brings out the best in both.

For HR and business leaders, the path forward is clear: keep humans at the center of work design. Use AI to amplify human capability, not diminish it. Build workplaces where technology enables creativity, empathy, and purpose; these are the unique human traits that no algorithm can replace. The future of work will be intelligent, but it must also remain deeply human.

# Health and Wellbeing

- Managing Burnout and Mental Health
- Financial Health and Wellbeing
- Caregiving Support and Benefits



# Managing Burnout and Mental Health

## WHAT THIS TREND IS

First identified in 2019 as a “occupational phenomenon” by the World Health Organization (WHO), employee burnout can be defined as a state of energy depletion, increased mental distance from the work, and reduced professional efficacy resulting from chronic work-related stress. Chronic burnout can lead to or exacerbate other health problems such as anxiety, depression, and physical illnesses. **While workplace leaders have recognized burnout for some time, most efforts to reduce or eliminate burnout have fallen short of the mark.** It’s time to think about burnout differently, as well as our strategies for combating burnout and supporting our teams.

In 2026, managing employee burnout and mental health has become one of the defining leadership challenges of the modern workplace. What began as an individual concern has matured into a systemic organizational priority, and that demands measurable action rather than cursory programs or symbolic gestures. **The conversation has evolved:** it’s no longer enough for employers to “support mental health.” They must design for it through the creation of work environments, leadership practices, and cultural norms that actively prevent employee burnout before it takes hold.

Burnout is now understood not simply as a personal or isolated challenge but as a predictable outcome of poorly designed systems frequently featuring chronic overwork, unclear expectations, digital fatigue, and lack of psychological safety. At its core, this trend reflects the growing recognition that wellbeing and performance are inseparable. A workforce that feels mentally healthy, connected, and supported is also more creative, resilient, and productive.

# Managing Burnout and Mental Health

## WHY IT MATTERS IN 2026

Despite increased investment in wellbeing programs, rates of burnout remain high. The 2025 Microsoft Work Trend Index found that nearly half of employees feel emotionally drained at the end of most workdays, while Gallup reports that stress levels across the global workforce remain near record highs. Remote and hybrid work has blurred the boundaries between professional and personal time, making it easy for work to stretch into every waking hour. Meanwhile, the same AI tools that boost efficiency have introduced new forms of cognitive overload in the form of more notifications, more alerts, more information, and more pressure to be “always on.”

Employees now evaluate organizations by their willingness to demonstrate authentic care for employees. People are demanding that employers show empathy, support flexibility, and practice understanding. Organizations that fail to respond to these demands risk losing talented employees and the trust of those that remain. Managing burnout and mental health has become a business performance strategy and a moral imperative.

## WHAT'S DRIVING THE TREND

Several forces are driving the elevation of employee burnout as a critical focus area in 2026. Culturally, open conversations about mental health have become more commonplace and accepted. Employees now expect open dialogue and visible commitment from leaders in support of mental health. Economically, the cost of attrition and disengagement is forcing organizations to treat wellbeing as an investment, not an expense. Technologically, the shift to digital and hybrid work has intensified workload pressures even as it increased flexibility. Generationally, younger employees are demanding authentic support for wellbeing and purpose, not performative wellness weeks or token benefits.

# Managing Burnout and Mental Health

Regulation is also playing a role. The EU's "right to disconnect" policies and expanded U.S. mental health parity laws are raising expectations for organizational accountability. Collectively, these drivers signal a clear reality: mental health is now part of corporate governance, and an essential component of an organization's commitment and responsibility to its employees.

## SIGNALS FROM THE FIELD

Forward-thinking organizations are already acting. Examples of leading employee mental health and burnout mitigation programs include Salesforce's Thrive initiative which combines dedicated mental health days with AI-driven workload insights and manager training. EY and Deloitte have appointed Chief Wellbeing Officers to embed care across global operations. New technology providers like Unmind, and others are integrating mental health support directly into HCM systems, making access to care seamless, confidential, and accessible.



### Transforming Workplace Mental Health in 2025

At Work in America with Unmind



"If you're an organization wanting to really nail giving your people the right care at the right time, then you need to be thinking about what is the role of AI in your strategy."

– Dr. Nick Taylor, CEO, Unmind

# Managing Burnout and Mental Health

A data-driven approach to understanding the impact of burnout using people analytics is also becoming more common. Companies are beginning to track indicators like meeting volume, overtime and off-hours working, and sentiment data from email and other collaboration tools to identify early signs of employee burnout. These mental health dashboards aren't about surveillance or micro-management; they are designed to facilitate stewardship and understanding by helping leaders see when workloads or cultures may be tipping into unhealthy territory.

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

For HR leaders, the implications are serious. The responsibility for mental health can no longer rest solely with employees or EAP programs or even well-intentioned supervisors. HR must become the architect of sustainable work. This means things like rethinking performance expectations and review processes, redesigning workflows, workplace safety, the role of recognition, and training managers to lead with empathy. Leadership behavior now directly affects mental health outcomes, and the ability to create psychological safety has become a core competency.

Technology adds both promise and creates challenges. For example, AI tools can help identify workload patterns, optimize meetings, and suggest moments for rest and recovery, but it can also accelerate burnout if used without care. One recent study showed that AI tools are actually leading workers to work more hours, not fewer. The key is balance: using intelligent systems to create space for people to focus in a productive and healthy way, not to extract more output from them.

# Managing Burnout and Mental Health



## AI and the Extended Workday

The Workplace Minute



“If AI makes people more productive but also more trapped by their work, leaders must rethink how to protect downtime, recovery, and fairness.”

– Steve Boese, H3 HR Advisors

## ACTIONS TO TAKE IN 2026

Organizations leading the way in 2026 are doing three things differently. First, they measure the burnout risk. Through surveys, analytics, and open conversations, they identify where work design may be failing people. Second, they are training managers. This requires equipping leaders at every level to recognize signs of stress and respond compassionately, appropriately, and with knowledge of available resources for their team members. Third, they are normalizing rest and recovery, making mental health days, flexible scheduling, and time boundaries part of their operating model, not perks granted during crises.

HR teams are also building partnerships with digital wellbeing platforms and mental health providers to expand access to support. The most advanced organizations are combining technology, awareness, and empathy. They are using data to detect problem areas but relying on human conversation to solve them.

# Managing Burnout and Mental Health

## BONUS: TECHNOLOGY WATCH

Technology will continue to shape this movement. Platforms like [Unmind](#), [Headspace for Work](#), [Modern Health](#), and [Calm Business](#) are expanding rapidly, offering scalable access to therapy, coaching, and self-guided care. Enterprise systems are embedding wellbeing analytics into their platforms. [Microsoft Viva](#), [Workday People Analytics](#), and [Dayforce Intelligence](#) all can now surface data related to workload and engagement. AI-based coaching tools, such as [BetterUp's AI Coach](#) and [Thrive AI](#), are personalizing support and promoting resilience. As this ecosystem grows, organizations must ensure ethical data use by protecting employee privacy while leveraging insights to create healthier workplaces.

## H3 HR INSIGHTS

The important truth is that most employee burnout is not caused by weak individuals but by broken systems, cultures, and climates. In 2026, managing mental health means redesigning how work itself happens. The organizations that thrive will be those that treat wellbeing as both a strategic priority and a shared responsibility, one where technology supports people in the full sense, protects their humanity and dignity, and where leadership truly cares. For 2026, we believe that the best way to prevent burnout is not to recover from it faster, but to build workplaces that never cause it in the first place.

# Financial Health and Wellbeing

## WHAT THIS TREND IS

Employee financial wellbeing is a state where employees feel in control of their finances, able to meet their current obligations, handle unexpected expenses, and plan for future goals with less stress, ultimately leading to greater financial confidence and life enjoyment. It encompasses managing day-to-day expenses, building savings, reducing debt, planning for retirement, and having financial literacy to make informed decisions.

Employee financial health and wellbeing has emerged as one of the most urgent and actionable priorities for HR leaders in 2026. For years, organizations treated financial wellbeing as a personal matter, as something best left to employees and their banks. That mindset is changing. Financial stress is now recognized as one of the most significant threats to employee wellbeing, productivity, and retention. It affects every demographic, from entry-level workers struggling with rising living costs to mid-career professionals managing debt and childcare expenses.

In 2026, leading organizations must understand that financial wellbeing is not a separate benefit, rather it is a core component of overall wellbeing. The focus has shifted from one-off educational programs to integrated, data-driven solutions that help employees manage, plan, and feel confident about their financial lives. Employers are embedding financial tools directly into payroll, benefits, and HCM systems, ensuring that support is accessible, practical, and ongoing.

# Financial Health and Wellbeing

## WHY IT MATTERS IN 2026

The economic pressures of recent years have left many employees financially fragile. While job markets remain relatively strong, persistent inflation, high housing costs, and rising interest rates have stretched household budgets thin. Wage growth has stabilized, but expenses have not. The result is a workforce under growing financial strain leading many workers to bring that anxiety and distraction to work every day.

Surveys continue to highlight the enormity of the issue. PwC's 2025 Employee Financial Wellness Survey found that nearly 60% of employees cite personal finances as their top source of stress, and one-third admit they spend time during the workday managing money concerns. That lost productivity alone costs employers billions annually, but the deeper toll is emotional: financial stress erodes focus, engagement, and overall health.

Employees now expect their employers to help beyond ensuring that baseline salaries and wages are fair. They are looking for financial wellbeing tools, compensation flexibility, and transparency. Pay access, budgeting support, debt management, and savings programs have become essential parts of a modern employee value proposition. Addressing financial wellbeing is no longer just a moral act; it's a strategic investment in engagement and retention.



# Financial Health and Wellbeing

## WHAT'S DRIVING THE TREND

Multiple forces are pushing financial wellbeing to the forefront. Economically, the post-pandemic cycle of inflation and interest rate hikes has changed spending behavior and heightened anxiety. Many workers are balancing debt repayment, childcare, and savings shortfalls simultaneously.

Culturally, the stigma around discussing money is fading. Employees are more open about financial challenges and increasingly view employers as trusted sources of guidance. The rise of pay transparency laws and open discussions about pay equity have further normalized these conversations.

Technology has been a catalyst as well. Financial wellness platforms are now tightly integrated into payroll and benefits systems, enabling employees to see many elements of their real-time financial picture, e.g., wages earned, deductions, savings progress, and upcoming expenses, in one place and provided via their employer. Generationally, younger employees, raised on mobile banking and instant financial feedback, expect employers to provide the same level of clarity and control.

Finally, regulatory change is reinforcing the trend. New state and federal policies around student loan repayment, automatic retirement savings enrollment, and pay transparency are making financial wellbeing both an ethical and compliance issue.

Employees want clarity. Employers must deliver it.

# Financial Health and Wellbeing

## SIGNALS FROM THE FIELD

Across industries, employers are responding to these challenges with purposeful implementation of technology and expansion of their benefits programs. According to the Business Group on Health, in 2025, around 50–54% of larger employers offer financial wellness programs, while only about one-third (32%) of smaller companies do, indicating a significant size-based disparity in provision. However, financial wellness is increasingly integrated into broader well-being strategies, with 92% of employers including it in their overall plan, and this number is expected to reach 100% by 2026.

Some organizations are going further by connecting financial support with larger wellbeing strategies. PwC and Fidelity both offer student loan repayment programs to relieve long-term financial pressure. Employers in retail, healthcare, and manufacturing are experimenting with low-cost payroll-linked savings accounts to reduce financial vulnerability. Meanwhile, many large employers are pairing financial literacy programs with transparent pay communication and equity reviews, which connect fairness and wellbeing under a shared banner of trust.

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

For HR leaders, the message is clear: financial wellbeing has evolved from a “nice-to-have” augmentation of the benefits program into a central pillar of the employee experience. It touches every aspect of the talent lifecycle: attraction, engagement, and retention. Financial stress contributes to absenteeism, burnout, and disengagement. Conversely, financial confidence drives focus, loyalty, and wellbeing.

# Financial Health and Wellbeing

The opportunity and challenge for HR is to integrate financial health into the broader wellbeing ecosystem. Payroll, benefits, and HR technology leaders must work together to build cohesive strategies. Pay transparency, financial education, and equitable compensation policies, once seen and managed as separate initiatives are coalescing into interconnected building blocks of trust and support.

Organizations that take this seriously are seeing results. Employees who feel supported in managing their finances are more engaged and less likely to look elsewhere. Addressing financial wellbeing also strengthens an organization's brand, signaling to candidates and customers alike that it operates with empathy and responsibility.

## ACTIONS TO TAKE IN 2026

The first step is listening. Conduct financial wellbeing surveys to understand employee needs and pain points. The second is integration which can be enabled by connecting financial support tools with existing HR systems so that access is seamless and stigma-free. Offer real-time pay options or earned wage access, but pair them with education on budgeting and savings. Provide access to professional coaching or digital planning tools.

Review compensation transparency and pay equity policies to ensure they align with wellbeing goals. Train managers to direct employees toward available financial resources and to approach the topic with sensitivity and confidentiality. The most advanced organizations are building "total rewards dashboards", the evolution of the old Total Compensation Statements to give employees a 360-degree view of their pay, benefits, and financial progress in one place.

# Financial Health and Wellbeing

## BONUS: TECHNOLOGY WATCH

Technology will continue to expand what's possible in financial wellbeing. Platforms like [Origin](#), [BrightPlan](#), [Even](#), and [PayPal Thrive](#) are deepening integrations with payroll and HCM systems, allowing real-time tracking of financial goals. [Dayforce Wallet](#) and [Paycom Beti](#) are redefining the pay experience by allowing real-time visibility and access to earned wages. Fintech and HR tech are converging, creating a new class of "workplace financial ecosystems." AI-powered financial coaches are beginning to appear within employee self-service portals, offering personalized guidance based on income and spending patterns. Meanwhile, HCM vendors are adding interactive total rewards dashboards that display compensation, benefits, and savings progress in one clear, visual experience.

These advances make financial wellbeing not just a policy, but a daily practice that empowers employees to make informed, confident decisions about their money and their future.

## H3 HR INSIGHTS

Financial wellbeing has always been about more than a paycheck every two weeks. It is now essential to an employee's peace of mind. In 2026, the smartest organizations are realizing that when employees [worry less about money, they contribute more energy, creativity, and loyalty to their work](#). Supporting financial health is one of the most visible and meaningful ways a company can show it cares about its people. Every pay cycle becomes an opportunity to build trust which is in many ways the most valuable currency any employer can trade in.

# Caregiving Support and Benefits

## WHAT THIS TREND IS

In 2025, caregiving emerged as one of the most important and complex challenges facing organizations, and we expect that to continue in 2026. Millions of employees are simultaneously managing their careers and providing care for children, aging parents, or family members with health needs. What was once seen as a personal responsibility outside the bounds of work has now become a central workforce issue, becoming one that directly affects productivity, retention, and equity.

Caregiving is not an isolated concern. It touches every generation and every industry, in organizations of all sizes, and from frontline workers juggling shifts around childcare to executives managing eldercare across time zones. The line between home and work has blurred, and with it, the expectation that employees can simply “leave caregiving at the door” has vanished. In 2026, leading organizations understand that supporting their employee caregivers is a strategy for sustaining talent and organizational resilience.

The most progressive employers are shifting from reactive flexibility, experienced as one-off exceptions for individual workers, to proactive design by designing work to accommodate caregiving responsibilities. They are achieving this by embedding caregiving into formal benefit programs, reinforcing its importance to organizational culture, and incorporating it into workforce planning. Ultimately, they are recognizing caregiving as a permanent, predictable part of life, not a temporary disruption.



# Caregiving Support and Benefits

## WHY IT MATTERS IN 2026

Demographics alone make caregiving a critical business issue. Populations in most developed economies are aging rapidly, with more employees responsible for eldercare than ever before. Meanwhile, birth rates continue to decline, and access to affordable childcare remains limited. In the U.S., more than one in five workers now provides unpaid care to an adult or older relative, according to AARP. The economic impact is enormous: caregiving responsibilities contribute to absenteeism, reduced productivity, and lost career advancement, especially for women, who remain disproportionately affected. Elder care has been a growing concern with more US workers now providing elder care than childcare.

At the same time, caregiving is becoming a defining equity issue. Employees with caregiving duties often face invisible barriers to promotion with their need for increased flexibility, especially in workplaces that still reward constant availability. The pandemic revealed the fragility of these systems because when schools and care centers closed, millions of workers, particularly women, were forced to step away from the workforce. The lesson was clear; caregiving support is essential to business continuity.

In 2026, employers are expected to go beyond empathy for these situations to create real policies, benefits, and technologies in place to support care. The organizations that succeed will be those that see caregiving not as a burden to accommodate, but as a shared human reality to design for, making caregiving a foundational element of their overall employee wellbeing strategy.

# Caregiving Support and Benefits

## WHAT'S DRIVING THE TREND

Several forces are converging to make caregiving a top workplace priority. Demographically, societies are aging. In the U.S., by 2030, one in five adults will be over 65. Economically, talent shortages make it far costlier to lose caregivers than to support them. Every experienced employee retained through flexible caregiving policies saves thousands in turnover costs.

Culturally, conversations about care have become more open and inclusive. Employees now expect empathy and flexibility from their employers, and many leaders who statistically are often caregivers themselves are modeling that vulnerability. Regulatory momentum is also growing: several states have expanded paid family leave, and new tax incentives are encouraging employers to invest in dependent care programs.

Technology is playing a supportive role, too. Digital caregiving platforms like Wellthy, Care.com for Business, Torchlight, and Maven Clinic are giving employees access to care coordinators, eldercare experts, and family support resources through mobile apps and portals. These tools help employees navigate everything from arranging childcare to managing medical appointments for aging parents, thereby reducing the logistical stress that drives burnout.



# Caregiving Support and Benefits

## SIGNALS FROM THE FIELD

A growing number of employers are leading the way. Some notable examples include [Bank of America](#) where expanded caregiving benefits include eldercare reimbursement and back-up care for dependents. [PwC](#) offers paid caregiver leave and access to personalized family support services. [Patagonia](#), well-known as a pioneer in family-friendly benefits, continues to set the standard with on-site childcare and flexible scheduling policies that extend to field staff.

Technology partnerships are accelerating progress. [Google](#) and [Meta](#) now incorporate caregiving flexibility into management and performance frameworks, ensuring that care responsibilities are acknowledged in workload and goal-setting discussions. Platforms like [Maven Clinic](#) are bridging gaps between reproductive, parental, and eldercare benefits, creating continuous support across life stages.

[Bright Horizons](#) has had success with many employers offering on-site childcare facilities and services. The data reinforces the need: a 2025 Harvard Business School study found that nearly three-quarters of employees report caregiving responsibilities, yet fewer than one-third feel their employer supports them effectively. For many workers, the question of whether to stay or leave comes down to whether they can balance work and care.



### The Stress of Caregiving Can be Overwhelming for Many US Workers

The Workplace Minute



“The financial cost of caregiving is rising, but the emotional burden it is such a heavy toll that people are being pushed to their emotional breaking point.”

– Steve Boese, H3 HR Advisors

# Caregiving Support and Benefits

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

For HR leaders, caregiving support has moved from a set of secondary employee benefits to the center of talent management strategy. Support for caregivers takes multiple forms: Flexible scheduling, hybrid work options, paid caregiving leave, and more. These are no longer differentiators; they have become expectations for much of the workforce. Organizations that fail to adapt risk losing experienced talent, particularly mid-career professionals who often carry the heaviest caregiving loads. It is common for management workers, for example, in their 40s to early 50s, who struggle with caregiving for both children and aging parents.

Supporting employee caregivers also strengthens the culture of inclusion and equity. Caregiving is disproportionately performed by women, people of color, and lower-wage workers. Without structured support, these groups face greater barriers to advancement and financial security. By embedding caregiving into DEI strategy, HR leaders can create a more inclusive culture that values contributions across all life stages.

Importantly, caregiver support must extend beyond benefits to become a fundamental component of an organization's culture. Employees need to feel psychologically safe disclosing caregiving challenges without fear of stigma or penalties. Leaders play a crucial role in normalizing these conversations and modeling appropriate work/life balance themselves. The message that "care is part of life" must be visible at every level of the organization.

# Caregiving Support and Benefits

## ACTIONS TO TAKE IN 2026

Forward-looking organizations are taking clear, practical steps. Many begin by assessing the caregiving demographics within their workforce including who needs support, and in what forms. From there, they introduce flexible scheduling options, hybrid arrangements, and protected caregiving leave.

Partnerships with caregiving platforms are becoming standard, providing employees with access to expert caregiving guidance and services. Employers are also exploring eldercare stipends, dependent care flexible spending accounts, and back-up care programs (usually for childcare) to fill coverage gaps. Training managers to respond with empathy and flexibility is equally critical. The best policies fail if leaders don't reinforce them in practice. But remember, managers are often caregivers themselves and should not be overlooked when designing an overall plan for caregiving support.

Progressive organizations are integrating caregiving into analytics dashboards, tracking usage, satisfaction, and retention among caregivers. A key to continuing commitment to caregiving from leadership will be how caregiving support connects to important talent and business outcomes like retention, engagement, and productivity. This data-driven approach helps HR teams demonstrate ROI and identify opportunities to expand support equitably.



Support the caregiver, support the workforce.

# Caregiving Support and Benefits

## BONUS: TECHNOLOGY TO WATCH

Technology is transforming caregiving support from a manual, HR-led benefit to an integrated digital experience. Platforms like [Wellthy](#), [Care.com](#), [Cariloop](#), and [Family First](#) (and others) provide end-to-end caregiving coordination ranging from sourcing providers to scheduling services and managing costs. HCM systems are beginning to integrate caregiving data directly into benefits and wellbeing dashboards, enabling better visibility without compromising privacy.

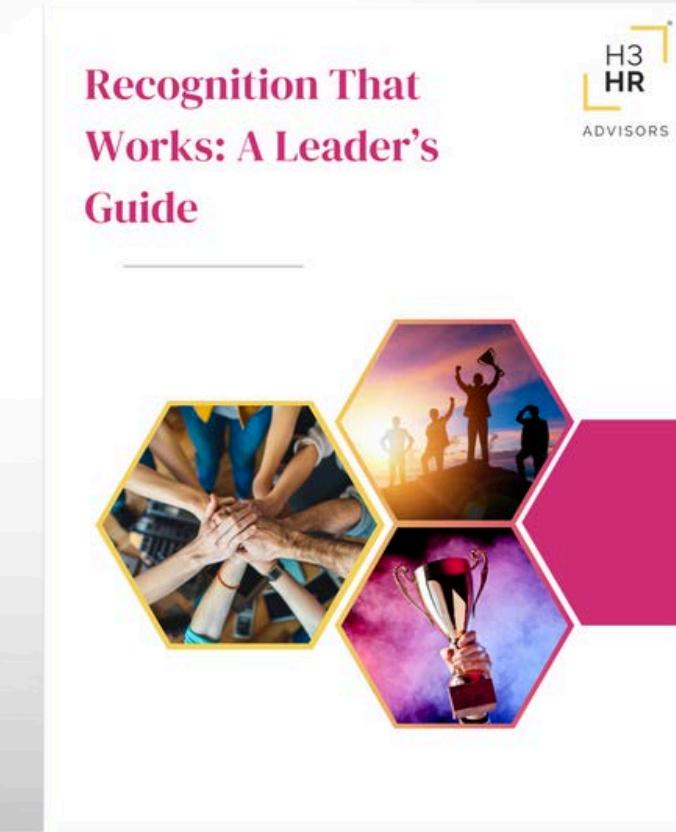
AI-powered personalization helps employees navigate benefits more easily, matching them to the right programs based on life stage or family situation. Emerging analytics tools can even identify early signs of burnout among caregivers, allowing HR to intervene before employees disengage or exit the workforce.

## H3 HR INSIGHTS

Caregiving is one of the most human experiences we share. Yet for too long it has been treated as an obstacle to career success. In 2026, that mindset is finally changing. [The organizations that thrive in the years ahead will be those that recognize caregiving as a part of the broader ecosystem of life that work must support](#). Worries about caregiving can weigh heavily on employees – distracting them from being fully present and doing their best work. When employers design work structures, policies, and programs to support care, factoring in empathy, flexibility, and creativity, they don't just retain employees. They earn their trust, loyalty, and respect. The future of work is inseparable from the future of caregiving.

# SPOTLIGHT TREND

## Reemergence of Recognition Powered by AI



# Reemergence of Recognition Powered by AI

## WHAT THIS TREND IS

The buzzword of the decade seems to be era. From music, to movies, to the workplace, eras are everywhere. When it comes to the way we work, the agentic AI era is the one to pay closest attention to. And the agentic AI era isn't just knocking on the door of the workplace, it has already walked in, taken a seat at the table, and begun reshaping the way we think about achievement, dignity, and belonging. For decades, recognition programs have been burdened by bias, inconsistency, and administrative drag. They were often well-intentioned but clunky, leaving too many contributions invisible and too many employees feeling unseen. Now, something deeper is unfolding. Ironically, beyond the workflows and productivity gains, AI is helping us redefine how we honor human achievement. It is liberating recognition from the confines of outdated systems and siloed thinking, and in doing so, it is restoring the emotional heartbeat of work.

For HR leaders and executives who have watched legacy programs falter, this is more than a technological shift. It is a cultural inflection point. **Agentic AI brings the potential to surface authentic contributions in real time, amplify inclusive recognition, and create workplaces where every achievement is celebrated.** After all, leaders have wanted the ability to create teams that are loyal and productive. With agentic AI, they can now recognize and value each employee in a highly personalized way.

Do you remember the annual survey era of two decades ago? Many organizations still cling to that format: survey employees, send the information away, wait months for results, then scramble to form action plans before it's time to survey again. That cycle was always too slow, too detached from the lived experience of employees.

# Reemergence of Recognition Powered by AI

Fast forward to today, and the technology is not only better, but also more intuitive, more emotionally attuned, and more capable of surfacing the quiet contributions that often go unnoticed. Smart recognition systems now analyze email content, detect expressions of gratitude, and categorize them based on sentiment, tone, and context. Systems produce dashboards full of information to ensure that the best employees finally get the recognition they deserve.

The implications are profound. Instead of waiting for managers to remember achievements during quarterly reviews, AI agents identify moments of excellence as they happen. They create continuous feedback loops that strengthen engagement and retention. Recognition powered by AI isn't just about efficiency gains. It's about democratizing appreciation. It's about creating workplaces where every contribution is seen, every achievement is celebrated, and every employee feels valued in ways that were previously impossible at scale. This is the reemergence of recognition as a cultural force, and it represents nothing less than the democratization of workplace appreciation.



# Reemergence of Recognition Powered by AI

## WHY IT MATTERS IN 2026

To understand why this matters in 2026, we need to place it in the broader arc of performance enablement. Performance Enablement 2.0 was the era of feedback and alignment. We moved away from rigid annual reviews and started embracing more fluid, frequent conversations. Tools emerged to support real-time feedback, goal tracking, and manager-as-coach models. This meaningful shift tried to humanize performance and connect individual effort to business outcomes. But let's be honest: it still leaned heavily on manual effort, uneven adoption, and a lot of well-intentioned nudging that didn't always stick.

Now, with 3.0 on the horizon, **we're entering a more intelligent, emotionally attuned phase**. Agentic AI is surfacing contributions in real time, personalizing nudges, and helping us see the full picture of performance with clarity and care. These highly personalized experiences are what employees have craved. And make no mistake, we are not replacing the human touch. We're amplifying it. And for HR leaders ready to move beyond checklists and dashboards, this is the moment to reimagine what enablement really means.

Why does this matter in 2026? Because the workplace is at a crossroads. **Leaders have spent years trying to make recognition more meaningful, less transactional, timelier, and more inclusive.** And with these changes, organizations have seen the payoff. We know that when employees feel seen and valued, they are more engaged, resilient, and more likely to stay. But recognition can't live in a silo. To truly transform the employee experience, it must connect to how we enable performance every day.

# Reemergence of Recognition Powered by AI

## HOW IT CONNECTS TO BROADER WORKPLACE TRANSFORMATION

In 2026, the focus must solidly be on rehumanizing work. That phrase, rehumanizing work, deserves a pause. It means restoring the emotional, relational, and purpose-driven elements that people bring to their jobs. You can still find that approach in many family-owned or nonprofit businesses, where managers know everyone's names, their stories, and celebrate with them in real time. But with technology and remote work, we've lost some of that intimacy. Agentic AI helps restore that connective tissue of the workplace it so desperately needs. We need the magic of commitment and belonging. So, when you add those elements, people don't just perform, they flourish. And flourishing is the true goal of Performance Enablement 3.0.

This is why AI-enabled recognition matters in 2026. It is a cultural lever, a strategic imperative, and a human-centered practice that redefines how organizations appreciate and develop talent. Leaders who understand and act on these insights will build workforces that are not only more engaged and productive, but also better prepared for the future of work.

**“Performance enablement is the connective tissue of the work experience. It is the rhythm that ties recognition to growth, coaching to clarity, and feedback to belonging.”**

Trish Steed

# Reemergence of Recognition Powered by AI

## WHAT'S DRIVING THE TREND

### Technological

Surprisingly, AI is making recognition more human, not less. The quiet contributors, the ones who consistently show up and deliver, are now more visible to managers. And recognition through personalized messages that feel thoughtful and real are possible at scale. Agentic AI can also detect emotional cues like stress, excitement, or disengagement and gives leaders the chance to respond before burnout sets in. This alone makes having a solution worth the cost. Add in the way it augments human judgment, and it is a tool to honor the full human experience at work.

Traditional HR metrics are becoming obsolete in an AI-enabled workplace – “today’s velocity, volume, and automation demand a new approach.”

How Work Gets Done (Now) – Workhuman 2025

### Economic

As organizations are still in the mode of determining whether work must be done in an office, from a home office, or a hybrid of the two, they are considering the economic impacts. Employees focus on some of the emotional reasons to work from one place or another, but leaders are feeling the pressures from board members and customers when it comes to the financial impact of the decisions. Enter AI powered recognition and performance enablement systems. The outcomes they produce when used well go well beyond better retention numbers. They unlock measurable business value. Timely, personalized recognition also drives safety records, customer satisfaction, reduces burnout, and boosts productivity. These gains ripple across the bottom line. And with AI lifting much of the administrative burden, leaders can scale what works without drowning in data entry or manual tracking.

# Reemergence of Recognition Powered by AI

## Cultural

When AI surfaces contributions from across the organization, we stop recognizing only the loudest voices or the most visible roles.

Leaders begin to see where work is really getting done and which people are moving the needle. The bias is removed as some of the people who are quietly getting good work done now stand out. The ability to see this information in a new way means that leaders can now make different decisions about who to promote, who to redirect, and what skills are being used. Performance enablement becomes a daily rhythm, not a quarterly scramble. It shifts us from performative culture to people-centered culture.

Recognition data offers “live, decision-grade human signals” from across the organization – not just the loudest voices or the most visible roles.

How Work Gets Done (Now) – Workhuman 2025

## Regulatory & Ethical

With great power comes great responsibility. As we integrate AI into recognition and performance systems, we must be intentional about transparency, fairness, and consent. We must ask hard questions: Are we reinforcing bias or dismantling it? Are employees aware of how their data is being used? Are we designing systems that support human dignity, not just efficiency? In a recent discussion with Kevin Heinzelman, SVP of Product Management at Workhuman, we agree that ethical AI is not a checkbox. It is a commitment to building trust at every layer. For HR leaders, that means partnering with vendors and internal teams to ensure that tools reflect values, not just capabilities.

Taken together, these drivers point to a profound transformation. We are creating workplaces where recognition, feedback, and growth are embedded in the flow of work and it restores the connective tissue of the workplace. We are rehumanizing work.

# Reemergence of Recognition Powered by AI

## KEY HR TECHNOLOGY INNOVATIONS DRIVING AI ADOPTION

When we talk about Performance Enablement 3.0, it's tempting to think of it as a theoretical construct, a vision of what could be. But the truth is, the building blocks are already here. Vendors across the HR technology landscape have long been experimenting with AI-enabled recognition and performance systems. It has quickly moved from a chatbot experience to having AI fully embedded into the daily flow of work. Each vendor brings a distinct lens, a unique emphasis, and together they paint a picture of how recognition and enablement are being redefined for 2026 and beyond.

Take [Workhuman](#), for example. For years, they have championed the idea that recognition is not a "soft extra" but a measurable driver of business outcomes. Now, they have the tools in place and the client outcomes to prove it. In this new era, their platform elevates social recognition into a continuous feedback ecosystem. Check-ins, analytics, and gratitude are tied directly to performance, productivity, safety, NPS, and customer satisfaction. What makes Workhuman compelling is not just the technology, but the philosophy: recognition is culture activation. It is the spark that embeds gratitude, connection, and inclusion into the performance cycle. In the 3.0 landscape, Workhuman reminds us that performance isn't just about goals and skills. It's about the human experience that fuels them.

Then there is [Oracle HCM](#), a platform that has long leaned into continuous performance management. What makes them stand out in this era is the way they tie coaching, goal alignment, and analytics directly to transformation. And their outcomes are impressive. Large, Fortune 100 customers are finding value in the entirety of the suite. They are not simply digitizing reviews; they are building adaptive systems that flex with the business. Oracle's strength lies in scale and they embed performance enablement into the enterprise fabric so that growth is not siloed, but shared across the organization. In a world where agility is paramount, their approach ensures that enablement is not a side project, but a core operating rhythm.

# Reemergence of Recognition Powered by AI

[Betterworks](#) has carved out its identity as the pure-play innovator. What began a little over a decade ago as a goal setting solution has evolved into a solution where goals are set then activated. They layer in AI to make feedback and career development more dynamic. What resonates most with H3 HR Advisors is their focus on immediacy. Performance is something you enable in real time, not just look back on. Betterworks shows us how performance can be both structured and fluid, aligning ambition with execution.

And then there is [Workday](#), steadily reframing performance enablement as part of a larger skills-based ecosystem. Their AI-driven skills cloud is woven into the daily flow of work, making performance conversations less about compliance and more about agility. By connecting real-time feedback with learning pathways, Workday positions enablement as a lever for workforce resilience. It is a way to activate talent in the moment while keeping the bigger picture of organizational outcomes in view.

Together, these vendors illustrate the diversity of approaches to Performance Enablement 3.0. Some emphasize culture, others scale, others immediacy, others resilience. But the common thread is clear: recognition and enablement are no longer separate. They are converging into systems that honor humanity while driving business outcomes.



# Reemergence of Recognition Powered by AI

## SIGNALS FROM THE FIELD

Signals from the field reinforce this story. Consider [Deloitte's 2025 Global Human Capital Trends](#) survey. With input from more than 13,000 leaders across 90 countries, the findings are sobering: 66% of managers and executives say new hires are not fully prepared and 73% of organizations recognize the importance of reinventing the role of the manager. But even with recognizing the need to reinvent how we manage, only 7% report strong progress.

The implications are clear. Performance Enablement 3.0 must address capability gaps and the evolving role of managers in an AI-driven workplace. It is not enough to surface contributions. We must also equip managers to coach, guide, and inspire in environments where human and machine work are increasingly intertwined.

[PwC's 2025 CHRO Pulse Survey](#) adds another layer. They found that 47% of CHROs cite talent retention and skills shortages as top barriers to strategy delivery. Additionally, 61% of less confident CHROs are investing in skills training. And fifty-two percent of more confident CHROs have developed future-of-work strategies that include AI integration.

Here we see a split between defensive and offensive strategies. Some CHROs are focused on plugging gaps through training. Others are leaning into AI-enabled transformation. The opportunity lies in bridging these approaches, using AI to personalize growth while investing in skills that prepare employees for the future. And until leaders get on the same page, we'll continue to see this disconnect as it relates to performance and recognition.

# Reemergence of Recognition Powered by AI

What these signals tell us is that Performance Enablement 3.0 is a business imperative. Leaders are under pressure to close capability gaps, reinvent the manager role, and embed AI into workforce strategies. The opportunity for leaders lie in weaving skills, recognition, and feedback into a living system that adapts in real time. And when done well, enablement becomes the operating system for agility.

This is why the vendor innovations and survey signals matter. They are not abstract data points. They are evidence that the shift is already underway and proof that recognition and enablement are converging into systems that honor humanity while driving resilience. They remind us that the future of work is more than dashboards or checklists. The future possibilities elevate dignity, belonging, and empowerment.



## Real-time Recognition with AI: A Game-changer for Organizations HR Happy Hour with Workhuman



“We’ve been very intentional about preserving the integrity of the human message. One person’s authentic language to another is what makes the data so powerful.”

– Naomi Dishington, Workhuman

# Reemergence of Recognition Powered by AI

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

Performance Enablement 3.0 opens a door that many leaders have been waiting for but perhaps did not know how to unlock. For years, HR and business executives have wrestled with the limitations of performance management systems. They were too rigid, too backward-looking, too focused on compliance rather than empowerment. The promise of 3.0 is that we can finally activate performance.

This vision of Performance Enablement 3.0 weaves together goals, skills, recognition, and feedback into a living system that adapts in real time. **Imagine a workplace where recognition is not a quarterly ritual but a daily rhythm**, where feedback is not a corrective measure but a growth opportunity, where goals are not static documents but dynamic pathways, and where skills are not inventories but living ecosystems. With technology all of this is possible.

For HR leaders, the implications are profound. HR will become more than a compliance function and will drive agility and resilience. With HR as an architect of empowerment, it solidly puts them in the role of strategically shaping culture. And it gives HR leaders the chance to align talent with strategy in ways that are both measurable and deeply human.

**But the risks are real.** The danger is that organizations treat Performance Enablement 3.0 as another shiny tool rather than a mindset shift. Overreliance on technology without rethinking behaviors can lead to fragmented experiences, data overload, or even mistrust. Employees may feel monitored rather than supported. Managers may default to dashboards rather than conversations. Leaders must guard against turning enablement into surveillance or reducing it to metrics. The promise of 3.0 only materializes when systems are human-first and credibility is protected.

# Reemergence of Recognition Powered by AI

## ACTIONS TO TAKE IN 2026

### **Act now**

The window for competitive advantage through AI-enabled recognition is closing rapidly. Organizations that implement these systems in 2025 will already be ahead in talent attraction and retention. Waiting until 2027 or 2028 means playing catch-up in a landscape where agility is the currency of success.

### **Think holistically**

Recognition and performance enablement must work together. AI can create powerful feedback loops between celebrating achievements and building future capabilities. Leaders must resist the temptation to silo recognition as a “culture initiative” and enablement as a “performance initiative.” They are two sides of the same coin.

### **Address bias systematically**

AI-powered recognition systems have the potential to dismantle unconscious biases that have traditionally plagued recognition programs. But this does not happen automatically. Leaders must partner with vendors to ensure that algorithms are transparent, fair, and inclusive. They must audit systems regularly to ensure that recognition is distributed equitably across roles, demographics, and geographies.

### **Prepare for hybrid teams**

As AI agents become teammates rather than tools, recognition strategies must evolve to account for human-AI collaboration. This means recognizing not just human contributions but the ways in which humans and AI work together to create value. It means designing recognition systems that honor collaboration, not just individual achievement.

# Reemergence of Recognition Powered by AI

## **Focus on culture**

Recognition powered by AI creates workplaces where every contribution is seen and valued at scale. Leaders can ensure that recognition is transformational. By embedding recognition into the fabric of culture, it becomes a daily rhythm rather than an occasional gesture.

These actions are not optional. They are imperatives for leaders who want to build workforces that are engaged, productive, and prepared for the future of work.

As you begin 2026 planning, ask yourself: How will our recognition and enablement systems reinforce dignity and belonging? Are our leaders equipped to coach in an AI-augmented environment? How will we ensure transparency and fairness in AI-driven recognition? What safeguards are in place to prevent surveillance and protect trust? These are not abstract questions. They are the practical considerations that will determine whether Performance Enablement 3.0 succeeds or fails in your workplace.

## **ACTIONS TO TAKE IN 2026**

At H3 HR Advisors, we often talk about enablement as the connective tissue of the workplace. Done well, enablement becomes the operating system for agility that aligns talent with strategy. The key is requiring your leaders to be more intentional. When you value recognition as a transformational strategy, the positive outcomes materialize.

The call to action for 2026 is clear. Act now, think holistically and address bias systematically. When you do, you will have a workforce that is more engaged, productive and prepared for the future of work.

# New Models of Organizational Culture and Leadership

- Micro-Everything
- Generational Workplace Tensions & Values Clashes
- Rebuilding Trust in Leadership

# Micro-Everything

## WHAT THIS TREND IS

The story of workplace culture in 2026 is no longer written in sweeping strategy decks or bold policy announcements. It's written in the micro. In the subtle, everyday exchanges that accumulate over time and shape how people feel, perform, and belong. Microculture is the sum of these moments: the Slack ping that acknowledges effort, the emoji reaction that signals inclusion, the quick feedback that builds trust, the micro reward that sparks motivation, the microaggression that erodes safety, and even the micro pettiness that fractures collaboration.

Culture has always been about people, but now it's about the cadence of their interactions. [The rise of hybrid and remote work stripped away many of the traditional rituals of connection](#)—hallway chats, long meetings, shared lunches. In their place came digital nudges, asynchronous updates, and fleeting signals of recognition or exclusion. These micro-interactions, once considered peripheral, are now central to how work gets done. They are the pulse of organizational life.

Microculture is not a fringe concept. It is the lived reality of modern work. It is how recognition is given, how feedback is delivered, how inclusion is felt—or missed. It is the tone of a message, the timing of a response, the presence or absence of acknowledgment. And it is powerful. For HR leaders, this presents both a challenge and an opportunity. The challenge: microculture is harder to see, measure, and manage. The opportunity: it's where real transformation happens.



# Micro-Everything

## WHY IT MATTERS IN 2026

Why does microculture matter now? Because the workplace has been reshaped by disruption, and employees are choosing cultures as much as careers. In distributed environments, culture isn't built in offsites or all-hands meetings. It's built in the everyday; in the way feedback is given, who gets recognized, how inclusion is practiced, and whether people feel seen, heard, and valued.

Microculture is one of the typically undiscussed levers that directly impacts engagement, retention, and reputation. A single microaggression can undo months of trust-building. A micro reward can spark loyalty that lasts years. Micro feedback can accelerate growth in ways annual reviews never could. And micro pettiness can quietly sabotage collaboration and innovation. These small moments are not small in their consequences.

For HR and business leaders, this means shifting focus from the macro to the micro. It means asking new questions: Are our managers trained to give feedback with empathy? Do our recognition systems reflect our values? Are we equipping teams to spot and stop microaggressions? Are we creating norms that prevent micro pettiness from taking root?

The organizations that thrive in 2026 will be those that design for humanity at the micro level. They will understand that transformation doesn't happen in strategy decks. It happens in moments.

**MACRO** → **MICRO**

# Micro-Everything

## HOW IT CONNECTS TO BROADER WORKPLACE TRANSFORMATION

Microculture is not an isolated phenomenon. It connects to broader workplace transformation in several ways:

- **Personalization of work:** Employees expect experiences tailored to their needs. Microculture delivers personalization in real time through feedback, recognition, and inclusion that reflect individual contributions and identities.
- **Continuous performance management:** The shift from annual reviews to ongoing feedback aligns with microculture's emphasis on agility and immediacy.
- **Distributed leadership:** Microculture democratizes influence. Peers, not just managers, shape culture through everyday interactions.
- **Human-centered design:** As organizations embrace human-first innovation, microculture becomes the proving ground. It's where values are lived, not just stated.
- **Technology integration:** Collaboration platforms and HR tech tools embed micro-interactions into workflows, making them measurable and actionable.

Microculture is the connective tissue of transformation. It ensures that strategic shifts are felt in the daily rhythm of work. Without attention to microculture, transformation risks becoming performative, grand in vision but hollow in practice.

# Micro-Everything

## WHAT'S DRIVING THE TREND

### Technological

As with many trends, employees behave in a certain way then technology vendors create tools to either progress the trend or disable it. When it comes to micro interactions, collaboration platforms such as Slack, Teams, and Zoom have amplified the frequency and impact of micro interactions. Similarly, HR tech vendors like Workhuman, O.C. Tanner, CultureAmp and Lattice embed micro feedback and recognition directly into everyday workflows, making them part of the rhythm of work. Some are even leaning in on AI driven sentiment analysis and pulse surveys to allow organizations to measure microculture in ways that were previously invisible.

Technology has shifted the micro from something anecdotal to something trackable and actionable. And, as a result, the micro has become a visible layer of workplace dynamics that leaders can no longer ignore.

### Economic

Distributed teams, especially since the time spent at home during Covid, and lean organizational structures require agile and low-cost approaches to sustaining morale and performance. Micro seems to fit when it comes to rewards, whether digital badges or coffee cards, providing scalable recognition that fits within tight budgets. Micro feedback reduces the cost of disengagement by addressing issues in real time before they escalate. As economic pressures have turned microculture into a practical necessity rather than a passing trend, it's not just efficient but essential for keeping teams connected and motivated.

A single disengaged employee costs a company approximately US \$ 2,246 per year.

Vantage Circle "The Real Cost of Disengaged Employees"

# Micro-Everything

## Cultural

We're living in a time when social platforms have moved to micro experiences and that bleeds over into the workplace. Employees increasingly expect authenticity, inclusion, and recognition to happen in the moment rather than only through annual reviews. But there is a down-side too. Employees have grown more impatient with each other, and this shows up as microaggressions.

When a person feels like they have been wronged at work, they often use microaggression or micro pettiness to "handle" interpersonal situations. These behaviors highlight the need for equity at the most granular level, reminding organizations that culture is lived in small acts. Microaffirmations, intentional gestures of inclusion, are becoming cultural imperatives that reinforce belonging. These dynamics show that microculture is both a source of connection and a mirror of cultural clarity.

## Regulatory and Ethical

Commitments to DEI and ethical leadership require attention to subtle behaviors that shape psychological safety. Regulators and stakeholders increasingly expect organizations to demonstrate inclusion not only in written policies but in everyday practices.

Microculture is the proving ground where ethical commitments are tested and validated. The smallest interactions can either reinforce or undermine trust, making micro behaviors central to compliance and credibility. In this way, microculture becomes the space where values are translated into lived experience.

"Organizations with high psychological safety  
— built through inclusive leadership and everyday interactions — reduce employee attrition risk to as low as 3% per year, compared with 12% in low-safety contexts."

BCG "Psychological Safety Levels the Playing Field for Employees"

# Micro-Everything

## KEY HR TECHNOLOGY INNOVATIONS DRIVING AI ADOPTION

AI is transforming how microculture is managed. Innovations include:

- **Sentiment analysis:** AI tools analyze Slack messages, emails, and survey responses to detect microaggressions, recognition patterns, and engagement signals.
- **Feedback nudges:** Platforms prompt managers to deliver micro feedback in the moment, ensuring timeliness and relevance.
- **Recognition automation:** AI identifies contributions and triggers micro rewards, democratizing appreciation.
- **Bias detection:** AI helps spot patterns of exclusion or micro pettiness, enabling proactive interventions.

Vendors including Workhuman, O.C.Tanner, CultureAmp, Lattice, Workday, and Qualtrics are just a few embedding these capabilities into daily workflows, making microculture measurable and actionable.



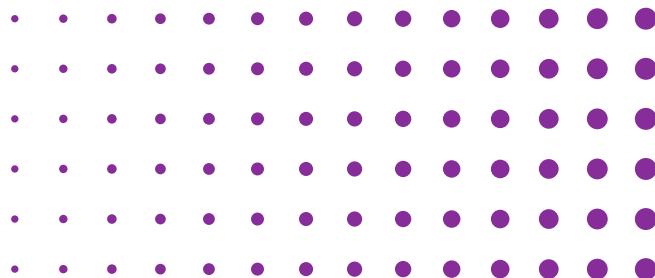
# Micro-Everything

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

Organizations are discovering new opportunities by embracing the micro lens in workplace culture. Continuous feedback models, supported by HR tech platforms, replace the rigidity of annual reviews with real time conversations that drive growth and agility. Peer to peer recognition programs make micro rewards more frequent, personalized, and visible, strengthening morale and connection across distributed teams. DEI initiatives that emphasize microaffirmations bring inclusion into the everyday, ensuring that authenticity and belonging are not abstract ideals but lived practices. Pulse surveys tracking microculture allow leaders to measure respect, recognition, and inclusion at the smallest levels, turning subtle dynamics into actionable insights that fuel engagement and trust.

At the same time, the micro lens introduces risks that organizations must manage with care. The rise of micro pettiness in hybrid settings reveals how passive aggressive behaviors can erode collaboration and morale if left unchecked. Continuous feedback, while powerful, can overwhelm employees if not balanced with clarity and purpose. Peer recognition programs may lose credibility if rewards feel transactional or inconsistent. DEI efforts that focus on microaffirmations risk being performative if they are not backed by systemic change. Even pulse surveys, while valuable, can create fatigue or mistrust if employees doubt that their input leads to meaningful action.

Small signals



Big Impact

# Micro-Everything

## ACTIONS TO TAKE IN 2026

Leaders have an opportunity to bring the micro lens into everyday team dynamics in ways that build trust and momentum. Embedding micro feedback into workflows means training managers to deliver feedback with clarity and care, while also encouraging peer to peer exchanges that normalize growth conversations. Recognition programs designed around micro rewards ensures that gratitude is not a once-a-year event but part of the daily rhythm. Interrupting microaggressions with microaffirmations requires building awareness and celebrating acts of allyship so inclusion is practiced in real time. Addressing micro pettiness through transparency helps teams move past passive aggressive behaviors by clarifying roles, expectations, and communication norms, while encouraging direct dialogue that strengthens collaboration.

Measuring microculture is the final piece that makes these actions sustainable. Pulse surveys, sentiment analysis, and behavioral data allow leaders to track respect, recognition, and inclusion at the micro level, turning subtle dynamics into actionable insights. When leaders commit to these practices, they create environments where feedback is constructive, recognition is meaningful, inclusion is intentional, and transparency is the norm. By paying attention to these details, leaders not only prevent disengagement but also cultivate workplaces where people feel seen, respected, and empowered.

## KEY QUESTIONS TO CONSIDER AS YOU BEGIN 2026 PLANNING

- Are managers trained to give feedback with empathy?
- Do recognition systems reflect organizational values?
- Are teams equipped to spot and stop micro aggressions?
- Are norms in place to prevent micro pettiness?
- How are we measuring respect, inclusion, and recognition at the micro level?

# Microculture at Work: Gen-Z Perspective

Guest Perspective By: Jack McFarlane, Co-Host, The Play by Play Podcast & Senior at the University of Utah

## THE VIBE SHIFT DEFINED

The contemporary workplace is no longer measured by year-end or quarterly objectives or by organizational mission and values statements. Instead, it's measured in the energy of the group text. We live in the age of the micro-moment, when we are aware of the more minor details that emerge every hour. It is the text on Slack that acknowledges our hard work, the reaction to a message that confirms you are heard, and the rapid feedback that allows us to move to the next level. But it goes both ways: it is the passive-aggressive message that wakes us up in the morning or the meeting request that never comes. This is how workplace culture is created.

## CULTURE IS CURRENCY

Gen Z is vocal about what it needs. They pick companies based on how they treat their employees. Gone are the days when salary is the defining feature of an organization. If your company becomes known as a place where employees aren't supported, Gen Z candidates will look elsewhere - quickly. Additionally, Gen Z needs a place that makes them feel secure. "Vibe check" is an essential metric for Gen Z. For example, sighing during a conference call can set a negative tone for the rest of the day. But leaders who publicly celebrate another person's success demonstrate loyalty for a lifetime. Gen Z's mental health needs are directly affected by this. They don't look back when it comes to leaving a toxic space. They prioritize their peace above the office ladder. One sarcastic email can end their relationship in the office for life. HR leaders must be very aware of the changes happening in the workplace. Too much happens in the year to evaluate in an annual review. Gen Z speaks and responds in the moment. If Gen Zers feel valued on Tuesday, they go 100 percent in for the rest of the year. If it feels like no one notices, they go MIA.

# Microculture at Work: Gen-Z Perspective

## PERSONALIZATION IS KING

Gen Z wants a workplace that aligns with the realities of their world. Personalization is king. They don't want to be just another number in the system. Cookie-cutter email communications are insulting. They want specific guidance that will help them personally.

- Speed is the priority: Waiting for one year for a review is a joke. They need it in an instant. Instant feedback allows them to make changes right away.
- Power to the people: Managers don't control the culture anymore. It's whatever the peers say. Every direct message from someone at work changes the dynamic.
- Values are action: Talking about values is what corporations are in love with. Microculture is proof that you mean it.
- Digital is the default: Gen-Z has grown up in the digital era. You can build a ton of company culture through the use of apps in the workplace.



Individual Journeys Matter

# Microculture at Work: Gen-Z Perspective

## THE FORCES BEHIND THE SHIFT

Gen Z has the internet in their pockets. Continuous communication is what they know. Tools like Discord have taught them what community means. They later began to use Teams and Slack. Every little communication can be recorded and viewed. HR software has finally caught up. Technology now allows for tracking sentiment; for example, it can let a manager know when to phrase things in a nicer tone. Culture cannot remain invisible, as it is encoded in the chat history.

Financial stability feels out of reach for many. Younger employees must be reminded of their worth within the organization. Micro-rewards, such as a virtual badge or coffee points, work wonders. It costs little to express your gratitude for them. Micro feedback increases efficiency. It solves problems in an instant, keeping them on task. In a fluctuating economy, efficiency is of utmost importance and creates a feeling of security.

There is a need for accountability in society at present. Gen Z speaks out about toxic behavior right away, and this includes microaggressions. They are very responsive to feelings of exclusion. Active inclusion is expected in the workplace. Inclusion means that small affirmations are required. Referring to people correctly is sufficient. Inquiring about mental well-being is expected. They arrive at work each day with their whole self.

DEI is mandatory. Psychological safety is the law, and regulations are finally keeping pace with how businesses treat their workers. Micro Culture is the measure of good business ethics. It reveals whether a culture is genuine or just window dressing. Acts of kindness build trust, while acts of insult destroy it. Leaders must live their values in every single interaction.

# Microculture at Work: Gen-Z Perspective

## THE GENERATIONAL GAP

There is definitely a gap between Gen Z and the older generation that affects their perspectives on professionalism. Older generations care about the time spent in the chair and equate it with hard work. Gen Z cares about the tasks accomplished and prefers to log out of their system at the end of the workday, which may be considered slacking to the older generation, but for Gen Z, it is about work boundaries.

Communication methods are also different. Older generations use professional email and business speak, and Gen Z uses straightforward messages and authentic communication with emojis for tone, which Gen Z finds more relatable and less robotic. Older generations consider something unprofessional that Gen Z finds refreshing and genuine. Gen Z sees the “compliment sandwich” approach to delivering bad news as tacky and prefers straight talk and a respectful delivery of the message. They can accept instructive criticism and don’t like passive aggression.

Hierarchies play differently for each generation. Senior workers care about titles and hierarchy, whereas Gen Z cares about the individual behind the title and may go directly to the VP if required. Gen Z workers may sometimes face resistance from senior workers who feel entitled to their positions, whereas Gen Z workers believe they are adding value.

Speaking about burnout and therapy is more accepted in Gen Z, whereas older generations were raised to suffer in silence. Consequently, this leads to a massive gap between the two. Older workers may see a mental health day as an excuse to take the day off, whereas Gen Z sees it as necessary maintenance.

# Microculture at Work: Gen-Z Perspective

## A NEW WAY TO LEAD

Leaders need to get out of yesterday's bag of tricks. "Pizza parties" won't solve problems in a toxic workplace. Leaders need to be attuned to their workplace and "read the room" about the tone of a text message. Technology can be used to reward small victories and help coworkers honor one another, creating a real sense of community. "Micro-negativity" can sabotage an entire workplace from within. If another person is behaving sneakily, you need to speak up about it right away. Inconsistencies in leadership behavior are exposed when workers notice them. "Pulse" surveys are useless if you don't act on what you get back, and it doesn't mean anything if you throw it away when you ask for it. Finally, when it comes to data, use it. Don't just gather your company's numbers and then ignore them. Gen Z wants you to improve the company's culture and state constantly.



**Eliminate microaggressions and create low-risk reporting channels for employees.**



**Address passive aggression directly and establish clear communication norms.**

**Train managers to deliver constructive feedback and recognize effort in real time.**



**Support and protect individuals who report harmful behavior.**



# Trust in Leadership

Trust in leadership has always been the invisible currency of organizations. It's what allows employees to lean into uncertainty, to believe in the vision even when the path feels unclear. Yet today, that currency is dangerously devalued.

As we've seen in our leadership discussion at H3 HR Advisors, and reading research from the Edelman Trust Barometer, we find that trust in leadership is at historic lows. Signals to this are everywhere: the rise of listening platforms for organizations who feel out-of-touch, the adoption of OKR (Objectives and Key Results) tools, and the growing demand for leaders to show humanity, to name a few.

This erosion of trust is a structural crack in the foundation of the modern organization. Employees are no longer willing to accept polished messaging or quarterly town halls as proof of alignment. They want transparency that is consistent, vulnerability that is real, and leadership that doesn't just talk about values but demonstrates them daily. And as Gen Z enters the workforce, they are holding leaders' feet to the fire.

## THE TRANSPARENCY IMPERATIVE

Transparency has become the baseline expectation. Employees want to see the "why" behind decisions, not just the outcomes.

Transparent OKR tools are one response to this demand, making organizational priorities visible and trackable. But transparency is most effective when leaders are willing to share the messy middle of decision-making. When internal corporate messaging only presents a polished end state, employees fill the gap with speculation and cynicism. It gradually chips away at any trust you have with employees as they join your organization.



# Trust in Leadership

## VULNERABILITY AS STRENGTH

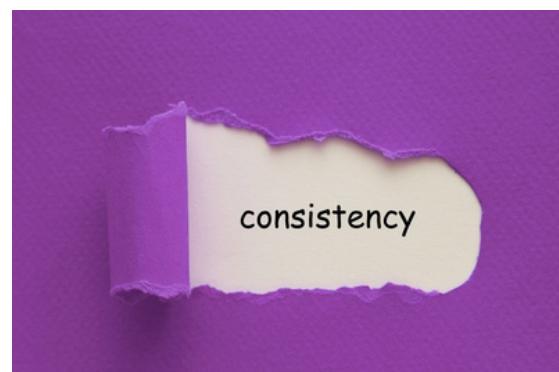
For decades, leadership was framed as stoicism, projecting certainty even when the ground was shifting. But employees today are asking for something different: vulnerability. Not performative vulnerability, but the kind that admits mistakes, acknowledges uncertainty, and invites collaboration.

Leader listening platforms are a signal of this shift. They allow employees to voice concerns, ideas, and frustrations in real time, reducing fear of retaliation. Yet the technology is only as powerful as the willingness of leaders to respond vulnerably, to say, “We hear you, and here’s what we’re grappling with.”

Vulnerability doesn’t weaken authority; it strengthens connection. It tells employees: you matter enough for me to show up as a human, not just a title.

## CONSISTENCY BUILDS CREDIBILITY

Trust is not rebuilt through one-off gestures, it requires consistency. Employees are watching for alignment between words and actions, between stated values and lived behaviors. Consistency is the quiet drumbeat that builds credibility over time, and this is where many leaders falter. They launch initiatives that promise listening with fanfare but fail to sustain them. Consistency is not glamorous, but it is the most powerful antidote to skepticism. It’s the difference between a leader who is believed and one who is merely tolerated.

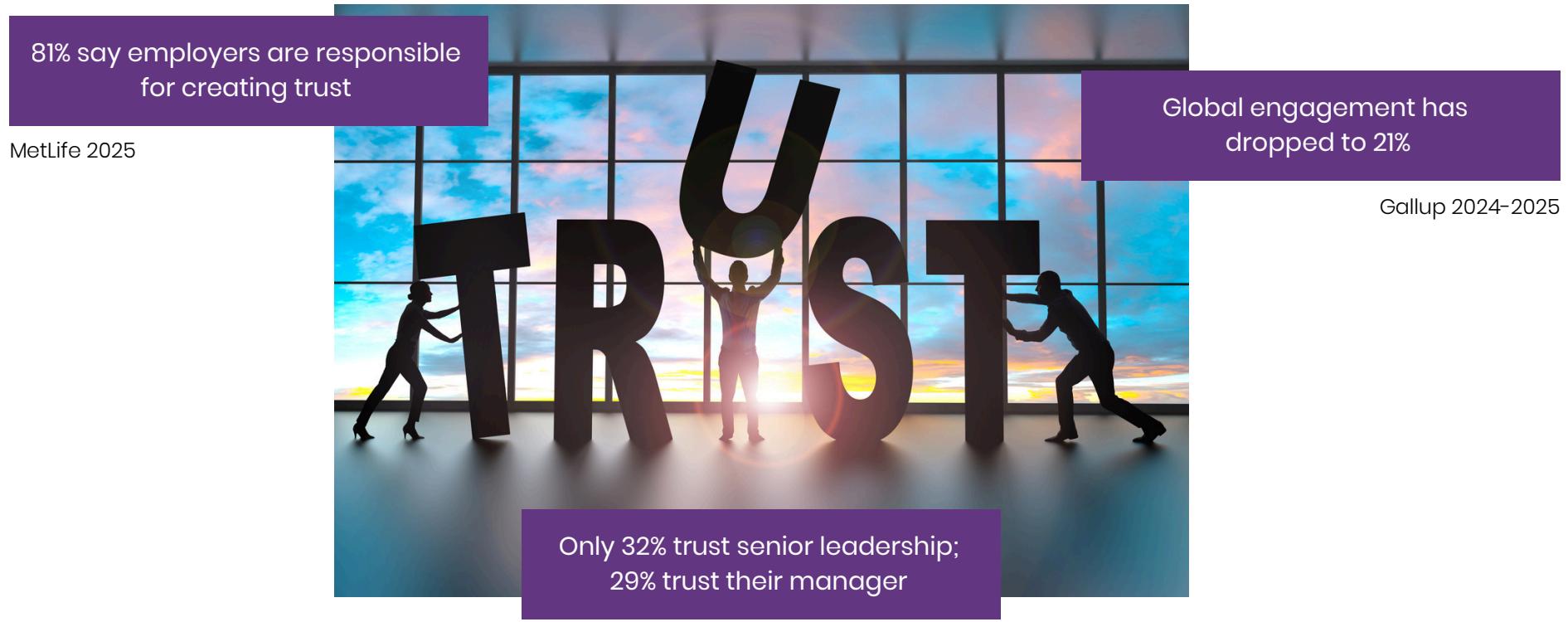


# Trust in Leadership

## TRUST AS A STRATEGIC ASSET

The erosion of trust is a strategic one. Without trust, engagement declines, innovation stalls, and retention suffers. Employees who don't trust leadership are less likely to take risks, less likely to advocate for the organization, and more likely to disengage quietly.

Conversely, when trust is strong, employees extend grace during missteps, rally around shared goals, and bring discretionary effort to the table. Trust is the multiplier of every other leadership competency.



# Trust in Leadership

## REFRAMING LEADERSHIP FOR THE FUTURE

The signals are clear: trust must be reframed as the central responsibility of leadership. Transparency, vulnerability, and consistency are not optional, they are the new table stakes. Leaders who embrace this shift will not only rebuild trust but also unlock deeper alignment and resilience within their organizations.

The [Edelman Trust Barometer](#) reminds us that trust is fragile, but it is also renewable. The adoption of leader listening platforms and transparent OKR tools shows that organizations are experimenting with ways to rebuild it. But tools alone are insufficient. Trust requires leaders to show up and be willing to share the “why,” admit the “what if,” and sustain the “how” over time. In the end, trust is not a soft skill. It is the hardest currency of leadership. And right now, it’s one we cannot afford to ignore.



# SPOTLIGHT TREND

## The Women's Health Era

### DID YOU KNOW?

U.S. women have a lower life expectancy than women in other high-income countries \*\*\*

When men and women experience the same disease, women are diagnosed, on average, four years later than men \*\*

Cancer causes 1 in 6 deaths among women \*\*

More than 1 million women in the United States experience menopause each year \*\*

More than 19 million women of reproductive age in the United States live in contraception deserts \*

Women with symptoms consistent with coronary heart disease were twice as likely to be diagnosed with a mental illness than men with identical symptoms \*

\* Forbes: 25 Facts About The Gender Health Gap For 2025

\*\* OASH: National Women's Health Week

\*\*\* PRB: Sorry State of Women's Health in the US

# The Women's Health Era

## WHAT THIS TREND IS

The Women's Health Era marks a pivotal shift in how organizations view and support the health and wellbeing of women across all stages of life. Once considered a personal or private matter, women's health is now an open conversation, showing up on podcasts, webinars, television documentaries, to workplace boardrooms. From menstrual and reproductive health to pregnancy, menopause, and mental wellness, employers are recognizing that women's health is critical to the health of the business.

By 2026, the convergence of social awareness, medical innovation, and demographic change has made women's health a core component of employee experience and equity. Women now make up nearly half the global workforce, and more organizations understand that retaining mid-career women means addressing the physical, emotional, and hormonal realities they navigate.

This era aligns with an even broader workplace transformation: the rise of holistic wellbeing and inclusive leadership. As companies design for equity, the priority around women's health becomes a defining test of how truly inclusive an organization is.



### The Menopause Revolution in the Workplace

HR Happy Hour with Midi Health



“We’re seeing a fundamental shift in how organizations think about women’s health. Menopause and mid-life care are not side conversations anymore – they’re talent, leadership, and equity conversations.”

– Joanna Strober, CEO & Founder, Midi Health

# The Women's Health Era

## WHAT'S DRIVING THE TREND

### Cultural forces

Taboos surrounding menstruation, fertility, and menopause continue to break down. Employees increasingly expect empathy, openness, and tangible support from their employers.

### Demographic and economic shifts

The workforce is aging, with millions of women entering or navigating midlife. With talent shortages and leadership pipelines at risk, organizations are realizing the cost of inaction.

### Regulatory landscape

The regulatory environment around women's health in the workplace and healthcare has become increasingly active in the U.S., reflecting growing recognition that health issues have direct implications for employment, productivity, equity, and business risk.

### Technology

FemTech (technology focused on women's health) is fueling innovation. From AI-powered health tracking to virtual care platforms, these tools empower women to understand and advocate for their health needs.

### Innovation and disruption

- Health insurers now cover fertility and menopause treatments.
- Startups are developing hormone-aware AI assistants.
- Consumer health brands are normalizing discussions of reproductive and mental health.

# The Women's Health Era

## SIGNALS FROM THE FIELD

### Microsoft - Perimenopause & menopause support

Education, care navigation, and specialist support for U.S. employees navigating perimenopause or menopause.

### Walmart - National Doula Coverage

Up to \$1,000 per pregnancy for credentialed doula support; part of “Life with Baby” program (coaching, tools, resources).

### AT&T - Expanded Family/Fertility & Menopause Support

A broadened benefits portfolio including fertility support and menopause support via virtual care partner Maven.

### CVS Health - First US Company with “Menopause-friendly” Accreditation

Menopause care model plus accreditation (MiDOViA). Aetna (CVS) also helps employers add menopause-friendly solutions (virtual provider network, behavioral health, education, analytics).

### Bank of America - Employee Guide Lists Family Planning and Menopause Support

Documented menopause support access (for employees on Aetna/Anthem/UnitedHealthcare/Kaiser plans) alongside expanded family-planning benefits.

# The Women's Health Era

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

The Women's Health Era presents both a responsibility and a strategic advantage for HR and business leaders. As women make up nearly half of the workforce, organizations must evolve beyond traditional wellness frameworks to address life-stage realities such as fertility and menopause. These factors directly influence performance, retention, and engagement. When women's health needs are ignored or inadequately supported, the consequences show up in the workplace. When addressed with intention, they become a driver of loyalty, trust, and productivity.

For HR leaders, this means redefining what holistic wellbeing truly encompasses. Policies must expand to reflect inclusive care coverage, flexible scheduling, and psychological safety for discussing health needs without stigma. C-suite leaders and managers alike will need training to navigate these topics respectfully and constructively.

From an enterprise lens, this is also a compliance and risk-management issue: state and federal laws around reproductive and menopause accommodations are rapidly evolving, and proactive alignment will protect both employees and the organization. Ultimately, the implication is clear: women's health is now a measure of organizational maturity and leadership accountability.

# The Women's Health Era

## ACTIONS TO TAKE IN 2026

### 1. Conduct a Women's Health Audit

Start by reviewing your organization's benefits, leave policies, and wellbeing programs through a women's health lens. Evaluate where gaps exist and benchmark against leading employers.

### 2. Embed Health Equity into Culture and Leadership

Make women's health part of your inclusion and equity strategy. Train leaders to have informed, empathetic conversations and to normalize discussion of life-stage support.

### 3. Partner with Experts and Vendors

Explore partnerships with FemTech organizations such as Midi Health, Maven, or Carrot Fertility that specialize in scalable, evidence-based care models. Integrate these vendors into existing benefits platforms and measure outcomes.

### 4. Plan for Compliance and Risk

Stay ahead of evolving legislation like the Pregnant Workers Fairness Act and new state-level menopause laws. Establish a cross-functional task force (HR, Legal, DEI, Benefits) to monitor regulatory developments and ensure your policies and communications meet or exceed requirements.

### 5. Measure What Matters

Develop metrics that link women's health initiatives to tangible outcomes. Treat women's health as a long-term strategic lever, not a one-time initiative.

# The Women's Health Era

## BONUS: TECHNOLOGY WATCH

FemTech is one of the fastest-growing segments in digital health, and HR leaders should keep an eye on its rapid evolution.

### Key technologies to watch

- Wearables and AI analytics that track hormonal health, stress, and sleep.
- Virtual care platforms specializing in fertility, pregnancy, postpartum, and menopause.
- Integrated benefits hubs offering personalized care recommendations.

### **Vendor spotlight: Midi Health**

Midi Health is a U.S.-based FemTech vendor specialising in care for women in the 35+ and midlife demographic, with strong emphasis on perimenopause, menopause and hormone-transition support. Their virtual-care clinic model, insurance-coverage structure, employer/health-system partnerships and recent funding position them as a leading player in the “mid-life women’s health” sub-category. When evaluating FemTech vendors for 2026+, Midi Health’s model may serve as a benchmark for employer-benefit-readiness, clinical evidence, scalability and life-stage breadth.

### Market movement

Major healthcare players are acquiring innovative FemTech startups, insurers are expanding coverage, and venture capital investment in women’s health is accelerating.

In 2026, these technologies will move from consumer novelty to an enterprise necessity. They will help organizations close the gender health gap and build more equitable, sustainable workplaces.

# Future Trends Beyond 2026

- Climate Resilience
- The Four-day Workweek
- Digital Twins/Assistants



# Climate Resilience

Evolution in nature doesn't progress in a straight line, and the workplace is no different. Every major transformation in how people work, be it industrialization, electrification, digitization, automation, and now the rise of artificial intelligence, has unfolded in patterns that begin long before most leaders recognize them. The goal of this section is to look beyond today's visible, and near-term trends to identify the next set of ideas and innovations quietly taking shape at the edges of work. These are the early signals that will define the next decade of workforce transformation.

While the 2026 trends explored in this report focus on what's happening now, these "future trends" point to what's next. They are not predictions; they are possibilities. Each one reflects patterns already visible in research, technological development, cultural and anthropological discovery, and human behavior. These patterns are likely to become more significant as social, economic, and technological systems continue to evolve. For HR and business leaders, paying attention to these signals now offers a vital strategic advantage: the ability to anticipate rather than react.

The speed of innovation in today's world makes foresight a core leadership skill. Artificial intelligence, demographic shifts, and new models of work are converging in ways that will reshape organizations faster than traditional planning cycles can manage. [What begins as a niche experiment in 2026 may become an industry standard by 2028 or 2030.](#) The organizations that thrive will be those that cultivate the ability to recognize early indicators, test new ideas safely, and adapt with agility as new realities emerge.

Each emerging trend reveals something deeper about what we expect from work: more meaning, greater flexibility, stronger fairness, and smarter systems that serve both business performance and human wellbeing. HR leaders stand at the crossroads of these forces. They have the responsibility and opportunity to translate these future signals into practical strategy, policy, and culture today.

# Climate Resilience

## WHAT THIS TREND IS

Climate change is reshaping the context in which work takes place. Rising temperatures, severe storms, wildfires, and declining air quality are no longer rare events. They are occurring with more frequency and have become important operational variables and unknowns. For organizations, climate resilience now extends beyond environmental stewardship or sustainability goals. It is about protecting people, sustaining productivity, and ensuring business continuity amid growing environmental volatility.

In this emerging model, climate resilience becomes part of the workforce strategy. It means designing work, policies, and infrastructure that can withstand disruption in its many forms. That could be a hurricane that shuts down a distribution center, extreme heat events that limit outdoor labor (or increased on-the-job injury), or wildfire smoke that forces office closures. It also means recognizing that employees themselves are vulnerable to climate displacement, health risks, damage to their homes and possessions, and psychological stress caused by environmental uncertainty.

Forward-thinking employers are beginning to treat climate resilience as a strategic HR issue, impacting facilities, sustainability, and people.



# Climate Resilience

## WHY IT MATTERS IN 2026

Climate change is already influencing labor markets and workplace design in significant ways. Entire regions are facing shifts in livability and workforce capacity. In the U.S., for example, the National Oceanic and Atmospheric Administration reported a record number of billion-dollar weather and climate disasters in 2025, each one disrupting supply chains and labor availability.

For employers, these events translate into lost workdays, relocation costs, and rising insurance premiums. For employees, they mean greater health and safety risks, emotional strain, impacts to their homes and families, and uncertainty about long-term stability. The result: climate resilience is emerging as both a business continuity concern and a key dimension of employee wellbeing.

By the early 2030s, it's likely that companies will routinely assess "workforce climate risk" alongside financial or cyber risk. Investors and boards are already starting to ask questions about how prepared companies are for climate-related disruptions. HR leaders who integrate environmental resilience into workforce strategy will be better positioned to protect both human and business capital.

## SIGNALS FROM THE FIELD

A growing number of organizations are beginning to pilot climate-related workforce policies. Several global employers have introduced "climate leave" in the form of time off for employees affected by natural disasters or extreme weather. Others, including logistics and construction firms, have adopted "heat day" protocols that suspend work when temperatures exceed safe limits.



# Climate Resilience

Some companies are taking it further. Multinationals like Microsoft and Google have incorporated climate risk into site-selection algorithms for data centers and offices. Financial institutions are using geospatial analytics to evaluate the exposure of their physical branches and employees to climate hazards. Benefits providers are experimenting with resilience-focused programs which have included elements like air purifiers, heat protection stipends, and emergency-preparedness training as part of wellbeing packages.

Governments and public sector agencies are also taking actions. The U.S. Department of Labor has begun exploring climate-related workplace safety standards, and several states are advancing legislation around heat illness prevention and worker protections. These early initiatives are setting the stage for a more formalized climate resilience agenda across industries.

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

For HR and business leaders, climate resilience represents a broadening of the HR organization's portfolio - from managing the workforce to protecting it. In the next several years, we expect to see HR teams working alongside operations, safety, and sustainability leaders to model environmental risk, extend benefits, and plan workforce responses.

Climate-driven relocation planning will become a new facet of workforce strategy, especially for organizations with employees in high-risk regions. Remote and hybrid work models will increasingly be leveraged as resilience tools, enabling continuity during local disruptions.



# Climate Resilience

Benefits programs may evolve to include stipends for home climate safety equipment, air-quality health support, and expanded EAP access for climate-related anxiety or stress. HR will also play a key role in communication—building trust through transparency, preparedness, and empathy when climate events occur. Extended benefits covering leave, emergency funds, housing, caregiving, and other needs for employees impacted by climate events will be part of an organization's overall employee benefits program.

From a business perspective, climate resilience will influence location strategy, talent availability, and even brand reputation. Companies that proactively safeguard employees will gain a reputational advantage among both workers and customers. Over time, “human climate resilience” could become a core measure of corporate responsibility by linking environmental and social sustainability under one integrated framework.

## Protecting People

- Climate-driven relocation planning
- Continuity through remote/hybrid
- Expanded climate-related benefits

## Protecting Work

- Risk modeling with Ops, Safety, and Sustainability
- Preparedness communication
- Emergency policies and response playbooks

## Protecting Culture

- Transparency and trust
- Psychological safety
- EAP/mental health support



# Climate Resilience

## QUESTIONS TO ASK

As the impacts of climate change become more widespread, HR and business leaders should begin forming their response and strategy by asking:

- How climate-resilient are our people policies and operations today?
- Have we mapped environmental risk by geography, facility, or workforce segment?
- Do our benefits and safety policies account for extreme-weather scenarios?
- What is our plan for employee communication and support when climate events disrupt work and people's homes and lives?
- Who owns climate resilience in our organization?
- How are HR, Risk, and Sustainability working together?

The answers to these questions will determine not just how organizations respond to environmental disruption, but how they build trust and security in an increasingly unpredictable world.

## H3 HR INSIGHTS

Climate resilience represents a new kind of leadership challenge. It blends science, strategy, people management, operations, and most importantly, empathy. The organizations that view climate as a workforce issue, not just a facilities concern, will be better prepared for the disruptions ahead. In the future of work, protecting people will be the foundation of protecting performance.



# The Four-day Workweek

## WHAT THIS TREND IS

A century ago, the five-day workweek was a revolutionary idea. In the 1920s, Henry Ford introduced it to improve employee morale and productivity, and within a decade, it became the global norm. Now, a new revolution in work time is quietly but steadily emerging, the rise of the “Four-Day Economy”.

The concept goes beyond simply compressing a traditional 40-hour workweek into four days. It's about redefining the relationship between time and value and challenging the assumption that productivity equals presence. The four-day model envisions a labor market where full-time work consists of fewer hours but maintains equivalent pay, output, and impact. Advances in AI, automation, and process redesign are making this shift not only possible but, in some sectors, inevitable.

In a four-day economy, the focus is not on how long people work, but on what they achieve. That subtle change could reshape the structure of employment, management, and employee wellbeing across industries.

## WHY IT MATTERS IN 2026

The movement toward shorter workweeks has gained credibility and momentum from both data and through lived experience at work. Over the past several years, large-scale pilots in the U.K., Europe, North America, and New Zealand have tested four-day models across hundreds of companies spanning numerous industries. The results have consistently shown that productivity stayed the same or improved in most cases, while employee burnout and absenteeism dropped sharply.



# The Four-day Workweek

Technological progress is accelerating this movement. As AI and automation take over routine and administrative tasks, human work can increasingly concentrate on creativity, problem-solving, and relationship management - the high-value activities that depend more on focus than on hours on the clock. A shorter week could therefore be seen not as a concession to employees, but as an optimization strategy for performance.

For many workers, particularly younger generations, the traditional 40-hour model feels misaligned with modern life. The four-day week symbolizes a new social contract that values wellbeing and trust as drivers of productivity, not competitors to it, and acknowledges that post-pandemic, many workers have created a different paradigm for the role of work in their lives.

## SIGNALS FROM THE FIELD

Early adopters provide evidence that the four-day economy can work in practice. The 4 Day Week Global initiative, which has coordinated pilot programs in multiple countries, found that 91% of participating companies continued the shorter schedule after their trials ended. Revenue either increased or stayed steady, and employee turnover fell by more than half.

In the U.S., many companies have begun adopting reduced-hour work models to address employee burnout and better retain talent. Several European governments are exploring policy incentives for companies with shorter workweeks. Japan's government has encouraged employers to test 4-day options as part of national labor reform and to jump-start that nation's notoriously low birth rate.

At the same time, AI-powered productivity tools are making it increasingly feasible to sustain consistent work output in fewer hours. Knowledge workers who can leverage process automation tools can save hours per week. In a sense, technology is already paving the way for the human side of the four-day week to take hold.

# The Four-day Workweek

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

For HR and business leaders, the four-day economy presents both opportunity and complexity. It requires redesigning core talent and operational systems from performance measurement and compensation to scheduling and customer service coverage.

Organizations must shift from measuring work by hours to measuring it by outcomes. That means setting clear, quantifiable goals, improving communication, and ensuring that leaders are equipped to manage based on results rather than presence. Compensation models may need to evolve to reflect value creation rather than time invested. For hourly workers, care must be taken to ensure appropriate compensation in a reduced hours framework.

Fairness will also be a major consideration. Many of the early four-day-week pilots have focused on office-based knowledge workers, but to become a true economic shift, the model must expand to hourly, frontline, and service roles. HR will play a central role in experimenting with flexible scheduling, job sharing, and AI-assisted coverage to ensure inclusivity.

Beyond operations, this trend could have profound cultural effects. Shorter workweeks may become a defining element of employer brand and talent strategy, potentially signaling that an organization truly values human sustainability, wellbeing, and trust. Those who adapt early will gain an edge in recruitment and retention, especially among younger and mid-career professionals seeking balance without sacrificing ambition.



# The Four-day Workweek

## QUESTIONS TO ASK

For organizations who are thinking ahead and perhaps already considering moving to the four day workweek or other non-traditional approaches to the design of work, HR and business leaders should begin forming their approach and strategy by asking:

- Which roles or teams could maintain or improve output on reduced hours?
- How can we measure productivity by outcomes rather than attendance?
- Are our pay, benefits, and performance systems flexible enough to adapt?
- What leadership and communication behaviors are needed to sustain a shorter week?
- How can we use AI and automation to make shorter workweeks practical and equitable across job types?

These questions may not provide all the information needed to make such a significant change to the nature of work but asking them is the first step toward building an organization ready for a four-day economy.

## H3 HR INSIGHTS

The four-day week is more than a scheduling innovation; it's a reimaging of how we define productivity, purpose, performance, and work/life integration. The data from numerous, global test cases shows that the design works – for the organization and for the employees. As technology accelerates and wellbeing becomes a central measure of success, the smartest organizations will experiment early, iterate, and distinguish themselves as forward-thinking and progressive. In the next few years, the question may be which organizations and leaders will have the courage to design work that makes them possible.

# Digital Twins: A New Chapter in the Story of Work

It started quietly. A few engineers modeling jet engines. A handful of manufacturers simulating factory floors. The term “digital twin” floated around in tech circles, sounding more like science fiction than something that would ever touch the lives of everyday employees. But like all great innovations, it didn’t stay in its lane for long.

Today, digital twins are stepping into the workplace – not as flashy gadgets or gimmicks, but as powerful tools reshaping how we work, learn, and grow. And if you’re in HR, operations, or leadership, this isn’t just another tech trend. It’s a new chapter in the story of work.

## WHAT THIS TREND IS

Think of a digital twin not just as a replica, but as a living, evolving reflection of reality – one that breathes data and responds to change. Unlike static models, digital twins are dynamic simulations powered by real-time inputs from sensors, devices, and software. They mirror physical assets, environments, or even human workflows, allowing organizations to observe, test, and optimize without interrupting the real world. Whether it’s a factory floor, a hospital wing, or a hybrid office, digital twins offer a sandbox for experimentation—where insight is gained without risk, and complexity becomes manageable.

This trend is reshaping how we design, operate, and adapt our workplaces. Imagine simulating how a new office layout affects collaboration before moving a single desk, or modeling how a shift in staffing impacts productivity and morale. Digital twins make it possible to forecast equipment failures, energy usage, or even employee movement patterns, turning guesswork into precision. As hybrid work becomes the norm, these simulations help leaders reimagine space, culture, and workflows with empathy and data-driven clarity. It’s not just about efficiency; it’s about designing environments that respond to human needs in real time.



# Digital Twins: A New Chapter in the Story of Work

What's driving this momentum is a convergence of technologies: IoT, AI, cloud computing, and advanced analytics. Together, they make digital twins more accessible, intelligent, and scalable than ever before. Organizations are embracing them to reduce waste, improve sustainability, and gain competitive advantage. But the deeper promise lies in their ability to humanize data, thus giving leaders a way to see, feel, and shape the future of work before it arrives. In a world where change is constant, digital twins offer a rare gift: the power to rehearse the future, and to do so with intention.

## From Factory Floors to Office Doors

At first, digital twins were the darlings of industrial design. Aerospace companies used them to monitor engines. Car manufacturers simulated assembly lines. But slowly, the technology began to drift into new territory, into hospitals, cities, retail spaces, and yes, into the workplace.

Facilities teams started modeling buildings to optimize energy use. HR departments began simulating onboarding journeys. Training programs evolved into immersive, data-driven experiences. The digital twin was no longer just a tool for machines; it was becoming a tool for people.

**REALITY → DATA → DIGITAL TWIN → INSIGHT → ACTION → IMPROVED REALITY**



# Digital Twins: A New Chapter in the Story of Work

## WHY IT MATTERS IN 2026

In 2026, leaders are navigating a workplace that's more fluid, distributed, and data-saturated than ever before. Digital twins matter because they offer a way to tame that complexity, turning chaos into clarity. These living simulations give executives a real-time, risk-free lens into how their spaces, systems, and people operate. Whether it's testing a new workflow, forecasting equipment failure, or modeling the impact of policy changes, digital twins empower leaders to make decisions with confidence and precision. In a world where agility is currency, this kind of foresight is no longer a luxury, it's quickly becoming a strategic imperative.

Organizations are also under pressure to prove that their environments are not just efficient, but human-centered. Digital twins help bridge that gap. They allow companies to simulate how changes affect employee experience, collaboration, and wellbeing long before those changes go live. This means leaders can design with empathy, iterate with data, and align physical and digital spaces to support diverse work styles. In 2026, the most successful organizations won't just be tech-enabled, they'll be emotionally intelligent, using digital twins to listen, adapt, and respond to the needs of their people in real time.

Finally, the rise of digital twins signals a deeper shift in leadership mindset from reactive to proactive, from static to dynamic. As AI, IoT, and sustainability goals converge, digital twins become the connective tissue between strategy and execution. They help leaders rehearse the future, anticipate risks, and align operations with purpose. In 2026, this matters because the pace of change is relentless and the ability to simulate, sense, and steer through uncertainty is what separates resilient organizations from the rest.

# Digital Twins: A New Chapter in the Story of Work

## HOW IT CONNECTS TO BROADER WORKPLACE TRANSFORMATION

### Safety Benefits for Workers

One of the most immediate benefits of digital twins is safety. In environments where risk is part of the job, like in factories, warehouses, and labs, digital twins can simulate movement, identify hazards, and test emergency protocols. But even in traditional office settings, they offer value.

Picture this: a digital replica of your office that tracks foot traffic, monitors air quality, and predicts maintenance needs. It flags that the coffee machine is about to break before it does. It suggests rearranging desks to reduce noise complaints. It helps you plan fire drills that work. Safety becomes proactive, not reactive.

### Training That Actually Sticks

We've all sat through training sessions that felt like a slow march through a PowerPoint graveyard. Digital twins change that. By creating virtual environments that mimic real-world scenarios, they allow employees to learn by doing, without the risk.

A new hire can practice operating machinery in a simulated space. A customer service rep can navigate difficult conversations with virtual clients. A manager can rehearse conflict resolution strategies before stepping into a tense meeting. It's experiential learning, scaled and personalized.



# Digital Twins: A New Chapter in the Story of Work

## Designing Workspaces That Work

Office design has always been part art, part guesswork. But what if you could test a layout before moving a single chair? Digital twins let you do just that. By modeling how people move through space, where they gather, and how they interact, you can design environments that foster collaboration, reduce friction, and support well-being. Want to encourage spontaneous conversations? See where traffic naturally flows. Need to reduce distractions? Model acoustic patterns and lighting effects. The workspace becomes a living system, not a static shell.

## Planning for the Future

Workforce planning is notoriously tricky. Market shifts, talent shortages, and changing employee expectations make it hard to predict what's next. Digital twins offer a way to simulate scenarios before they happen. What if you moved to a four-day workweek? What if you opened a new location? What if half your team went remote? With a digital twin, you can test these ideas, see the ripple effects, and make decisions grounded in data, not just instinct.

## Empowering Employees

Here's where things get interesting. Digital twins aren't just tools for leaders; they're tools for employees. They offer transparency, personalization, and agency.

Imagine an employee accessing their own digital twin to see how their performance trends over time. Or using it to identify skill gaps and plan a development path. Or adjusting their workspace settings, lighting, temperature, and noise all based on real-time feedback. It's not about surveillance. It's about empowerment.

# Digital Twins: A New Chapter in the Story of Work

## WHAT'S DRIVING THE TREND

### Technological

The rise of digital twins is fueled by the convergence of powerful technologies like IoT sensors, edge computing, AI, and cloud platforms that now make real-time data capture, simulation, and feedback loops not only possible but scalable. In 2026, the cost of deploying these technologies has dropped significantly, while their interoperability has improved, enabling organizations to create high-fidelity digital replicas of everything from office spaces to employee workflows. The result is a shift from reactive operations to predictive, adaptive systems that learn and evolve, turning data into decisions at the speed of change.

### Economic

Digital twins are driving significant economic transformation across industries by improving efficiency, sustainability, and innovation. In manufacturing, they could unlock nearly \$38 billion in value through reduced downtime, better product quality, and streamlined supply chains. Sectors like energy, healthcare, and infrastructure are also seeing major gains, with potential savings reaching trillions annually by 2030. The market is expanding rapidly, fueled by investment in predictive analytics, asset tracking, and smart city applications. Organizations are adopting strategic frameworks to evaluate ROI, and industrial ecosystems are becoming more digitally integrated, enhancing resilience and agility in a volatile global economy.



# Digital Twins: A New Chapter in the Story of Work

## Cultural

Digital twins are quietly transforming workplace culture by making it safer to experiment, easier to collaborate, and more empathetic in how we design work. They help teams test ideas without real-world consequences, visualize feedback loops, and model inclusive environments that support diverse work styles. Leaders can use behavioral insights to spot stressors and tailor workflows with empathy, while hybrid teams benefit from smarter space and schedule planning. It's a shift from reactive problem-solving to proactive, human-centered design, and it's changing how we connect, lead, and build trust across the organization.

## Regulatory/Ethical

Digital twins are raising some important ethical and regulatory questions as they move deeper into healthcare, infrastructure, and workplace systems. There are real concerns around privacy, consent, and bias, especially when sensitive behavioral or biometric data is involved. It's critical that humans stay in control of decision-making, particularly in areas like diagnostics or workforce planning. Ownership and liability are still murky, and if access to these technologies isn't equitable, we risk reinforcing existing inequalities. As adoption grows, we need thoughtful governance and inclusive design to make sure digital twins support people, not just performance.



# Digital Twins: A New Chapter in the Story of Work

## KEY HR TECHNOLOGY INNOVATIONS DRIVING ADOPTION

HR technology is accelerating digital twin adoption by making workforce planning more predictive, personalized, and human-centered. AI-powered platforms are modeling employee skills and career paths in real time, while simulation tools help leaders test new workflows and team structures before making changes. Predictive analytics are being used to forecast burnout and turnover, and wellness modeling is gaining traction in high-performance roles. Compliance features like consent tracking and ethical AI frameworks are also evolving to support responsible use. Together, these innovations are helping HR shift from reactive administration to proactive design.

## SIGNALS FROM THE FIELD

This isn't theory. Companies are already putting digital twins to work.

Siemens uses them to train factory workers on complex machinery. Microsoft models its campuses to optimize energy and space. Hospitals simulate patient flow to reduce wait times. Retailers analyze customer behavior to improve store layouts. And HR teams? They're using digital twins to simulate hiring pipelines, onboarding journeys, and even employee sentiment.

Of course, no technology is perfect. Digital twins require solid data infrastructure, cross-functional collaboration, and thoughtful privacy safeguards. They demand change management and clear communication. But the potential? It's enormous.

The key is to start small. Model a single process. Simulate one training module. Track one building system. Learn, iterate, expand. The journey doesn't have to be all at once, but it does need to begin.

# Digital Twins: A New Chapter in the Story of Work

## IMPLICATIONS FOR HR AND BUSINESS LEADERS

### Opportunities

The global market for digital twins is projected to reach over \$70 billion in the next few years. As AI, IoT, and cloud technologies evolve, digital twins will become smarter, cheaper, and more accessible. Expect to see:

- Augmented reality integration for immersive simulations
- Behavioral modeling to support mental health and team dynamics
- Remote work simulations to optimize hybrid collaboration
- Ethical frameworks to guide responsible use

HR leaders who embrace this shift won't just be reacting to change—they'll be shaping it.

### Risks

Digital twins present several risks that organizations need to manage carefully. Cybersecurity threats are a major concern, especially when systems are connected to real-time data and IoT devices. Inaccurate or biased models can lead to poor decisions, and ethical gaps around consent, ownership, and liability remain unresolved. The sheer volume of data collected can overwhelm systems and increase the risk of misuse, particularly when insights are interpreted without proper context. As adoption grows, these risks highlight the need for strong governance, inclusive design, and human oversight to ensure digital twins are used responsibly.

# Digital Twins: A New Chapter in the Story of Work

## Cultural and Operational Impact

Digital twins are reshaping the future workplace by making it more adaptive, inclusive, and data driven. Culturally, they support psychological safety and empathy by allowing teams to experiment and leaders to understand employee needs through behavioral insights. Operationally, they enable smarter workforce planning, optimize hybrid spaces, and improve safety through real-time monitoring. As organizations shift from reactive problem-solving to proactive design, digital twins are becoming essential tools for building resilient, human-centered work environments.

## ACTIONS TO TAKE IN 2026

In 2026, HR and c-suite leaders can begin exploring digital twins by identifying high-impact use cases like workforce planning, hybrid space optimization, and employee experience modeling. They should partner with IT and data teams to assess infrastructure readiness, pilot small-scale simulations, and ensure ethical frameworks are in place for privacy and transparency. Investing in platforms that integrate real-time data from HRIS, performance tools, and wellness systems will lay the groundwork for scalable adoption. Leaders can also engage cross-functional teams to co-design inclusive, human-centered models that reflect organizational values and support strategic decision-making.



# Digital Twins: A New Chapter in the Story of Work

## KEY QUESTIONS TO CONSIDER AS YOU BEGIN 2026 PLANNING

**1. Where can digital twins create the most value in our workforce—talent strategy, space design, or employee experience?**

This helps prioritize use cases that align with business goals and cultural needs.

**2. Do we have the data infrastructure and ethical frameworks in place to support responsible adoption?**

Leaders must assess readiness across privacy, consent, and governance.

**3. How will digital twins enhance—not replace—human judgment and emotional intelligence in decision-making?**

This ensures technology supports empathy and inclusion rather than automation alone.

**4. What cross-functional partnerships do we need to build between HR, IT, operations, and legal?**

Collaboration is essential for scaling digital twin initiatives with trust and transparency.

**5. How will we measure success and continuously refine our models to reflect real-world complexity?**

Ongoing evaluation helps avoid bias, model drift, and misalignment with evolving workforce needs.



# Digital Twins: A New Chapter in the Story of Work

## BONUS: TECHNOLOGY TO WATCH

### Key Technologies and Vendors to Monitor

There are numerous HCM vendors going down the path of creating and offering digital twin capabilities. Here are a few standouts:

[Oracle Cloud HCM](#) is advancing digital twin capabilities through dynamic workforce modeling and AI-driven scenario planning. Their platform enables leaders to simulate organizational changes, succession plans, and skill development strategies with precision. By integrating predictive analytics and real-time data, Oracle helps HR teams make more informed decisions while preparing for future workforce shifts.

[SAP SuccessFactors](#) continues to lead in human experience design by embedding digital twin functionality into its HXM suite. By combining operational data with employee sentiment and engagement metrics, SAP allows organizations to model end-to-end employee journeys. This empowers leaders to optimize onboarding, retention, and hybrid work strategies while aligning workplace design with business goals.

[UKG](#) is leveraging digital twin principles to enhance employee experience and operational intelligence. Their tools use real-time data to model workplace dynamics, forecast scheduling needs, and monitor wellness indicators. With a strong focus on trust, inclusion, and people-first design, UKG helps organizations create more responsive, resilient environments that reflect the evolving nature of work.



# Digital Twins: A New Chapter in the Story of Work

## Market Activity

The digital twin market is expanding rapidly, with significant growth expected over the next several years. This momentum is fueled by increasing adoption across sectors such as manufacturing, healthcare, urban infrastructure, and workforce planning, supported by advancements in simulation technologies, AI-driven analytics, and real-time data integration. While North America currently leads in market share, regions like Asia-Pacific are gaining traction due to rising investment and innovation. Organizations are moving beyond traditional use cases like asset tracking and product design, exploring more human-centered applications such as employee experience modeling and operational scenario planning. As interest grows, both established vendors and emerging startups are intensifying their focus on digital twins as a strategic lever for resilience, agility, and transformation.

## H3 HR INSIGHTS

Digital twins aren't about replacing people. They're about understanding them better. They're about creating workplaces that are safer, smarter, and more human. They help us plan with precision, train with empathy, and lead with insight.

So, the next time someone mentions digital twins, don't think sci-fi. Think strategy. Think storytelling. Because this isn't just a tech trend—it's a new chapter in the story of work. And it's one worth writing together.



# Strategic Recommendations

- Priority Actions for HR Leaders and Tech Buyers
- Talent Strategy Alignment with Future-of-Work Trends
- Building Resilient, Inclusive, and AI-enabled Workplaces

# Priority Actions for HR Leaders and Tech Buyers

The insights throughout this report point to one conclusion: 2026 is a year of profound opportunity for HR and people-focused technology. HR leaders and HR technology buyers have the chance to influence how work is structured, how people experience their jobs, can achieve their potential, and contribute to organizational success.

This section distills the most important actions leaders can take right now into a strategic playbook consisting of ten key recommendations that translate the year's major workplace trends into practical, forward-looking steps. These are concise, relevant, and achievable actions that align directly with the four major categories of trends outlined in this report, along with overarching guidance that applies to every organization navigating the complexities of 2026.



# Priority Actions for HR Leaders and Tech Buyers

## THE EVOLUTION OF WORK MODELS AND THE NEW DESIGN OF WORK

### For HR Leaders:

#### **Redesign roles and teams around capabilities and outcomes.**

Traditional job descriptions no longer reflect how work actually gets done. HR should modernize job architectures to emphasize capabilities, transferable skills, and outcomes.

This supports internal mobility, project-based staffing, and agile deployment of talent which are essential in a labor market when capability matters as much if not more than raw headcount.

#### **Build flexibility and equity across all workforce segments.**

Organizations must broaden flexibility beyond just work location and only for workers in remote-capable roles. That means expanding shift-swapping tools, enabling more predictable scheduling, offering compressed workweek pilots, and leveraging AI-enabled labor forecasting to give hourly and frontline workers more control.

### For HR Tech Buyers:

#### **Prioritize platforms that enable agile work design.**

Look for systems with dynamic organizational modeling tools, skills-based talent assessment and planning, and strong internal mobility features including career planning and talent marketplaces.

Consider evaluating: Workday's Skills Cloud, SAP SuccessFactors Opportunity Marketplace, or Oracle Fusion HCM for robust internal talent marketplaces and skills-based talent processes.

#### **Invest in analytics that map skills to strategic priorities.**

Skills intelligence and capability mapping are foundational for modern work design.

Vendors such as Eightfold, 365 Talents, and Cornerstone's Skills Graph offer strong AI-driven engines for skills visibility and workforce planning.

# Priority Actions for HR Leaders and Tech Buyers

## AN AI-POWERED GREAT LEAP FORWARD IN HCM TECHNOLOGY

### For HR Leaders:

#### **Develop a clear AI-readiness roadmap.**

We recommend HR leaders work to identify their highest-value use cases for AI and look to pilot or extend AI programs accordingly. HR should also build governance mechanisms that set expectations for transparency, ethical use, and data protection. AI cannot scale without trust.

#### **Build data fluency across HR.**

HR teams must understand how to interpret AI-generated insights, evaluate data quality, understand model capability and training, and communicate findings to business leaders. Data and AI literacy is quickly becoming the core HR competency of this decade.

### For HR Tech Buyers:

#### **Consolidate systems to strengthen data quality and AI performance.**

Unified platforms reduce integration complexity and dramatically improve AI effectiveness. AI relies on accurate, available, interpretable, and consistent data to function most effectively.

Vendors such as Paycom, Dayforce, UKG, and Rippling offer increasingly comprehensive, unified ecosystems that reduce fragmentation and improve data integrity.

#### **Evaluate vendors based on AI transparency and explainability.**

Demand visibility into how models work, how bias is monitored, and what governance controls exist. Data security, privacy, and exposure to training models are all critical aspects of HCM provider evaluations.

ADP, Workday, and Oracle Cloud HCM have all invested in explainable AI frameworks which will become a major comparison point across vendors in 2026.

# Priority Actions for HR Leaders and Tech Buyers

## EMPLOYEE HEALTH & WELLBEING

### For HR Leaders:

#### **Integrate wellbeing into work design and leadership expectations.**

We recommend advancing beyond standalone initiatives to embed wellbeing into workflows, job design, meeting and collaboration norms, performance expectations, and leadership behavior. Managers should be trained to recognize burnout indicators and create psychologically safe environments.

#### **Expand financial and caregiving support.**

Employees' top stressors remain financial insecurity and caregiving responsibilities. Offer targeted benefits such as financial coaching, emergency savings, backup care, and expanded family leave. These supports improve retention and inclusion, especially for women employees.

### For HR Tech Buyers:

#### **Adopt data-driven wellbeing platforms.**

Choose partners that provide measurable indicators that can be incorporated into people analytics dashboards for early detection of risk, assessment of program success, and help target investment priorities.

Tools such as Unmind, BetterUp, Lyra, and Modern Health integrate wellbeing, coaching, and analytics into enterprise-ready platforms.

#### **Select inclusive and accessible benefit ecosystems.**

Look for benefits platforms that offer multiple modalities (text, video, app, on-site) and multilingual support. Wellbeing must extend to all in the organization, regardless of role, location, and technological acumen.

Vendors such as Spring Health, Virgin Pulse, and Optum offer broad, inclusive wellbeing ecosystems that scale globally.

# Priority Actions for HR Leaders and Tech Buyers

## NEW MODELS OF ORGANIZATIONAL CULTURE AND LEADERSHIP

### For HR Leaders:

#### **Redefine leadership development around empathy, transparency, and communication.**

Leadership in 2026 is relational and human centered. Invest in programs that help managers lead hybrid teams, integrate AI into workflows responsibly, and build trust through consistent communication.

#### **Reinforce culture through recognition and micro-moments of connection.**

Recognition drives trust, belonging, and performance. Encourage ongoing, inclusive micro-recognition and not just annual awards which will strengthen culture across generations.

### For HR Tech Buyers:

#### **Select platforms that elevate culture, not just measure it.**

Seek systems that integrate recognition, feedback, and engagement into a cohesive experience.

Vendors such as Workhuman offer recognition-centric ecosystems that reinforce culture through everyday interactions.

#### **Adopt continuous listening and sentiment analysis tools.**

Real-time cultural insight is essential.

Qualtrics, Perceptyx, and Culture Amp provide powerful listening platforms that help organizations measure belonging, trust, and leadership impact.

# Priority Actions for HR Leaders and Tech Buyers

## ORGANIZATIONAL RECOMMENDATIONS FOR 2026

### **Embrace human-centered AI adoption.**

In 2026, AI must be deployed in ways that enhance human capability, deepen personalization, and reduce work friction. Simply automating tasks will only lead to limited impact and value. Organizations that integrate AI with people rather than around them will lead in the next era of digital transformation.

### **Build strategic partnerships across the HR ecosystem.**

HR, IT, finance, and operations must work together to optimize data, refine work design, and govern AI responsibly. Vendors should be viewed as long-term partners, not transactional suppliers. Collaborative ecosystems will define competitive advantage in 2026 and beyond.

*Success comes from translating insight into action,  
one step at a time.*



# Talent Strategy Alignment with 2026 Trends

## Aligning Strategy with the Labor Market and Macroeconomic Environment

One of the most important strategic disciplines for HR and business leaders is learning to align workforce planning and talent strategy with the broader economic and labor market landscape. The external environment of job creation, labor force participation rates, wage inflation, demographic change, and productivity trends, all have a direct and measurable impact on talent strategy. The days when HR could operate independently from the economic cycle are gone; in 2026, labor-market intelligence is a strategic capability.

Key recommendations for HR and business leaders:

- Establish regular cycles to analyze economic and labor-market data alongside internal workforce metrics.
- Integrate scenario planning into annual workforce strategies to prepare for multiple economic outcomes.
- Prioritize upskilling, internal mobility, and automation to counteract potential labor scarcity.
- Build relationships with industry, education, and policy partners to anticipate demographic or immigration changes.
- Position HR as the organization’s “labor economist” by using data to inform strategic workforce decisions.

The opportunity for 2026 is clear: HR can move from reacting to market forces to interpreting them. By aligning talent strategy with the realities of the economy, HR leaders can help their organizations remain steady, agile, and optimistic, essential in a labor market and macroeconomic environment that remains unpredictable.

# Talent Strategy Alignment with 2026 Trends

## Mapping Talent Strategy to the New Design of Work

The design of work itself continues to evolve faster than most of the traditional systems that were created to manage it. The traditional model where work was defined by fixed roles, physical presence, and linear career paths has given way to a dynamic, distributed, and digital workplace model. Hybrid work is now the norm for many professional employees, but the conversation has matured from where work happens to how it happens (and if it can be shifted to AI), and whether the design of work truly supports performance, engagement, wellbeing, and inclusion.

In 2026, HR leaders must look at talent strategy through a new lens. Rather than building strategies around static job descriptions or legacy hierarchies, forward-thinking organizations are organizing around capabilities, connections, technology, and outcomes. To make this transformation practical, HR and business leaders should consider several talent strategy actions:

- Redesign work around outcomes and skills, not titles.
- Instead of asking, “What role do we need to fill?” ask, “What outcomes are we trying to achieve, and what skills can deliver them?”
- Conduct a flexibility equity audit.
- Map how flexibility is distributed across your workforce. Where do some employees have choice while others don’t? Identify ways to extend increased autonomy to every segment of the workforce.
- Re-skill managers to lead in a hybrid, AI-supported environment.
- Managers are critical in the new design of work. Training should focus on trust-building, communication, and using data and AI tools to support performance, not surveillance.

# Talent Strategy Alignment with 2026 Trends

- Even as technology enables greater efficiency, the “why” of work matters more than ever. Purpose alignment, the connecting of individual roles to the organization’s mission, can be a key predictor of engagement and retention, particularly in hybrid and AI-augmented environments.

When talent strategy is mapped to this new design of work, the organization becomes more adaptive and human centered. It also becomes better positioned to thrive amid uncertainty. Work can be reallocated quickly in response to changing priorities; skills can be redeployed across projects, and employees feel empowered to grow and contribute where they can make the greatest impact. In 2026, talent strategy, at its core, must now be as fluid as the world of work itself.



# Talent Strategy Alignment with 2026 Trends

## Using HCM Technology to Support Talent Strategy

HCM technology is the infrastructure on which modern talent strategy depends. Human Capital Management platforms, once primarily administrative systems of record, have evolved into dynamic engines that drive decision-making, automation, and workforce intelligence. The effectiveness of these tools has evolved beyond feature lists and check boxes on an RFP evaluate how well they enable leaders to attract, develop, and retain the right talent in an increasingly complex operational environment.

The push toward platform consolidation continues to accelerate. Over the past several years, many organizations have begun to unify payroll, benefits, time recording, recruiting, performance, and learning systems under a single vendor or tightly integrated ecosystem. The reasons are compelling: fewer integration points, cleaner data, better reporting, simpler vendor management and contracting, and a more cohesive employee experience. For HR and IT teams alike, consolidation also creates the foundation for successful AI deployment. When all workforce data lives in one environment, AI models can generate far richer insights from identifying performance trends, to predicting turnover, or even suggesting internal career paths with greater accuracy.

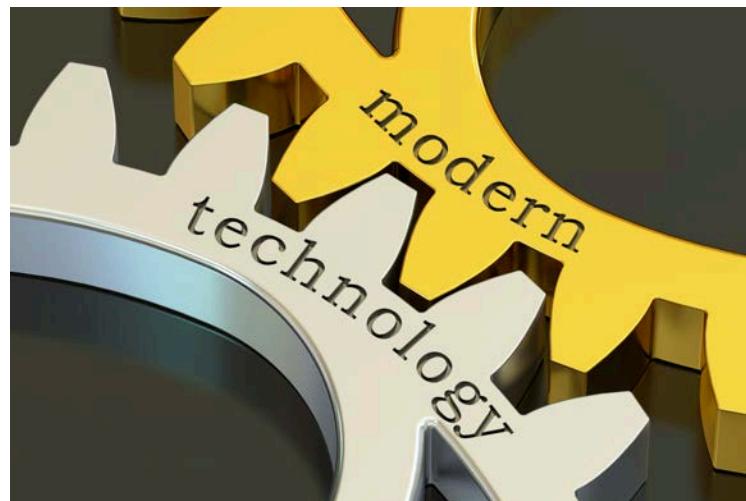
To ensure that HCM technology investment supports talent strategy rather than distracts from it, HR and business leaders can take several concrete steps:

- Consolidate to strengthen data quality and insight.
- Simplify the HR technology ecosystem wherever possible. A smaller number of deeply connected systems create more reliable analytics and AI outcomes.
- Establish an AI-readiness roadmap.
- Evaluate where automation and AI can make the biggest impact in your organization. Establish robust governance, training, and communication prior to deployment of AI solutions.

# Talent Strategy Alignment with 2026 Trends

- Build a technology adoption culture.
- Engage leaders and employees early, treat adoption as a shared responsibility, and track utilization metrics over time.
- Invest in data literacy across HR.
- Empower HR professionals to understand, interpret, and communicate insights drawn from analytics and AI. This is how HR becomes a true strategic partner.
- Measure technology ROI through talent outcomes.
- Move beyond implementation metrics. Evaluate success by whether the technology improves productivity, retention, engagement, wellbeing, or talent attraction.

When implemented thoughtfully, HCM technology can transform HR from a function that manages processes to one that engineers performance. The next generation of HR leaders will be data storytellers and strategic integrators, turning insight into innovation and insight into impact.



# Talent Strategy Alignment with 2026 Trends

## Strategies to Support Holistic Wellbeing

Over the past several years, wellbeing has moved from a secondary HR topic to a defining pillar of success. In 2026, the conversation developed toward a holistic understanding that employee wellbeing directly drives productivity, innovation, and retention. As organizations navigate a demanding economic environment and ongoing workplace transformation, caring for people's full lives is no longer a vital imperative alone; it is a strategic necessity impacting fundamental talent strategies.

The best organizations recognize that wellbeing is multidimensional. It encompasses physical, mental, financial, and social health and is deeply interconnected with how work is designed, communicated, led, and experienced. Wellbeing initiatives must reach every level of the workforce, including contractors, part-time employees, and hourly staff.

- Integrate wellbeing into work design. Audit workloads, meeting norms, flexible working practices, and management expectations to address structural causes of burnout.
- Train managers as wellbeing leaders. Equip them with tools to identify stress, model work/life balance, and foster psychological safety.
- Expand financial and caregiving benefits. Support employees in navigating life's major stressors.
- Leverage analytics for insight. Use wellbeing data to identify risk, measure impact on talent programs, and continuously improve strategy.
- Personalize and communicate. Tailor wellbeing offerings to employee needs and ensure communication is inclusive, consistent, and ongoing.

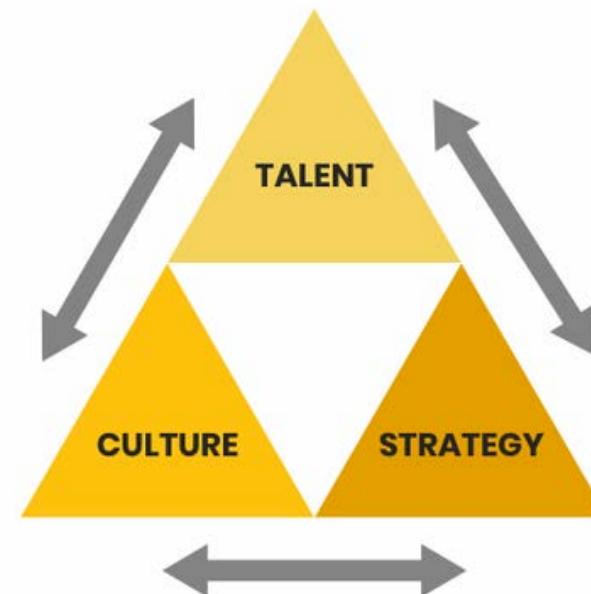
In 2026, the most competitive organizations are those that understand that when employees feel supported and trusted, they bring more energy, creativity, and commitment to their work. HR leaders have the tools and the mandate to make the shift from managing wellness programs to architecting cultures of care.

# Talent Strategy Alignment with 2026 Trends

## The Connection Between Talent, Culture, and Strategy

In 2026, the most successful organizations are those that understand a simple truth: talent, culture, and strategy are inseparable. You cannot execute business strategy without the right talent; you cannot attract or retain the right talent without a strong, authentic culture; and culture itself only thrives when it is aligned to strategic purpose. The relationships among these three elements form the backbone of organizational resilience and long-term performance.

As organizations work through the challenges of AI adoption, adapting to new work models, and managing shifting employee expectations, HR leaders are being called upon to connect these elements together. The task is no longer to simply “align HR with the business.” It is to incorporate talent strategy directly into the business model.



# Talent Strategy Alignment with 2026 Trends

## From Alignment to Integration

For years, HR leaders have been told to ensure their strategies “align” with business goals. But alignment implies two separate systems with HR behind the scenes and the business out front – setting direction and making decisions. The leading organizations of 2026 will go further by integrating their talent and people strategies (and culture building) with the core of their business and operational strategy.

In these organizations, every major business initiative includes a human capital dimension from the start. Growth strategy considers skills availability and internal mobility. Product innovation plans include workforce capability development. Digital transformation is understood as both a technological and a culture challenge. This integration ensures that the people side of strategy is proactive and predictive.

This shift also changes how leaders measure success. Rather than tracking HR metrics in isolation, companies are building dashboards that connect talent data to business outcomes: revenue per employee, customer satisfaction, innovation speed, and retention of critical roles. By linking these data points, HR becomes a true strategic advisor, helping executives see how workforce health directly drives organizational performance.

## Culture as the Enabler of Strategy

Culture has become one of the most powerful and misunderstood assets in business. Too often, leaders still treat it as an abstract concept or something that emerges from mission statements or slogans. But in 2026, culture is increasingly viewed as its own type of business operating system. It is an underlying but foundational building block that governs how decisions are made, how collaboration happens, how rewards are distributed, and how accountability is shared.

# Talent Strategy Alignment with 2026 Trends

Strong cultures are intentionally designed and actively maintained. HR's role in this process is both quantitative and qualitative. With the rise of AI-powered listening, sentiment, and recognition tools, HR can now measure culture in real time through patterns of engagement, inclusion, or disharmony well before they become visible through employee turnover or survey results. But measurement alone isn't enough. The real power lies in taking those insights and helping leaders translate them into meaningful change.

Culture is best understood through behavior, especially leadership behavior. Employees look to their managers and executives to model transparency, empathy, and accountability. The organizations that excel at culture-building are those where leaders are deliberate communicators and authentic connectors. They use feedback, recognition, rewards, and opportunity as reinforcements of the company's purpose and values.

## **Empowering HR as the Cultural Integrator**

For HR leaders, this integration of talent, culture, and strategy requires both data and creativity. HR must continue developing its capabilities in data analysis, storytelling, technology, and organizational design while keeping its role as the guides and stewards of culture intact.

The key in 2026 will be crafting the story that explains how the organization's people strategy advances its business goals and why its culture is the competitive advantage. This narrative should be incorporated into every element of workforce planning, leadership development, talent management, communications, and employer branding. When employees and executives have a shared understanding about the "why" the organization exists and how they contribute to its goals, then alignment of all three elements – talent, strategy, and culture – becomes effortless.

# Talent Strategy Alignment with 2026 Trends

## **Key Recommendations for HR and Business Leaders**

- Develop a unified talent narrative that connects and incorporates people, strategy, and culture
- Embed culture into business analyses to surface the link employee experience with organizational outcomes
- Train leaders as culture enablers, modeling empathy, transparency, and accountability
- Use technology to your advantage to measure and strengthen the connections between HR and operational outcomes
- Make inclusion non-negotiable, ensuring it shapes every policy, process, and product

The organizations that will thrive in 2026 and beyond are the ones that see strategy intersecting with culture with talent as the driving force. When people understand and believe in what the organization stands for, when technology amplifies their abilities rather than replaces them, and when leadership acts with both clarity and compassion, the connection between talent, culture, and strategy becomes unbreakable. HR leaders have never been more essential in shaping these connections.

# The AI-ready Workplace

As we look ahead to 2026 and beyond, one idea rises above all others: the workplace is an evolving system that is shaped by thousands of small decisions that we make each day. While day-to-day pressures and deadlines force us to focus on processes, tools, and policies, the larger goals of building an enduring, resilient and inclusive workplace are what ultimately matters. **The organizations that will thrive in the years ahead are those that recognize their responsibility not only to manage change, but to guide change.** And the most successful HR and business leaders will be those who treat the evolution of work as both an operational challenge and a generational opportunity.

Resilience is now a defining capability for every organization. Economic cycles will fluctuate, demographic pressures will intensify, and technology (like AI) will continue to advance at impressive speed. But workplace resilience is about preparing for change and building systems that adapt, learn, and strengthen under pressure. That means designing work with agility, equipping employees with skills that grow with the business, and fostering cultures where trust and transparency hold teams together in moments of fear, uncertainty, and doubt.

At the same time, even in a time of uncertainty and in the face of external pressures, **inclusion remains essential to every organization's future.** Workplaces that welcome diverse perspectives, acknowledge different life experiences, and remove barriers to full participation are workplaces that innovate more boldly and compete more effectively. Inclusion is the foundation of belonging, engagement, and performance. As work becomes more hybrid, more global, and more technologically mediated, leaders must ensure that every employee benefits from flexibility, opportunity, and dignity.

# The AI-ready Workplace

The next era of work will be heavily influenced by technology but be defined by how we choose to use it. AI will help automate routine tasks, forecast potential disruption, personalize employee learning, expand access to opportunity – and much more. But the true value in AI lies in empowering people by elevating human creativity, strengthening decision-making, and enabling individuals to focus on the work at which humans excel. The organizations that adopt AI with purpose, fairness, and transparency will achieve stronger results and be the examples of how technology and humanity can thrive together.

**Ultimately, all of us working in HR, leadership, and workplace technology are stewards of the world of work.** We are shaping the workplace environment that future generations will inherit. They are our children and their peers, and those who will follow. Many of us began our own careers in the 1980s or 1990s, in workplaces that were far less flexible, inclusive, or supportive than the ones we strive to build today. Our task now is to leave the world of work better than we found it: more human, more hopeful, and more capable of lifting people toward their potential.

If we do this well, the workplaces of the future will be ones we can proudly and confidently invite our own children to inhabit next. That is the legacy worth working for.