

FUTURE OF HR

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FUTURE OF HR

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ENGAGEMENT

How to reward affordably in a high-inflation environment

It's time for performance reviews at many firms. For those that can't afford big pay increases, investing in professional development and keeping communication open can help to keep employees engaged

Rich McEachran

As their living costs continue to spiral, millions of employees in the UK are hoping for a big pay rise to offset the effects of high inflation. But such generosity may be neither practical nor sustainable for their employers, many of which are struggling in the cost-of-doing-business crisis.

Of the 900-plus people polled for the Q1 2023 salary survey published by recruitment firm Aspire, 23.5% said they had been awarded a pay increase in the previous year that matched the rate of inflation, which in March was 10.1%. Roughly the same proportion (24.4%) had received an increase of between 6% and 10%. The other 52.1% had seen their salaries increase by less than 6%. Inflation has eased a little since that survey was published, but it remains stubbornly high. The latest official figure (for June) as this report goes to press is 7.3%.

For firms that can't afford big pay rises, the challenge is how to prevent widespread disengagement.

Sophie Bryan is the founder of Ordinarily Different, an HR consultancy where she is chief workplace culture specialist. She points out that, given that HR's role is to advocate for employees' wellbeing and represent their interests to the management, HR chiefs should be exploring other solutions when pay rises are out of the question.

Research by Blackhawk Network published in March found that 69% of 500 HR decision-makers felt a sense of responsibility to support employees through the cost-of-living crisis. Moreover, 86% said that this should be done through the benefits packages they offered. Many HR decision-makers in the poll were supporting employees by offering them remote working options (especially helpful for those with costly commutes), subsidised food and free financial advice.

It may also be useful to help employees with their financial behaviour, particularly to manage their cash flow so that they don't have to dip into their reserves and then wait until the end of each month to reclaim. That's the view of Jane-Emma Peerless, director of people at Caxton, a fintech firm specialising in payments. Some businesses might find a better approach is to offer employees interest-free loans that can be repaid through pay-roll over several months, she adds.



Wahani Thavira/Getty Images

A further option is to consider being flexible about terms and timeframes. Moving to fortnightly salary payments, for example, could give people peace of mind that they can pay their monthly bills on time, says Sir Cary Cooper, professor of organisational psychology and health at Alliance Manchester Business School.

"It's an effective solution in the right environment, but isn't a one-size-fits-all solution," he stresses.

Flexible payment terms and perks may assuage people's worries about their ability to make ends meet, helping to retain their commitment to the business. But such measures

by themselves won't be enough to prevent employees from leaving if they feel undervalued.

The uncertain economic climate is affecting business confidence. In June, for instance, the Directors' Economic Confidence Index compiled by the Institute of Directors recorded its biggest month-over-year decline since the Russian invasion of Ukraine, slumping to its lowest level since last December. Such pessimism can easily filter out to employees who, in turn, will feel less secure in their jobs.

"Investing in employee development eradicates some of that insecurity because it reassures them

that they have a vital role in the future of the business," Cooper says. "It gives them the motivation to push themselves and keep striving for more. And that will only make them more productive when they're at work."

Peerless recommends highlighting career and pay paths, noting that it's "important to break through inertia and give clarity on progress".

When employees can see what pay and success look like at each level in the business, they can get a real sense that progression is possible, she adds. This gives them a target to work towards, even if pay has temporarily been frozen. If they see that there is clear room for growth, they're more likely to stick around.

Long-term staff retention requires talent development and upskilling and reskilling. But, while a recent survey of 200 HR chiefs by BIE Executive found a willingness to invest in training, with 86% of respondents deeming it crucial, half were concerned about the cost.

If companies are unable to invest enough in learning and development in the short term, there's a significant risk that people could leave in numbers. For this reason, it's crucial that businesses communicate effectively with employees.

This needn't require a complete shift in the HR-employee relationship, Bryan says. It calls for open dialogue, active listening and empathy, so that employees know that their concerns are being heeded.

For starters, HR chiefs need to make it clear exactly why pay rises cannot be awarded at the moment, says Rita Fontinha, associate professor of strategic HR management at Henley Business School.

"When people believe such decisions are unjustified and their employers are using the cost-of-living crisis as an excuse, they're more likely to withdraw," she warns.

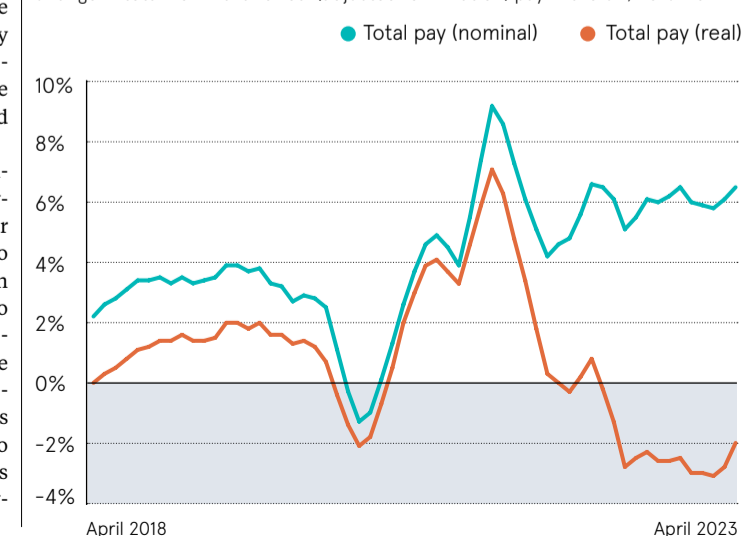
Peerless would advise any HR chief to give regular company-wide updates on the business's financial health and performance, explaining how cost pressures may affect pay decisions. This will build trust with employees, who will then have clarity and, potentially, a timeline of when they might reasonably expect to see that delayed pay rise.

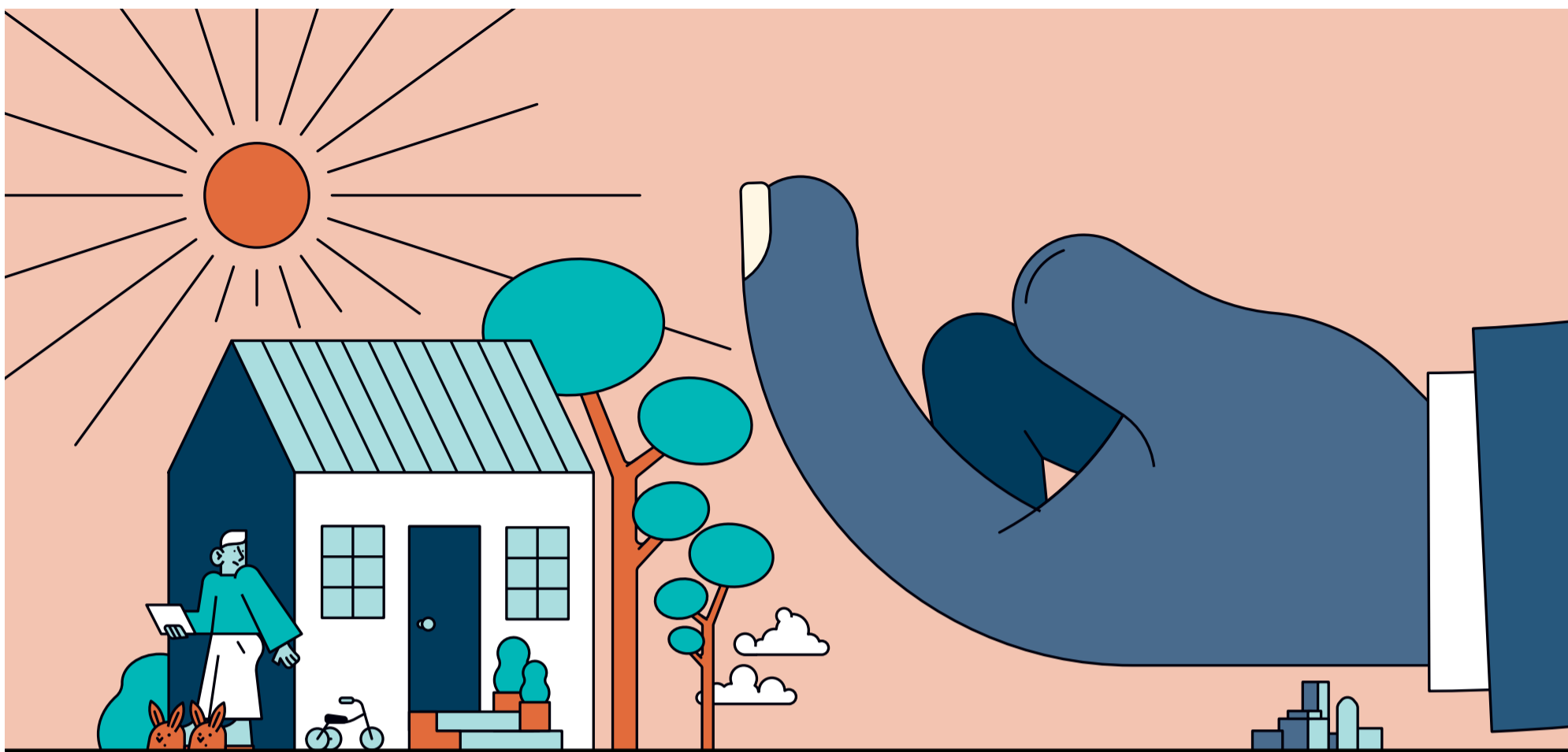
Cooper sums it up neatly: "The most important thing is to talk to employees, present them with different options and ask what works best for them. Quite often, they will come up with the best ideas."

UK PAY RISES ARE FALLING FAR SHORT OF INFLATION

ONS, 2023

Change in total nominal and real (adjusted for inflation) pay in the UK, 2018-23





OPINION

Any employer forcing staff back to HQ is its own worst enemy

Covid obliged millions of organisations to trust their employees to operate remotely. In nearly every instance, their faith was repaid. What value is there in re-exerting control over where people work?

Liz Ryan, CEO, Human Workplace

Business leaders are frustrated. They want employees to return to the office, but employees don't want to.

One CEO recently told me: "Our culture is just better when everyone is in the same room."

I can understand the rationale, but it doesn't hold water. Employees worked from home for nearly three years in many cases – and their companies made more money than ever. It's hard to make a credible argument that your business needs all its people back together in one place.

Everyone in business knows the old saying: "We measure what we care about." Companies measure revenues and profits, units sold and units returned – not culture. Some conduct confidential employee surveys, although most people don't believe these actually are confidential. In any case, if you have to make a survey confidential or anonymous to encourage people to tell the truth

about how they feel about working for you, something is broken.

I've been a Fortune 500 HR chief and have been advising business leaders for 20 years, so don't be offended when I say that you are your own worst enemy if you're trying to force people back to HQ.

Let go of the idea that your employees cannot do their jobs remotely. They have just proved that they can. You cannot win this battle. If you're still trying to do so, you're out of step and embarrassing yourself. Not every job can be done at home and not every employee wants to work remotely, of course, but a lot of people do care about skipping the commute and staying home. They care about it a lot.

The Society for Human Resource Management has forecast that the skills shortages that several Western nations are enduring could last years. Now is not the time to drive talented people away from your firm by imposing pointless rules.



“Don't kill the vibe your firm runs on. Let employees come back to the office in whatever way makes the most sense for them”

If you're a CEO, I want you to succeed. I want your business to thrive and your employees to have great experiences. I want them to be excited about working for you, not resentful. If you really want to persuade people to return, you'll have to do it with honey, not vinegar.

Even before the Covid crisis, we knew that there was no reason to:

- Persist with a formal dress code that's been out of date for ages.
- Require everyone to work at the same time. If you aren't running a production line, say, let people come and go when it's convenient for them.
- Organise your business around metrics that take the fun out of a meaty assignment. You can't talk of the importance of spontaneity without accepting that spontaneity is not possible when jobs are chopped into tiny bits, each corresponding to a key performance indicator. That is not how people achieve great things.

- Cling to a command-and-control management style that's a legacy of the industrial revolution. It's over. The only power that employees possess to make employees obey them is the power of dismissal. If people aren't worried about that possibility because they could easily find another job, such power is much diminished. Let go of all these relics. Let go of the need to control people to inspire them to do amazing things. You can't force your employees to care about their jobs. But, if their environment allows it, they will care – about using their expertise to make something cool happen, about each other and about the customers.

The pandemic opened many off-ice workers' eyes. They know they can do their jobs well, reduce their stress, save on dry-cleaning bills and enjoy a better quality of life operating remotely. They know that

they can support their colleagues and customers while working from home, where they can water their plants, throw in a load of laundry, accept deliveries and greet their children arriving from school between conference calls.

If you try to force an unwelcome and unnecessary return to the office on people who are described in your annual report as "our greatest asset and the lifeblood of our company", the best outcome you can hope for is grudging compliance. You, your customers and your shareholders deserve more than that.

Don't kill the vibe your firm runs on. Let employees come back to the office in whatever way makes the most sense for them – only for key meetings, for instance. You already trust them to run your business. The next step is to trust them to decide for themselves where they'll be most productive. Your people have choices. They could work anywhere, but they choose to work for you. Make their choices easy ensuring that your company is as adult, evolved and employee-friendly as possible.

Making your workplace a magnet for talent is by far your greatest competitive edge. Apart from a culture of trust and community, what other advantages can an organisation sustain? Rivals can match and surpass any technological innovation your company might come up with. They can do the same to a financial advantage it might gain. Such things are fleeting. If your firm is a great place to work for people who could work anywhere they want to, no one can beat you.

Here's the best part: leading through trust costs nothing. It's free, good for business and empowering for everyone in the organisation when the CEO can relax in the knowledge that their greatest power is their ability to attract amazing people and keep them. ●

In with the new: how training can transform the business

Although most employers still prefer to hire computer science graduates for tech roles, the case for a broad approach to recruitment and upskilling is strong

For better or worse, the significance of digital skills has grown to almost mythic proportions over the last decade or so. With five million cloud computing job vacancies around the world, such roles now top the list of positions that are currently most difficult to fill.

This talent shortage appears to have various undercurrents. On one hand, the global market for cloud computing is growing apace, generating increased demand for attendant skills and capabilities. According to information services firm GlobalData, the sector's value is expected to hit \$736.3 bn this year. But with a predicted compound annual growth rate of 16.3%, this figure is likely to jump to \$1,159 bn by 2026.

On the other hand, many employers take an all too conventional approach to hiring, giving way to what AWS coins a "self-imposed skills gap" in its Global Digital Skills Study in partnership with analytics and advisory firm Gallup.

Although as many as 75% of employers questioned across 19 countries, including the UK and the US, indicated they were open to hiring workers with non-degree credentials, such as industry certifications, the report revealed a notable disconnect between claims and actions.

Key among these findings, 36% of employers admitted to preferring a bachelor's degree or postsecondary equivalent qualification for entry-level jobs that required digital skills. Similarly, half of all international jobs advertised with digital skill requirements expressed a partiality for degrees. But only 31% of workers with advanced digital skills made the cut in terms of qualifications.

When asked to select between two hypothetical candidates for a tech job, employers nearly always favoured candidates with computer

science degrees over otherwise identical jobseekers without. But this hard-line stance means businesses are fishing in an increasingly shallow talent pool. Perhaps, writes Maureen Lonergan, VP, training and certification at AWS, it's time for a new approach.

Keeping an eye on potential

Existing employees can sometimes be neglected as a source of talent – despite often having adjacent, transferable skills. Not to mention, entry-level tech staff could be ripe for upskilling too.

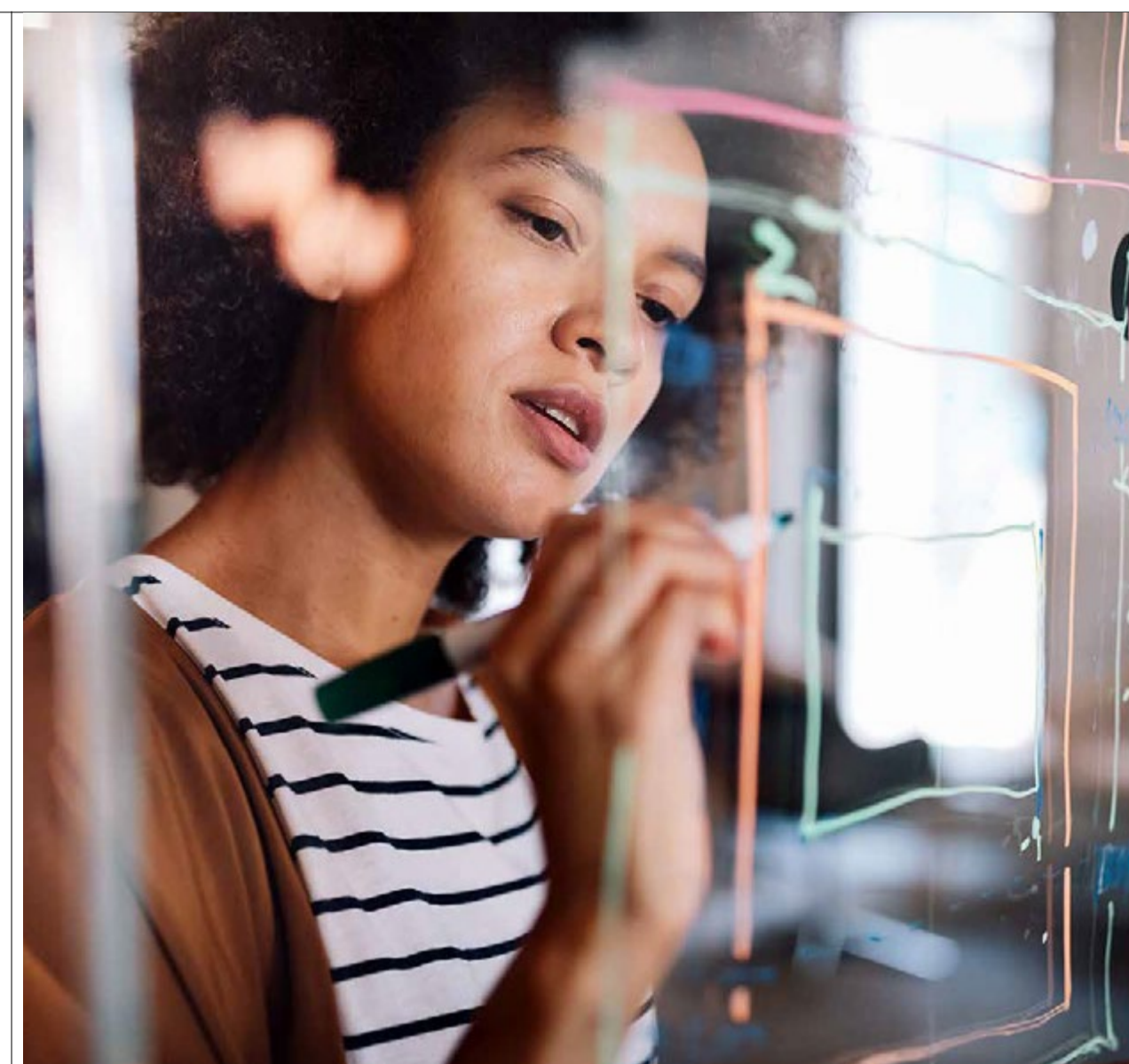
Many start in roles such as technical support, troubleshooting, quality assurance, testing or remediation work. But they could be retrained to take on more complex and challenging tasks over time.

"Starting new hires out with these types of tasks helps them gain mastery of the overall tech stack, sets them up to progress in their careers, and before long, they are ready to take on more complex and challenging work over time," Lonergan notes.

Organisations can build up highly skilled employees to fit their business needs, and, in turn, individuals can start to carve out a path for their own career progression, which can do wonders for retention, Lonergan explains.

She points to AWS Skill Builder, a learning and development option for cloud computing that provides employees with access to more than 600 free courses, which cover over 30 AWS services and include certification training as a means of supporting these important aims.

The benefits of certification training Upon migrating to AWS to meet the growing demand of its 5.4 million customers for digital products,



Commercial feature

Vietnam's Techcombank, found that it needed to address its cloud computing-related skills gaps. With that, it established a second key aim: shifting the entire organisation's culture to one of continuous learning.

More than 2,800 employees undertook over 4,000 pieces of AWS Skill Builder-based training alongside 105 classroom sessions. The move saw provisioning time fall from more than a month to just five days, enabling the bank to undertake more frequent application updates and deliver product prototypes to market faster.

Another organisation that profited from training technology generalists to become cloud specialists is cloud computing consultancy and AWS partner, Cloudreach. After seeing demand for its services grow exponentially, the firm decided it needed a new approach to recruitment – not least due to the high price tag associated with hiring in advanced cloud skills.

To this end, it created the Cloudreach Talent Academy to

transform people with little or no technical background into fully-fledged cloud developers within two years.

"By widening our talent pool, we not only tackled the talent crisis but continued to live by our values of creating an environment that nurtures talent," says Poonam Flammariion, head of the academy.

The future is transformative

Lonergan argues that supporting employee training can yield dividends in the long run. Businesses that fund employees' exams and certifications could experience productivity gains and increased innovation and retention.

She points to Comcast's Sky Group Ltd. The media and telecoms conglomerate was keen to migrate to AWS, but its staff across Europe lacked the requisite skills.

So, it selected various certification courses to encourage employee commitment to training and boost proficiency. 94% passed their certification exam – a resounding success – and the company has committed to running biannual certification preparation training for workers.

This kind of learning approach can have positive ripple effects beyond the tech team. Volkswagen, for instance, has invested in creating a cloud-centric framework to boost cloud knowledge and skills across its finance, sales, HR, marketing and even admin departments. The upshot? Greater cross-team collaboration and a faster time to market for its products.

But it does not stop there. As has become clear, generative AI has the potential to considerably boost organisations' efficiency, productivity, and ability to innovate. Unsurprisingly then, three quarters plan to adopt big data, cloud computing, and AI over the next five years, according to the World Economic Forum's 2023 Future of Jobs report. With it, demand for suitable expertise will rise exponentially too.

Lonergan affirms that sooner or later, businesses will need to get on board with advances in AI and machine learning. AWS has piloted a raft of newly-announced innovations in the space to offer learners, decision-makers and its partners more than 80 AI and ML courses and learning resources to navigate the 'new normal'. The company's online platforms, AWS Skill Builder and AWS Educate, are targeted at new-to-cloud learners of varying backgrounds and experiences.

In other words, whether it's building knowledge and practical skills to prepare for tomorrow's technological environment, learning the ins and outs of deploying generative AI or boosting productivity across the business, training is at the heart of transformation.

For more information, visit training.resources.awscloud.com/workforce-transformation

aws training and certification



Organisations can build up highly skilled employees to fit their business needs, and, in turn, individuals can start to carve out a path for their own career progression

TRUST

Can HR crack its credibility problem?

The profession's trustworthiness seems to be waning on the shop floor, with some experts suggesting that it has lost touch with employees in its bid for a seat at the top table

Cath Everett

The HR profession has always had a tightrope to walk. Although it exists to ensure that employees are paid correctly, receive the training they require and have somewhere to air grievances in confidence, for instance, it ultimately serves the needs of the employer.

In recent times, though, questions have been raised about whether it's been getting this tricky balance right. Research published by *Harvard Business Review* in Q4 2022 suggests that, at the very least, the profession has an image problem. When conflicts inevitably arise from time to time between their interests and those of their employer, people understand that HR won't be on their side, but the study reveals that most workers,

if they had a serious problem with a colleague's behaviour, "would rather reach out to most anyone before turning to someone in HR".

This apparent lack of trust poses a challenge for the profession, which generally considers its goals to be twofold: to have a seat at the top table to advise business leaders on cultural matters and to speak up for employees while in that position.

Caroline Walsh, managing vice-president at Gartner's HR practice, is not surprised that people are becoming less willing to approach HR for help. She believes that this is mainly because the function's remit has become more complex and strategic in recent years.

"It's not that employees don't trust their HR teams. It's that they trust their managers more, as they interact with them more often," Walsh argues.

It's a view broadly shared by Chris Brook-Carter, CEO of the Retail Trust, a charity looking after the wellbeing of the sector's 3 million-plus workers.

"An employee's first port of call should be their line manager. I don't think it's HR's role to deal with their day-to-day challenges," he says. "Its role is to ensure that the culture of the business facilitates open conversations and that line managers are equipped to have supportive discussions with their staff."



Brook-Carter adds that the "real battle isn't about whether people trust HR or not. It's about ensuring that employees remain at the top of the board's agenda. If HR hasn't got the ear of the CEO or CFO, it doesn't matter how trusted it is. It won't effect real change."

Kate Palmer, director of HR advice at employment law consultancy Peninsula UK, believes that nurturing trust is a vital part of the profession's role, as this forms the basis of any constructive relationship. In her experience, the level of trust tends to vary from employer to employer based on how the function is positioned.

She explains: "Some businesses will simply use the HR department to swoop in if there's a problem or redundancies need to be made. They see it as a reactive, firefighting team that sits on a different floor, which is where mistrust can come in."

Palmer notes that the behaviour of line managers can sometimes erode employees' trust in HR too.

"You hear managers saying: 'HR told me to tell you this', rather than owning their own decisions," she says. "This can create a silo mentality, with employees thinking that HR is awful."

Another problem is that line managers tend to front wellbeing schemes and other positive developments, such as celebratory events, even though such things are usually organised by HR. The upshot is that the function's role in these gets overlooked, while the faces of these initiatives are happy to take the credit.

Craig McCoy, an interim HR director and chair of the London HR Connection networking forum, believes that the trust problem goes deeper still. In its pursuit of a seat at the top table, the profession has "gone too far" in identifying with employers, he says.

As a result, there is "widespread distrust of the HR function. It's broadly seen as being much more employer- than employee-centric, being there more to serve the needs of the organisation and less to represent those of employees."

A key factor underlying all this, McCoy believes, is that HR has been under intense pressure to prove its worth in recent years. To do so, it has focused its policies on adding value to the business – for instance, by finding ways to boost employees' productivity. In some cases, HR professionals have lost their connection with the workforce because they spend too long

formulating their strategies away from the shop floor.

Another factor is that there's been a long-running "obsession with status and a feeling of inferiority compared with functions such as finance", he adds. "The chief people officer generally hasn't been on the board whereas the CFO has, although that's starting to change."

HR's recent elevation has resulted from a realisation among firms since Covid that a people-centred approach is "critical to business success", as they continue to face skills shortages and high churn rates, according to McCoy. This is leading the profession to accept that "it must inject more of the 'human' back into HR to address these challenges".

Walsh observes that most practitioners will find it tricky to balance serving as both a leadership adviser and an employee advocate. "I wouldn't want HR to take a step back from the boardroom, but you need to have your ear to the ground too, so it's a difficult job," she says. "It takes a lot of discipline to continually push for feedback on how the culture is doing and how best to interpret measurements."

Technology can help HR here by gauging sentiment among employees and gathering actionable insights based on their responses. Walsh advocates supplementing these with more qualitative information arising from focus groups and meaningful discussions with line managers.

McCoy believes that it's necessary to take things a step further, arguing that "HR people need to be seen and they need to understand the workforce better. Doing a shift on the front line can bring about a couple of benefits. It reminds you of what the organisation actually does, while employees also see that you're committed to understanding what their work is like."

A further consideration is being seen to take decisive action should the behaviour of individuals, particularly senior executives, deviate from the company's stated ethics.

"HR should be custodian of the values of the organisation, intervening if things go off track. But it often shies away from that for political reasons," McCoy says. "This has a negative impact on views of the function's integrity and does nothing to show that it's employee-centric."

This issue of perception is key – and it tends to be something the profession doesn't put enough time and energy into managing, according to Palmer.

"HR doesn't market itself very well sometimes, but that has become a fundamental part of the job," she argues. "This means it's important to be authentic and show your human self, especially when so many people are working remotely and can feel more disconnected."

One idea for humanising the HR team would be to share details about members' interests outside work, perhaps in the form of internal blog



Gezanne, 2021

posts. As Palmer points out: "Getting to know someone is an important foundation for trusting them."

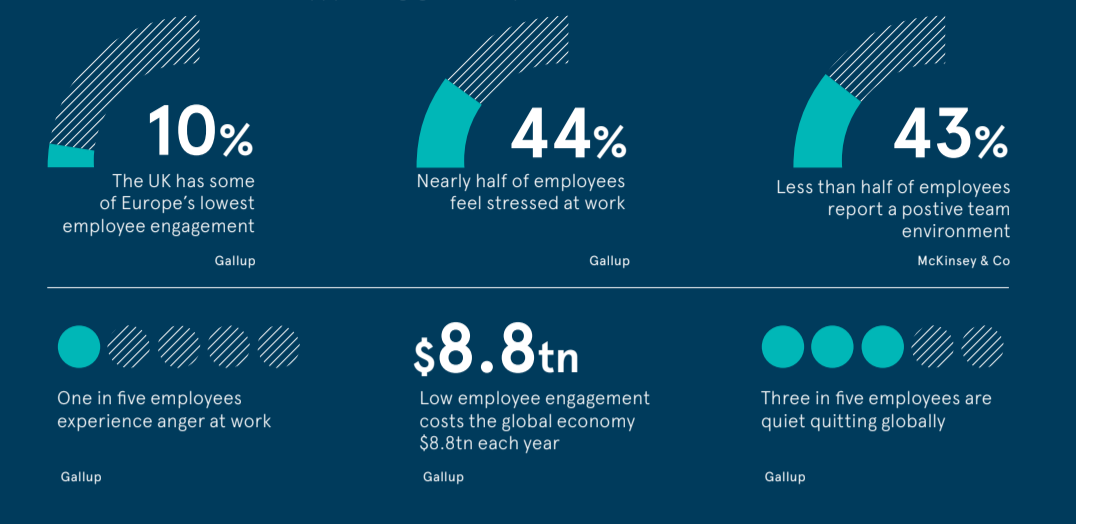
Another idea involves highlighting what the team does for everyone, claiming credit where it's due.

"It's a great way to increase familiarity with the department's good work, from implementing financial wellbeing policies to providing support for people's mental health," she says. "Such schemes all have a positive effect on employees, but they don't necessarily get attributed to HR. Celebrating these successes can therefore help to build trust." ●

Commercial feature

A PRODUCTIVITY AND ENGAGEMENT CRISIS?

The modern workforce is unhappy, disengaged and unproductive



How to forge employee engagement

New ways of working require new solutions for good communication in the workforce. It all starts with recharging the trust battery

The modern workforce is not in a good place. It's unhappy, disengaged and unproductive. Nearly half of employees (41%) feel stressed at work, with one in five even experiencing anger, according to Gallup's 2023 *State of the Workplace Report*.

Our teams and management structures aren't working that well either. Less than half of employees (43%) report a positive team environment – defined as how team members value each other's contributions, care about others' wellbeing and have input into decision-making, results from a 2021 survey on psychological safety by McKinsey & Co reveal.

This means many employees are leaving jobs or actively looking for new roles, at a time when organisations are already facing talent shortages. Many of those who do stay are 'quiet quitting', being physically present but psychologically disengaged from work and colleagues.

The problem with the solutions we've tried is that they take a one-size-fits-all approach

The result? A productivity and engagement crisis. According to Gallup's survey, the UK has some of Europe's lowest employee engagement (10%), while low employee engagement costs the global economy \$8.8tn (£6.7tn) each year.

But employee engagement is a challenge that organisations have been trying to solve for many years, whether through incentives, performance management, coaching or a variety of HR management technologies.

"The problem with the solutions we've tried is that they take a one-size-fits-all approach. They assume that everyone in a business can be treated in a particular way and that a desired result will occur," says Luke McKeever, CEO at applied people science leader Thomas.

"However, this approach isn't working. Things are getting worse. We believe that the only way to resolve this is to equip the individual in a way that helps them become better engaged and connected with their colleagues and their companies," he adds.

Corporate initiatives on engagement tend to be treated as singular projects that move in and out of favour depending on the importance of other organisational issues. To truly challenge the engagement problem, solutions need to be embedded into the culture of an organisation, with management and employees both bought in, argues McKeever.

To achieve this, Thomas has created a new category of workforce solution called team interaction optimisation

(TIO). The system works by allowing individuals to build a detailed understanding of their aptitudes, behavioural styles and communication preferences through Thomas' proven people science insights.

With user consent, these individual profiles can then be shared with colleagues throughout a team or organisation, giving valuable insights into how individuals like to communicate, how they engage with information and how to get the best from any interaction. The idea is to forge better working relationships that are built on trust through an authentic understanding of the preferences, behaviours and needs of each individual.

"Say you have an online video meeting. TIO will be able to tell you how the people you are speaking to like to be communicated with. It tells you which individuals need room to speak, who may need a follow-up call. You have these strong guides on the people you're speaking with, and they have the same on you," says McKeever.

Each positive interaction builds trust between employees, allowing them to be more open, collaborative and understanding of their colleagues. With increased trust comes better psychological safety, leading to more creative conversations and the sharing of innovative ideas. It also gives individuals the confidence to be themselves, motivating higher engagement and connection leading to increased productivity and more business value.

A good metaphor for the power of positive interactions is the 'trust battery'. First coined by Tobias Lütke, CEO at Shopify, it's the idea that every interaction you have at work either increases or decreases your level of trust. As with psychological safety, it can take time to charge, but seconds to drain.

"To truly transform the future of work we need to forge better working relationships. It's about individuals feeling respected, trusted and included within an organisation, so they feel part of an effective and welcoming team. Create trust and inclusivity and team productivity flourishes," says McKeever.

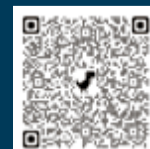
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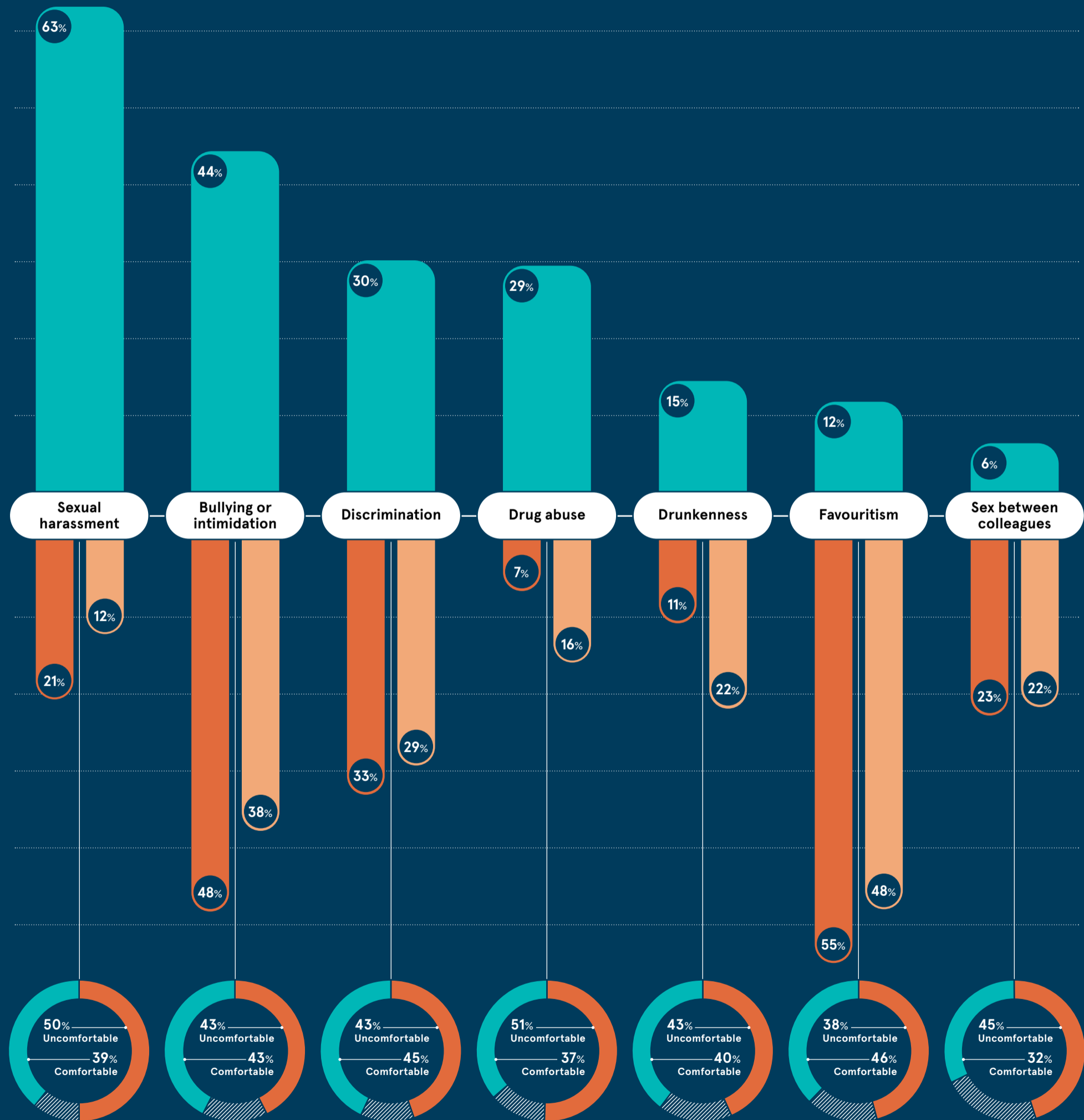
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WORKERS CONSIDER SEXUAL HARASSMENT TO BE THE MOST INAPPROPRIATE BEHAVIOUR, WITH WOMEN MORE LIKELY TO HAVE EXPERIENCED HARASSMENT AND BULLYING

Share of respondents considering the following to be among the top two most inappropriate workplace behaviours
 Share of respondents who have experienced such behaviours (directly or indirectly) in their careers Women Men

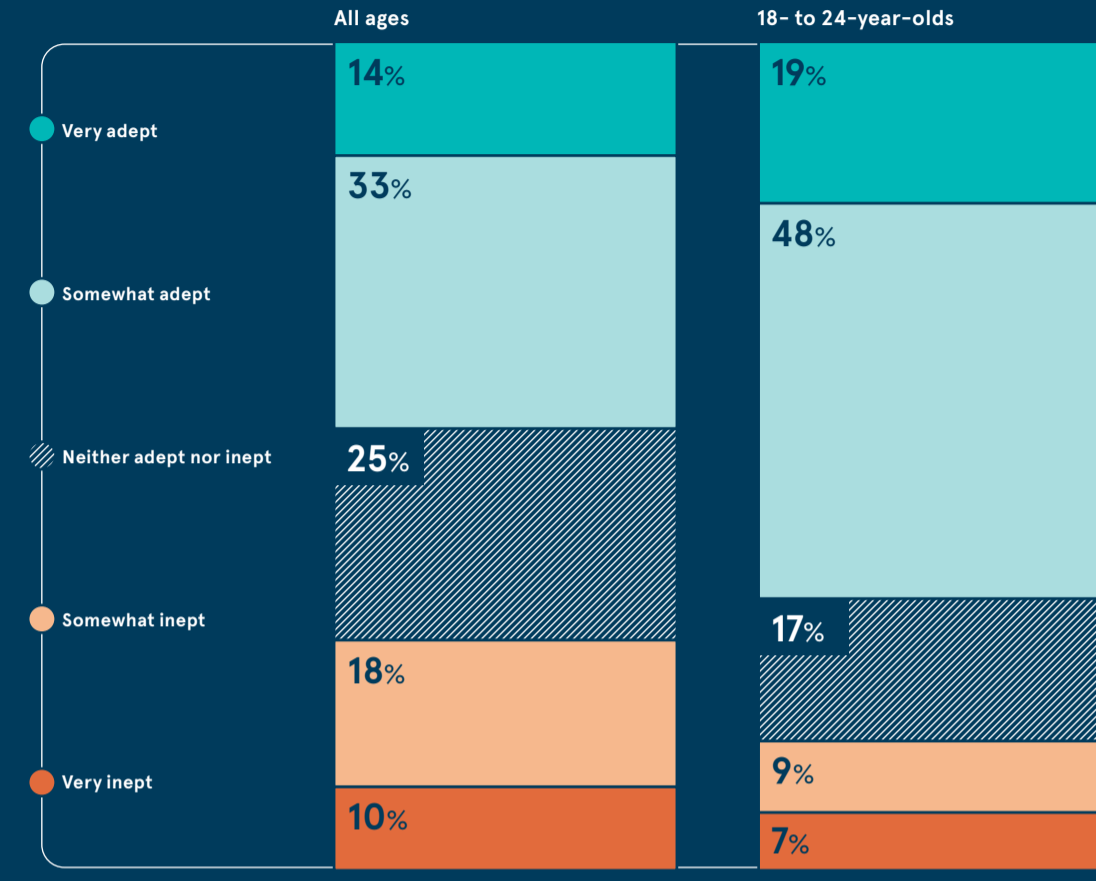


PEOPLE FIND IT UNCOMFORTABLE TO REPORT BAD BEHAVIOUR

Share of respondents giving the following replies when asked how comfortable they would be in making a formal allegation in each case of inappropriate behaviour

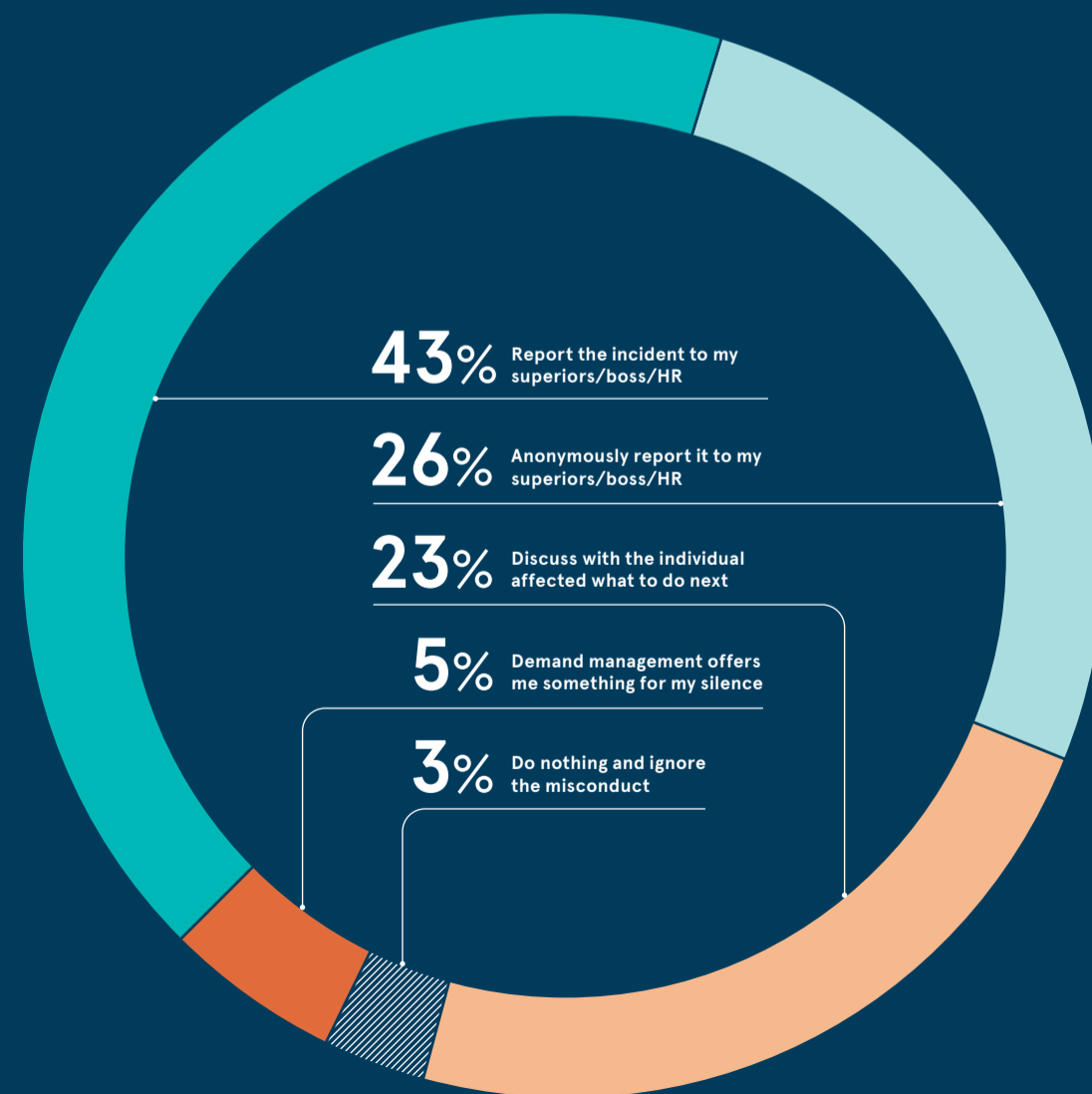
GEN-Z EMPLOYEES TEND TO BE HAPPIER WITH MANAGERS' RESPONSES

Share of respondents giving the following replies to the question: "How adept have your managers been in dealing with allegations of inappropriate workplace behaviour throughout your career?"



MOST WORKERS WOULD REPORT INAPPROPRIATE BEHAVIOUR BY A MANAGER

Share of respondents giving the following replies to the question: "If you were to witness a manager behaving inappropriately, how would you react?"



SEX AND DRUGS AND HR'S ROLE

Dozens of prominent British businesses have been accused of failing to deal properly with serious infractions ranging from sexual harassment to drug misuse. Raconteur conducted a survey of UK workers to find out what they really think about bad behaviour at work and how their employers are handling it

Raconteur, Attest, 2023

INSIGHT

‘The skills problem is not new, but the price of inaction has never been higher’

Research by the EU has confirmed that labour shortages are still inhibiting economic development across the continent. Yes, the bloc has shown remarkable resilience in the face of three key challenges – the Russia-Ukraine war, sky-high inflation and ongoing supply chain disruption – but businesses are still hankering for a solution to that perennial, yet increasing, barrier to growth: the skills gap.

There is an ongoing mismatch between the skills that most people seeking work possess and the skills and qualifications required for the types of jobs that are actually in demand. High-growth industries such as healthcare, construction, science and technology have been the worst affected by this.

The problem is not new, but the price of inaction has never been higher. The sustainable growth of the private sector – and also the wider economy – is at risk unless businesses can find more highly (and appropriately) skilled people.

This is why Brussels has designated 2023 as the European Year of Skills. Its aim is to promote training in future-ready skills to help people stay in their jobs or find new ones.

Training people in the specific areas that employers need and then matching them to vacancies might sound like a straightforward task, but it isn't. The main obstacle is that recruitment remains too focused on academic qualifications, particularly degrees. This means that, no matter what skills people gain, they may struggle to pass even the CV screening process unless they have the stipulated qualifications.

It's time to change this situation and move towards assessing candidates by skill potential rather than their academic achievements.

In an interview with LinkedIn CEO Ryan Roslansky, Mercedes FI's principal, Toto Wolff, recently spoke about his non-linear path to the top of motor racing. He recalled an old conversation with the firm's chief people officer. After assessing the skills that were needed at the team and how the company considered talent, the CPO told him that its recruits would need to come from the world's top universities.

Wolff asked bluntly whether the organisation would ever consider an applicant who "hasn't been great academically but set up various tiny businesses". When the CPO told him

that such a candidate wouldn't even make it through the first stage, he replied: "So that's me. I would have never qualified for a job here at Mercedes. What does that say?"

To end such deep-rooted prejudice, organisations need to rethink their recruitment processes and become skills-first employers. Under this model, as defined by Deloitte, skills are the currency of work and the basis through which people are hired and then matched to future opportunities and promotions.

Accenture is one business that's been leading the way in recruiting and promoting based on skills, rather than qualifications. Unleash recently interviewed Filip Gilbert, managing director at the consulting giant, to find out how it has made this happen.

Accenture has 750,000 employees, 100,000 of whom were hired during the Covid crisis. Half of these did not meet the traditional academic criteria. Instead, they had the qualities that Accenture was looking for – notably, technical digital capabilities and the desire to learn. Gilbert says it was essential to see this as a holistic skills assessment rather than a box-ticking exercise based on degrees and other qualifications.

Of course, a skills-focused approach will do more than just help employers to fix their labour shortages in the short and medium term. It will also help them to build more resilient, agile teams that can better weather future economic shocks.

Gilbert agrees. Any employer has a responsibility to ensure that its people are "happy, feeling that they can develop themselves and remain relevant and employable", he says.

Doing this is good not only for the individuals concerned. It also benefits the employer, the wider economy and society as a whole. ●



Allie Nawrat
Senior Journalist, Unleash

INDIVIDUAL CONTRIBUTORS

IC age: the rise of the individual contributor



Luk Avarec via Getty Images

Any firm offering clear career paths for highly skilled professionals who find line management a confining, distracting chore may be giving itself a crucial edge in the war for talent

MaryLou Costa

Claire Walsh has worked in HR for eight years, but hasn't become a manager. What might look at first glance like a career in stasis does not reflect a lack of ability, ambition or opportunity. It's all part of her plan and that of her employer, a US-based payroll and tax platform called Remote.

Walsh, who is based in Dublin, joined the firm as a so-called individual contributor (IC) in Q4 2021. In her role as senior people partner, she has no one reporting directly to her. Instead, she helps the senior team in areas such as learning and development, talent management and strategic planning.

Under this arrangement, Walsh gets to do more of what she enjoys most about her profession, unhindered by any line management responsibilities. Meanwhile, Remote benefits from her ability to focus specialist knowledge on meeting the top-level needs of the business.

Walsh believes that the growing number of employers that have started offering IC roles in recent years could gain a significant edge in the struggle to recruit and retain highly skilled people.

"For so long, the only way to advance in an organisation was to become a line manager. That makes no sense to me," she says. "People want to apply their expertise to

meaningful work, but you don't have to be a manager to do that. Managers almost have to sideline themselves and care more about the people who report to them, which can be hard. While that can bring a lot of satisfaction, it's not for everyone – and that's OK."

While Walsh's job entails a lot of collaboration, perhaps the most natural fit for ICs are highly skilled project-based roles that can be performed largely autonomously.

Jessie Danyi became a full-time senior IC at Pleo last year, having joined the company as its head of people in August 2018. Her job title is now somewhat more opaque: belonging and impact lead. Danyi changed roles after the explosive growth of the business – from 40 to 550 employees in three-and-a-half years – and her own team prompted her to rethink the kind of work she really relished.

Her experience also highlights how the unconventional scope of an IC role can suit certain people well. Danyi, who lives with epilepsy and chronic pain, has found that working nearly autonomously, reporting to just a few senior stakeholders, enables her to cope more effectively with these conditions.

"When I led a team, I had to be careful about what a more junior member could read into my mood. They might infer that they'd done

equivalent to that of a senior manager, so she has a clear route to take in the organisation if she so wishes.

This highly structured approach is a sign that Remote has come to view the recruitment and development of ICs from entry level upwards as a key element of its competitive strategy. By contrast, tech giants such as Salesforce and Meta seem to have introduced such positions in recent months as more of an emergency cost-efficiency measure, converting many line managers to ICs in a scramble to delayer their organisations.

Pleo, a Danish fintech firm specialising in expenses management, employs about 20 senior ICs. People can enter the company as an IC in a range of disciplines, but some – engineering and product architecture, for instance – lend themselves more to such work than others. People can switch from managers to ICs and vice versa (as is the case at Remote) if suitable vacancies arise.

Having more autonomy and fewer team meetings doesn't necessarily

mean that ICs are individuals in all senses of the word. Walsh stresses that she does report to a manager, although they conduct "more of a sounding-board relationship. We have a weekly catch-up where I run the tasks I think I need to do by her and seek her views. This differs from when I was starting out, when I needed far more hand-holding."

The freedom to apply your specialist skills in relative peace without the stress of managing people sounds like a dream for many, especially members of gen Z, whose apparent desire for purpose-driven work may draw them more towards IC roles than those in management.

But there may be a lower career ceiling for ICs – which Walsh freely accepts, noting that it would be exceedingly rare for someone at the director level not to be managing anyone. With this in mind, Remote recently created another level in its hierarchy known as expert lead, which adds responsibilities such as project management to the job spec. This could prevent a potential exodus of senior ICs who might otherwise feel that they've progressed as far as they can in the company.

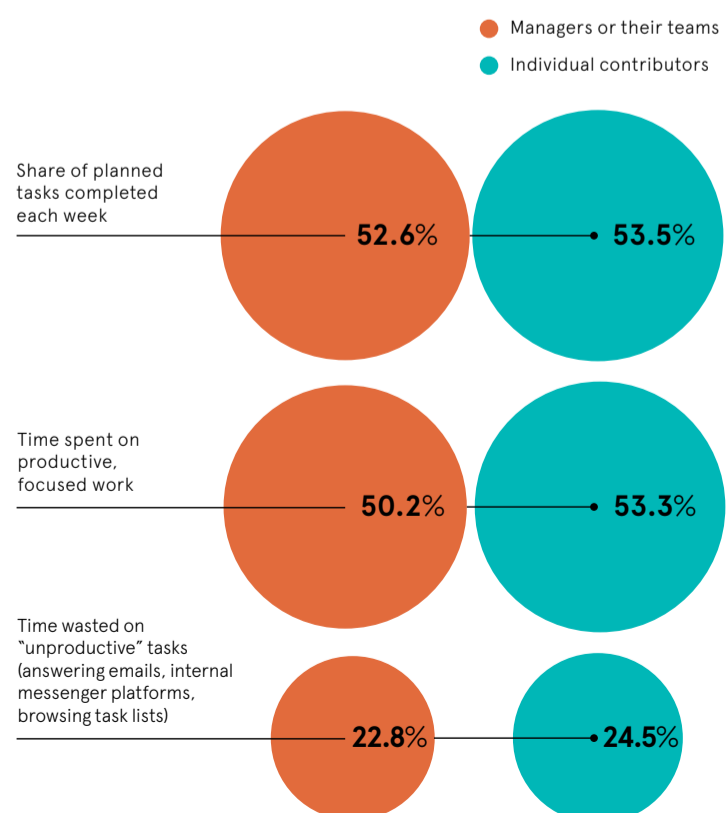
If the experiences of Sarah Davie, head of partnerships at forex specialist Spartan FX, are anything to go by, firms offering IC roles are likely to be more innovative and flexible employers than most.

"For many years, I worked at a company that was very rigid and behind the times," she says. "I think there's a call for a fresh approach to the way we operate and the culture of work as a whole."

Having become an IC with her current employer, Davie is "not managing anyone, as it's rare for a person to have both skill sets. This fits with our business needs, because we want the right people with the right expertise to help us achieve our goals. It leaves me the time to do what I do best." ●

PRODUCTIVITY METRICS FOR MANAGERS AND INDIVIDUAL CONTRIBUTORS

Reclaim.ai, 2022



Q&A Taking a tailored approach to wellbeing

Positive wellbeing is vital to increasing employee engagement and retention. Sarah Hyland, co-founder of Pace HR, an HR outsourcing consultancy, explains why tailoring your wellbeing strategy to individual needs is the way forward



Q Is there greater focus on wellbeing support since the Covid pandemic?

A Wellbeing is no longer a tick-box exercise. There is definitely a sensitivity to mental health and wellbeing support that has been growing steadily for a number of years. Organisations are mindful of it, but at the same time there is a balancing act around the cost-of-living crisis, with the price of goods and services increasing.

We want to help organisations be creative when thinking about the wellbeing programmes they offer their people, instead of rolling out something that only appears to fit the bill. It makes more sense to plan an effective wellbeing strategy that has a meaningful and directed impact on engagement and productivity, than a one-size-fits-all approach that doesn't.

We're seeing a rising expectation from business leaders that wellbeing strategies be utilised and produce real, tangible results. We understand that all businesses face different challenges, which is why our support and advisory services are bespoke.

Q How can organisations build effective wellbeing strategies?

A It's really easy for organisations to over-engineer strategies to improve wellbeing and buy into fancy and expensive programmes. But what firms sometimes forget to do is find out what their employees actually need. Worse yet, some companies assume they know the answer without asking.

Q Can a tailored approach to wellbeing help?

A We're often told to treat people as you would like to be treated. That makes sense, but doesn't take into account that we're all different. Maybe it's better to treat people as they would like to be treated. Your team may appreciate an app that

Before embarking on a new wellbeing strategy, organisations need to do an assessment on what their people need and what the best fit for them is. For this reason we offer a free diagnostic survey on employee needs as part of our advisory HR services.

Organisations should also track utilisation on the benefits they already have in place and think about whether those benefits are having a positive impact. If benefits are under-utilised, employers should consider why they're missing the mark and how they could tailor them to individual needs.

Q What do employees want?

A While each company is different, there are some general trends in what employees want. We often find that employees aren't necessarily looking for benefits. Instead, they want learning and development opportunities to progress in their careers. We offer access to one-to-one coaching, and this is the responsibility of everyone in the business.

There is also an expectation now among employees that leaders be inspirational and that they set an example when it comes to engaging in conversations around wellbeing.

Our recent survey into wellbeing in the workplace found that 66% of employees feel strongly about their desire to talk about mental health at work, but only 39% said they would feel comfortable talking to someone more senior than them about mental health. This demonstrates a significant gap between expectation and reality.

Q Can a tailored approach to wellbeing help?

A We're often told to treat people as you would like to be treated. That makes sense, but doesn't take into account that we're all different. Maybe it's better to treat people as they would like to be treated. Your team may appreciate an app that

“What firms sometimes forget to do is find out what their employees actually need. Worse yet, some companies assume they know the answer without asking

supports their wellbeing, or it might make more sense to ask them what they want before allocating resources into it.

We offer access to one-to-one coaching, and this tailored approach allows employees to focus on what is really important to them and can give them the dedicated time and space to have autonomy in their own engagement and wellbeing.

Our platform is designed so that if you work in a specific industry, you will be matched with a coach who has experience in the same sector. This bespoke coaching allows people to focus on the issues that really matter to them.

A wellbeing strategy that is tailored to the end user as far as possible will have the biggest impact. We're here to help employers navigate this space and to make the best informed decisions for their teams.

To build wellbeing practices that have a real impact on your employees, get in touch with our wellbeing expert, vicky@pace-hr.com



Q&A

Why data-led talent strategies will be what separates winners and losers

TalentNeuron helps organisations around the world leverage data to create and validate talent management strategies that secure a competitive edge amid the economic uncertainty. Here, its new CEO, Julie Peck, explains how



Q How does your experience help you to understand the talent management challenges faced by global business leaders?

A In the last 15 years, as a CEO and a general manager, I've wrestled with difficult and increasingly complicated questions about talent strategies for the future. As CEOs, it often feels like we're flying blind. We see employees come and go – we lose good employees and we gain good employees – but we don't always know why that's happening. It's very frustrating for executives competing aggressively in a complicated global marketplace to figure out which talent factors are really driving labour trends.

Q How can the data and statistical insights that TalentNeuron provides address these frustrations?

A Data can help companies start to make sense of the noise; it provides a pathway for action. The right data tells leaders not only what's happening and why, but what they can do to come out on top in the future. TalentNeuron's massive global data set can show employers powerful

talent-data connections; like where employees went after they resigned, for example. As an employer, you only know that anecdotally. Our data, which represents 90% of the world's GDP in terms of representation of labour, can tell employers where their labour is going, who's stealing it and who they're winning labour from. We can also see what types of roles companies are losing to competitors, and which ones they're winning.

It was a revelation to me to find that there were companies like TalentNeuron actually answering these questions empirically. I worked for very large Fortune 1000 companies for most of my career and, to my knowledge, none of them, even in the biggest companies, were using tools like this to proactively help business leaders plan with data-based intelligence. We all need those insights.

Q Why do you think companies are lacking these capabilities?

A In many of the companies I worked for, the HR function didn't play a role in strategic vision and planning; they played a role in payroll, policy development, performance reviews and often learning and development – but not in big human-capital strategies.

On the other hand, in organisations like those of our clients, HR is either the driver of these strategies, or at least a strong influence at the C-suite table, with other business functions relying heavily on their guidance. We partner with HR executives at companies such as Intel, Mastercard, Nestle, JPMorgan Chase, Deutsche Telekom and Southwest Airlines, and all are taking that critical strategic role.

Q What challenges do you foresee for HR directors striving to provide data-based guidance to their internal stakeholders?

A The biggest challenge will be drawing the connection between big data and actionable insights, and translating those into the language of the rest of the C-suite – not just the language of HR. The HR people who have this data and these insights in their hands need to speak the language of the CIO, CTO, CFO or CEO. Part of what makes TalentNeuron unique is our ability to help bridge the gap in communication.

Q To what extent will an internal data intelligence function determine the future success of a business?

A Companies that value talent insights and build an analytics function definitely have an advantage, but that is not the majority of companies globally. Eventually, companies that are in the middle and toward the back of the pack will have to figure out how to add labour analytics to their tool kit. If they fail to do so, they will begin to fall woefully behind. The game is changing. In the last two years alone, companies have

112%

increase in demand for talent intelligence and labour market analytic skills over the past two years

TalentNeuron, 2023

been increasingly seeking talent intelligence and labour market analytics skills, with the demand having increased by 112% during that period.

Q How is the economic fallout from Covid driving this change?

A Covid was a game changer, with CEOs now forced to be involved in the dialogue around remote versus hybrid versus in-office work. People are really confused about what is the best thing to do. Some are trying to return to how it used to be, and getting back to "normal" (i.e., putting everyone back in the office) but there's no grounding in any information that return-to-office is the best path. There are other companies that plan to fully embrace remote working, but they don't have a sense of what they might be losing in terms of employee engagement, employee connectivity and productivity.

Q What advice would you give to companies currently grappling with their talent management strategy?

A Try to step back and take a fresh look at the confusing nature of how the future of work has been (and continues to be) flipped on its head. The future of work just changed dramatically. Whether you're in the C-suite or not, ask the executive team if they are prepared to operate in this brand new environment. Do they even understand what has changed? If they continue operating with outdated models and mindsets they will inevitably lose out.

Q How are you seeing the hiring process evolve as a result of the uncertainty, post-Covid, around which talent issues to focus on?

A A new way of thinking flavouring where advanced companies are headed is skills, and how

they search for skills versus searching for job titles. That focus on skills signals a big shift in how both hiring and career-pathing is going to happen.

When hiring for a position, the potential supply of candidates can shrink 16 times or more when we over-specify job criteria and skills requirements. Moreover, this approach can lengthen the time it takes for businesses to fill positions, increase their costs relative to what they actually need and hamper their ability to find the right people to support their long-term strategy. We're doing some really groundbreaking work on translating job roles into skills with a number of our most forward-thinking clients.

Q What advice would you give to companies currently grappling with their talent management strategy?

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For more information please visit talentneuron.com

TalentNeuron™

TECHNOLOGY

Why artificial intelligence is making HR more human

HR teams are already using AI-based technology to communicate better with employees, improve internal career mobility and issue well-timed, authentic acknowledgements of people's good work

Oliver Pickup

How many HR practitioners marked Artificial Intelligence Appreciation Day on 16 July? It probably passed unnoticed by most, considering the ever-growing list of tasks demanding the profession's attention.

Even if they did have a minute to look up from their work and appreciate the power of this fast-developing tech, is there any reason to celebrate something that's likely to put millions of people out of a job?

"Yes" should be the answer to that question. AI's ability to automate certain tasks and reduce administrative workloads promises to make the HR practitioner's role more human. Embracing AI should free professionals in this space to focus on identifying talent and nurturing it, which is why most people enter the field in the first place. And, with more and better information at its fingertips, the function could play a more holistic and strategically important role.

But have HR teams become too overloaded with extra work to take this great opportunity? During the Covid crisis, HR teams were "mostly in survival mode", says Dr Aaron Taylor, head of Arden University's School of Human Resource Management. "As well as figuring out how employees could work from home, they needed to provide extra support for their wellbeing while adhering to health guidelines."

He points out that, thanks to shifting workforce trends, many HR leaders were involved in C-level decisions to keep companies functioning, as well as to handle restructuring and redundancy programmes. "The profession's evolution over the past 25 years – from 'pay and rations' to the strategic role it plays today – has, quite possibly, been more radical than that of any other business function," Taylor argues.

Eric Mosley, co-founder and CEO of HR software firm Workhuman, agrees that HR has gone through "a hectic, chaotic time. There's been a complete whiplash, with trends veering from one direction to another."

Outlining the tumultuous nature of the Covid era, Mosley points to remote working, back-to-office mandates, quiet quitting, loud quitting, the great resignation and, as economic uncertainty prevails, the so-called big stay.

Helen Poitevin is a distinguished vice-president-analyst focusing on HR tech at Gartner. She says that "a debate is raging about the future of work between 'explorers', who embrace new tech and ways of working, and 'restorers', who believe companies should be using tried and tested methods. AI has emerged as one of the disruptive technologies at the heart of this conversation."

Poitevin reports that AI is already playing a role in HR operations ranging from policy-making to recruitment. A global survey of HR chiefs published by Gartner in July indicates that 5% have implemented generative AI, for instance, while 9% are piloting its use.

"In the future, progressive firms will start to broaden how they use



“ In the future, progressive firms will start to broaden how the use generative AI. It will benefit both employees and HR teams

generative AI. It will benefit both employees and HR teams," she says. "A quarter of HR leaders plan to use it to create hyper-personalised career development plans, for instance."

Poitevin adds that HR professionals can, when equipped with the right technology, "better understand employees and so provide more human advice" that's better tailored to each person's needs.

Taylor agrees that the profession has been placing greater emphasis on understanding employees as people. "There is much more importance on the 'human' aspects of HR now, especially when looking at employee experience," he says. "This is no longer solely about ensuring regulatory compliance. This is about going that extra mile to know what makes employees tick and how that aligns with the company's overall strategy."

While it has never exactly been strong, the quality of communications between HR and the shop floor has worsened in recent years. New research by data science consultancy Profusion indicates that only 24% of employees are "fully comfortable"

discussing workplace problems with their HR teams, for example.

Profusion's CEO, Natalie Cramp, notes that the pandemic-induced shift towards remote working has "severely hampered the relationship between workers and their HR representatives, eroding any sense of trust and understanding".

Research published in May by Microsoft, which has invested heavily in generative AI, argues that HR practitioners who understand the tech and use it well will become better communicators with the power to improve the employee experience.

"Human-AI collaboration will be the next transformational work pattern," Microsoft predicts, proposing the notion of using AI as a "co-pilot".

How would such co-piloting work in practice? Take the use of so-called writer's block AI to improve communications between HR and the workforce, for instance. This technology uses relevant information about the company and its employees to personalise messages and deliver these in the appropriate tone.

An HR team can work alongside AI to map out possible career paths for people in the organisation. For instance, the system might spot hidden potential in an employee who's been flying under the radar and prompt the team to alert that individual to an appealing internal role that would suit their talents and offer them a valuable development opportunity.

AI can also aid employee recognition – a wellbeing-boosting intervention that can be as simple as thanking someone publicly, yet is lacking in

many workplaces. LinkedIn has reported achieving a 96% retention rate among staff whose work was acknowledged at least four times a year. With the prompting of AI, HR teams can recognise and celebrate the work (or life events) of employees or ask their line managers to do so.

"Recognition is an authentic, honest moment in which someone expresses their genuine gratitude for another's work," Mosley says. "That connection can build relationships and community."

He stresses that recognition has the greatest impact when it is "fulfilled, authentic, embedded in the culture, individualised and equitable". Again, AI tools can help HR with this, enabling them to convey heartfelt messages of encouragement when it matters to the recipients.

Research by Workhuman suggests that giving recognition is mutually beneficial. Managers who've done so in the past two months are more likely than those who haven't to love their jobs (75% versus 48%) and identify as highly engaged (89% versus 64%).

Building on this last data point, Gallup's most recent *State of the Global Workplace* report pegged employee engagement at about 23% last year. Given that this was the highest recorded percentage since the company started gathering such data in 2009, there is clearly significant room for improvement.

Now, thanks to AI, HR teams have no excuse not to be more human in the digital era, recognise the good work of others and gain job satisfaction in the process. ●

HR IS IN THE MIDDLE OF THE PACK IN THE GLOBAL AI ADOPTION STAKES

McKinsey, Stanford University, 2023

AI adoption rates in the private sector, by business function



RECRUITMENT

Three overlooked talent pools – and how to tap into them

With labour shortages holding back UK plc, firms willing to widen their search for skills, and tailor their recruitment and employment practices accordingly, could gain a key competitive advantage

Sam Forsdick



Military veterans

In April, retailer John Lewis became the 10,000th signatory of the armed forces covenant. In doing so, it made a formal pledge to treat British military personnel, veterans and their families fairly, including in employment processes.

With 16,250 people in the UK leaving military service in the 12 months to October 2022 – up 17.4% on the previous year – the armed forces collectively represent a significant pool of talent for other recruiters. But, while employers generally understand what military veterans can offer them, about a third admit to finding it hard to engage with that community, according to research by social enterprise GoodPeople.

“Lots of businesses have realised there’s an opportunity, yet not all of them have switched on to accessing that talent.”

So says Andy Pearson, senior business director, UK defence, at Hays. He believes that the barriers hindering ex-servicepeople from finding civilian employment exist at the earliest stages of the hiring process.

His view is shared by Chris Wilkinson, director at cybersecurity firm BSS and a former communications engineering officer with the Royal Air Force. He says: “If you see

a job spec within the armed forces, you have to be able to tick off every single qualification or experience required on it before even being considered. This means that a lot of military people can sometimes lack the ability to sell themselves.”

Wilkinson adds that employers should always bear in mind that some ex-servicepeople may have joined up at the age of 16, so they’re likely to have minimal experience of job interviews.

Beyond the recruitment stage, employers can provide further support to develop the veterans they have selected. This could include ensuring that they have clear objectives and rigid deadlines to help ease their transition from a highly structured working environment.

When it comes to longer-term retention, Pearson says that ex-servicepeople require a “support network around them, as well as ongoing investment from a training and development perspective”.

He adds that any employer that successfully hires anyone from the armed forces is likely to have brought valuable critical thinking skills into the organisation. “These people are solutions-focused,” Pearson stresses. “They are used to evaluating the challenges in front of them every day and making decisions.”



Older people

The number of working-age adults leaving the UK labour market rose sharply during the Covid crisis. A large proportion of these people were defined as economically inactive – that is, they were able to work but chose not to. This group’s growth has been cited as a key factor in the nation’s skills shortages and economic stagnation.

People aged 50 and over made up nearly three-quarters of the 830,000

who became economically inactive in the pandemic, according to data published by the Resolution Foundation in Q1 2023. But data released by the Office for National Statistics in the same quarter indicates that the tide turned late last year. People aged 50 to 64 have been going back to work in significant numbers since then – a trend that’s been described as the great unretirement.

Emma Harvey, HR chief operating officer at Axa UK, suggests that any employer should “be thinking a bit

more outside the box when it comes to catering for the needs of this older generation”. She notes that one of the initial challenges for employers is knowing where to engage with potential recruits in this age group.

“LinkedIn and Indeed aren’t necessarily the places where over-50s are looking for roles,” Harvey says. “We have had to take different routes to find them.”

Axa has used other social networks, such as Facebook, and refer-a-friend schemes to reach this talent pool.

Recruiting older people can also require adjusting workplace benefits. Last year, for instance, Axa became one of the first insurers to be accredited as menopause-friendly. It has also established numerous policies covering sickness, caring and dependency leave, which can be particularly helpful for older employees. The firm has also reviewed the imagery it uses on its website to ensure that it portrays a more inclusive working environment.

“Older people are realising that they’ve got the energy, motivation and passion to work,” Harvey says. “But they want to do it in a way that suits their lifestyles.”

Ex-offenders

It’s estimated that more than 11 million people in the UK have a criminal record, with those who’ve served time in prison finding it particularly hard to find legitimate employment.

“Business leaders tend to underestimate how many people there are with convictions,” notes Charlotte Gibb, employment and skills manager at Business in the Community.



The obvious obstacle for any ex-offender is the stigma attached to having a criminal record. All too often, an employer will dismiss an application out of hand without even considering what the candidate could offer. Business in the Community has been working for years to remove the stigma. In 2013, it started Ban the Box, a campaign urging firms to stop asking applicants at the early stages of the recruitment process to state whether they have a conviction. The charity believes that this tick-box question is often the first – and biggest – barrier to ex-offenders seeking employment. By removing it, recruiters can make more informed decisions, based on conversations with candidates, rather than discarding them immediately as a matter of course.

One firm that’s made a concerted effort to hire ex-offenders is Cook, a producer of frozen ready meals. Co-CEO Rosie Brown acknowledges that employing people with criminal records, particularly those who’ve served custodial sentences, is not straightforward. Employers must understand that may be taking on individuals with “chaotic backgrounds” who’ve experienced “the trauma of prison”, she warns.

Catering firm Social Pantry is another business that’s been trawling this neglected talent pool. The company works alongside charities such as Key4Life and Only A Pavement Away. Social Pantry’s founder and CEO, Alex Head, says that these organisations will provide extra support for firms seeking to hire ex-offenders for the first time.

“Charities can offer an employer a sounding board and answer any questions it may have,” she says. “They might have connections with the ex-offender’s family, which can be a key part of getting that individual into work.”

While research published by the Ministry of Justice suggests that 81% of consumers think that firms hiring ex-offenders are contributing to society, it can be harder for those firms to convince their staff to work alongside people with criminal records. But Brown reports that, once they start getting to know their new colleagues, they soon realise that they aren’t the dangerous recidivists that many media outlets make them out to be.

“It’s not easy,” she admits. “But I believe that everyone deserves a second chance – and a job can be life-changing.” ●

Q&A

How is M&A and investment shaping the future of HR technology?

AI is a hugely disruptive technology, but it’s not the only tech solution shaping the future of HR. **Georgios Markakis**, managing partner at Venero Capital Advisors, explains what M&A and investment trends tell us about the future of HR tech

Q Historically, what has been the role of technology in the HR function?

A As little as seven to 10 years ago, HR tech was the ‘unloved cousin’ of software as a service (SaaS). Valuation multiples for HR tech vendors were exceptionally low, as investors believed HR departments would be slow to adopt all these new SaaS tools that were coming to market at the time. Digital transformation of organisations was all the rage, but HR departments were late to the party.

Today, HR professionals are much less technophobic, and of course Covid turbo-charged HR tech adoption. Still, a lot of HR departments struggle with competing priorities, slow decision-making and an overwhelming selection of software to choose from. So, while technology has certainly made life easier for HR professionals, there is still tremendous room for it to become an integral part of the HR function across all its dimensions.

Q What are some of the key HR themes driving technological adoption?

A Adoption of HR tech is driven by business needs, and these needs are constantly evolving. Furthermore, each customer segment has its own specific requirements that HR technology aims to address. The universal problem is sourcing, screening and recruiting qualified talent. Despite literally billions of dollars having been invested into recruitment vendors, businesses still struggle. To cope, companies are naturally expanding their focus to include retention, which involves upskilling or reskilling current employees and supporting career paths within the organisation.

Beyond that, workforce management, particularly for frontline workers, is huge, while remote

working has given a boost to employers of record (EORs). And of course, the rollout of AI features will be a strong driver of further adoption in the medium term.

Q Today, everyone is talking about the AI revolution. What impact could that have on HR, and the sector’s adoption of tech?

A Artificial intelligence has been around for many years already, so it’s nothing new, really. Many software products already use AI to, for instance, facilitate candidate shortlisting, flag potential payroll errors and propose career paths, among other things.

HR professionals can expect software to become gradually smarter and more helpful – which of course is a good thing. The tricky part will be to understand AI’s many limitations, and to navigate matters relating to privacy, bias and the evolving regulatory landscape.

Q You’re tracking investment and M&A activity in the HR tech sector. Did you see this AI moment coming over the hill?

A At Venero we refer to the years 2015-20 as the period of ‘rapid innovation’. That’s when a lot of disruptive solutions came to market, and previously unseen amounts of funding flowed into HR tech. From 2020 onwards, we have been in what we call the period of ‘scale and consolidation’, with increased competition, consolidation among adjacent solution providers and a spurt of HR tech unicorns. To give you a sense, in 2021 alone more than \$42bn was invested in the sector. That’s more than in the previous five years combined. And from an M&A perspective, today we are seeing around 50% to 60% more acquisitions per year compared to pre-2020.



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So, from 2020 onwards, large numbers of AI startups started getting acquired – and often at eye-watering valuations. It was a race to obtain both AI technology and AI talent. In 2021 Venero Capital Advisors published a report titled The Inevitability of Explainable AI, where we talked about AI as the tech that would disrupt the disruptors.

Today, our view is that AI will eventually become table stakes, and HR tech vendors will need to find a different competitive advantage; a different moat. That moat will need to be data that allows AI to generate insights tailored to each company’s particular needs and circumstances. More data – and more custom data belonging to businesses, employees, candidates and the extended workforce – means a better product. A better product will attract more users, and more

users will in turn generate more data, reinforcing the competitive loop. This will be the moat.

Q M&A data can often act as an early warning system, showing a blip on the radar of coming trends. What are you seeing now in the sector that will come to fruition in the near future?

A There are three major trends driving M&A at the moment. The first is private equity entering the sector and acquiring dominant players, particularly in sticky areas such as core HR and payroll. We have seen an increasing number of acquisitions in the hundreds of millions – and even billions – of dollars. These include Cornerstone, Aight, Qualtrix and others. Having PE as a backer obviously strengthens the incumbents.

The second one is ‘vertical’ software, which means software that caters to the needs of specific industries or customer segments. Good candidates for such solutions include frontline workers, call-centre employees and healthcare staff. Companies often prefer vertical software to more generic (‘horizontal’) software, and this resonates very well with investors.

And the third trend is software vendors obtaining scale, whether through the acquisition of complementary products or expansion into new geographies. This is all driven by customer needs, of course, and

striking the right balance between an integrated platform versus best-in-class point solutions.

Q How do you see the HR tech space evolving in the coming years?

A HR technology is addressing core business needs, so tech adoption will only increase over time. The size of a software vendor matters to investors, and a unified experience matters to customers. So M&A consolidation will also continue regardless of the macro environment. We saw this last year, with the M&A slow-down that everyone was expecting but never materialised.

And investment into this space by both private equity firms and venture funds will also increase, particularly towards vendors with sufficient scale. The number of inbound enquiries that Venero has received just in recent months from private equity firms looking to acquire assets in HR tech is at record levels. This means more innovation, tougher competition and, ultimately, better products for HR practitioners.

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