

Key Insights – Facets of the Modern Workplace

(2022/23)

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At the start of 2022, many of us expected the world to return to normality.

2021 & 2022 were years more volatile than expected; with the rise of new covid variants, a war for talent and retention rates at an all-time low.

This volatility will only increase going forward, as new variants cause workplaces to move remote again and hybrid working creates further uncertainty around productivity.

These realities will be dovetailed by longer-term digital transformation, continued political disruption and stronger commitments to diversity, equality and inclusion.

Many employees will be greeted with real wage cuts as raises fall behind inflation.

This brief summary has been prepared to save time and keep you updated ahead of 2023.



1. Social equity and responsibility will be the defining issues for organizations

Debates around economic fairness, climate change and covid vaccinations have become flashpoints in society. According to our analysis, the frequency with which CEOs talk publicly about issues of corporate responsibility, social equality and inclusion has increased by 660% since 2018.

Going into 2023, senior leadership will likely need to address how relations are managed across an increasingly varied and diverse workforce. This will, in fact, be the number one priority for HR executives next year.

2. Wellness is becoming the new metric for understanding the employee, although uptake of programs is limited

Companies have long experimented with different metrics to understand their employees, their satisfaction and engagement. This will continue into 2023 with organizations adding new measures to assess the mental, physical and financial health of their workforce ahead of time.

In the wake of the pandemic and increased demand for greater work-life balance, many employers expanded support systems available to employees such as flexible working. A Gartner 2020 survey of HR executives found that:

- 94% of companies made significant investments in their well-being programs and 38% increased support for financial well-being initiatives
- 85% increased support for mental health benefits and 50% made additional resources available for physical well-being

These programs, however, only work for those who take advantage of them and statistics suggest less than 40% of employees took part or contributed towards well-being initiatives provided by their employer over the last year.

So far it has yet to be seen whether uptake will yield the results envisioned and it is likely employee retention will continue to be problematic, if not at record lows.



3. Employee turnover will continue to increase as hybrid and remote work become the norm

Flexibility and work-life balance are terms that have become synonymous. No longer a differentiator, employers are witnessing record levels of employee turnover as flexible options become table stakes.

Unfortunately for many organizations, offering flexible work or increasing its availability will not slow the tide of today's labor market. In fact, attrition will increase for two reasons.

First, there will be weaker forces binding employees. Those that work in hybrid or remote roles often have fewer social connections with their coworkers and this lack of emotional connection makes it easier for employees to feel disengaged. Studies also show colleagues working from home are less likely to be promoted. In fact, a Gartner survey of 3,000 participants conducted in the fall of 2020 revealed that 64% of executives consider in-office employees to be higher performers than remote employees and over 75% believe office workers are more likely to be promoted.

Second, there will be stronger forces enticing employees away as the pool of potential employers increases. With hybrid and remote work becoming more available, commutable distances go out the window and geographical radiuses for work suddenly expand. This increased attrition risk we are witnessing is likely to remain, even if a universal hybrid model were adopted whereby employees are expected to come into the office once a week. Compounding this further is the fact employees seem to be willing to undergo longer commutes if they are less frequent, which widens commuting tolerances significantly.

Altogether these factors will lead to a continuation of attrition rates higher than historical norms. At times it may seem as if the great resignation is shifting to the sustained resignation with employees moving to roles offering a value proposition that better aligns with their desires.

4. The complexity of managing a hybrid workforce will drive some employers to require a return to the office

More than 90% of employers are considering adopting a hybrid working model in 2023. While this will define the start of the year, we expect there to be numerous high-profile companies that change course and demand employees return to the office full-time. Factors influencing this include:



- Heightened turnover of employees working a hybrid schedule
- Anecdotal reporting of hybrid employees working multiple jobs at the same time
- Perceived loss of organizational culture

Employers must be cautious and unreservedly so, as a steadfast return to the office may only increase attrition rates and reveal that certain challenges were the culmination of other factors.

5. Diversity, equality and inclusion will worsen in a hybrid world without intervention

Recent analysis has identified that employees who work remotely or on a hybrid schedule can perform just as well as employees that work in the office. However, managers often perceive officers workers to be higher performing and they are statistically more likely to be promoted. Perhaps these perceptions will change over time and with further research post-pandemic.

However, so far what we do know is that women and people of color have a greater inclination to work from home than white men. This is concerning because without intervention, it is possible that gender pay gaps may widen and the degree of diversity across leadership benches may weaken. Underrepresented talent opting to work from home could, without intention, be excluded from critical conversations and networking opportunities that may drive future career growth.

6. Managerial tasks are being automated, enabling better relationships to be built with employees

The manager-employee relationship has become more important than ever, particularly for hybrid and remote employees whose managers form their primary connection to the employer.

In light of this, HR software vendors have started releasing products that replace a number of repetitive managerial tasks such as scheduling, approving expense reports and monitoring completion of tasks by direct reports. Artificial intelligence is a prominent feature across all of these and we will see further process automation in years to come. In fact, our research suggests up to 65% of managerial tasks have the potential to be automated by 2025.



This technological innovation may stall attrition somewhat, especially if senior managers are able to place a greater emphasis on the career trajectories of their employees, up-skilling their teams and fostering relationships that are both individualistic yet representative of the organization's values.

7. 'Quiet quitting' has taken the media by storm, despite existing for decades

The trend named by a 'generation Z' creator on TikTok involves setting boundaries at work and withdrawing from the idea of going above and beyond for your employer. It has become the ripple-effect of the Great Resignation that made jobs seem plentiful and shifted power back to employees.

'Coasting' or 'clocking in-and-out' while getting the bare minimum done is not a new phenomenon and has long been a facet of the modern workplace. Nevertheless, it is concerning that over 50% of employees feel disengaged and have considered 'quiet quitting' in the last year.

To respond effectively, executive leaders must re-engage their employees and their intrinsic motivations, go beyond traditional incentivization schemes and think about the personal touch going into 2023.

8. The emergence of the Chief Purpose Officer

Issues of politics, culture and social debate have recently entered the workplace. Nowadays 75% of the workforce expects their employer to be involved in societal debates. Furthermore, research indicates that employee productivity and engagement can decrease by as much as a third when disappointed with the company's stance or failure to take a view on political events.

Some conflict has emerged, however, as result of this increased politicizing of the workplace. The fact more than 40% of employees actively avoided a coworker in the last year due to political beliefs shared in the office suggests there is certainly a careful balance to be struck.

The shifting nature of organizations — how they relate to local communities and their role in society — is giving rise to a new C-suite position: the Chief Purpose Officer. These responsibilities are currently diffused across different functions such as HR, legal and public relations. However, we will likely see them consolidated as social purpose becomes even more important to corporate strategies.



9. The changing dynamics of leadership

Going into 2023, senior executives must prepare to thrive in a period of turbulence and balance employee productivity with wellness, satisfaction and belonging.

We have ultimately been living through the greatest workplace disruption in generations and the pace is not slowing down; with the incoming recession, rising fuel costs and war in Eastern Europe. What can change, however, is organizational resilience, capacity and appetite for disruption.

It seems in preparation for the years ahead, organizations have already started turning to CEOs with broader C-suite leadership experience than their predecessors; reaching beyond the traditional remit of CFOs & COOs to include chief technology officers and risk specialists.

Considering almost 40% of newly appointed executives leave within 18 months, it is likely executive selection will remain one of the most important decisions for a business of any size.

