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Global Talent Trends 2026

Driving exponential performance:

Solving the human-machine equation



Introduction:
A year where only exponential performance will do

In 2026, the velocity and volatility of change will likely not abate as organizations continue to strive for growth amid uncertainty. But that growth — value creation, agility and productivity — is increasingly harder to come by: markets are mature, competition is global, disruptors move fast and risk is heightened. To remain competitive, organizations need every facet of the business performing at its peak.

Exponential performance isn't just essential: it's existential.

The pressure to deliver exponential improvements in economic performance — through greater agility, productivity, efficiency and impact — is intensifying for leaders, HR professionals and employees alike. Yet this year's Global Talent Trends study reveals that alignment is breaking down. Leaders are pushing harder for productivity and efficiency, while investors favor organizations with AI-enabled, digital-first cultures that are built to deliver sustained performance. Both ambitions, however, are at risk of being thwarted by a depleted workforce and HR functions that remain siloed and disconnected from business priorities.

To unlock exponential performance and ensure sustainable growth, organizations must act now, intentionally redesigning work, processes and operating models to create the systems that will enable success for all stakeholders. Now is the time for bold bets. Organizations that transform to maximize human and machine capability will win big; the rest will be left in the dust.

Global Talent Trends is based on a survey of approximately 12,000 respondents (C-suite executives, HR leaders, investors and employees). It uncovers four trends as critical levers for leaders in solving the human-machine equation:



Reinvent for a human advantage:

AI alone is not enough: work must be redesigned around human-centric principles, with cultures of AI-enablement powered by skills intelligence.



Leap forward with insight:

Talent foresight is the best risk mitigation strategy, enabling leaders to leverage workforce intelligence to plan ahead and pivot at pace.



Recalibrate the value exchange:

To drive growth and compete for talent, the employer-employee relationship must be redefined to ensure each sees impact from their investment.



Unleash a new HR era:

HR must stop looking inward and start designing outward. Its entire future relevance depends on its ability to enable the entire system, not optimize for itself.

Together, these trends outline a path from experimentation to intentional, scaled transformation — one that delivers exponential and sustainable improvements in performance, leverages AI as a force multiplier for human capability, and recognizes and manages people risk as a business risk.

Key insights for senior leaders

1. The C-suite and HR are misaligned on what drives performance in the human-machine era

While executives are focused on redesigning work around AI and strengthening people analytics capabilities, HR leaders risk strategic misalignment, just when they need to reinvent.

HR's top priorities for 2026[1]

1. Enhancing the employee experience/EVP to attract top talent
2. Designing talent processes around skills
3. Rolling out new HR technologies or optimizing existing platforms

C-suite's top people initiatives for driving ROI[2]

1. Redesigning work to incorporate AI and automation
2. Improving HR/people analytics capability
3. Improving managers' abilities to lead an integrated workforce (humans and AI agents)

2. Intentional work redesign is the missing piece for sustainable human-machine performance

C-suite leaders and investors see redesigning work to incorporate AI and automation as a major value driver, yet only a minority believe the workforce can combine human and machine capabilities.

63%

of executives believe redesigning work to incorporate AI and automation is the people initiative that will drive the greatest return

Only 32%

believe their workforce can optimally combine human and machine capabilities

1 (Top 3 of a list of 22)
2 (Top 3 of a list of 22)

3. Talent scarcity risks constraining growth ambitions

Skills shortages will make it harder for organizations to drive performance. In an AI-enabled world it is talent, not tech, that delivers a competitive edge.

54%

of the C-suite say talent scarcity is the top macro driver influencing people plans

59%

of HR leaders say difficulty attracting talent with vital digital skills is the top workforce challenge facing businesses in 2026

4. Executives are planning near-term organizational design changes

Almost all organizations will undergo significant design changes in the next two years, including AI-related headcount reduction.

98%

of executives are planning organization design changes in the next two years

99%

of executives expect AI to lead to at least some headcount reduction in the next two years

5. Talent intelligence emerges as a key differentiator — but significant gaps remain

Investors and executives rank improving people analytics as among the top two people priorities for driving ROI, but HR is falling short.

Executives in high-growth companies[3] are 2x more likely to believe that acting on talent insights is as critical as acting on financial insights

57%

of the C-suite see improving people analytics capabilities as the people initiative that will drive the most ROI in 2026

27%

of executives believe their HR team effectively advises them on human capital risks and opportunities

3 High-growth firms: Survey respondents self-reported business growth of 10+%; Low-growth: Self-reported less than 3% growth

6. A collapse in employee thriving threatens productivity

A depleted workforce, anxious about AI-driven job displacement and alert to inequities in AI access, cannot deliver sustained, exponential performance.

44%

Employee thriving in 2026

66%

Employee thriving in 2024

35% of employees would consider leaving their organization if they felt disadvantaged by unequal access to AI tools or training

7. It's now or never for HR reinvention

Few organizations report an embedded strategic HR function, and most respondents expect HR and IT to merge in the near future. HR reinvention is non-negotiable.

8% of the C-suite see HR as an embedded strategic function today

Organizations with an embedded HR function report:

Greater resilience:

76%

of executives say their business is resilient and can withstand unforeseen challenges versus 62% of organizations overall

Improved talent competitiveness:

78%

of executives say their organization is well-placed to compete for top talent, versus 62% of organizations overall

56% of HR leaders expect HR and IT to increasingly merge

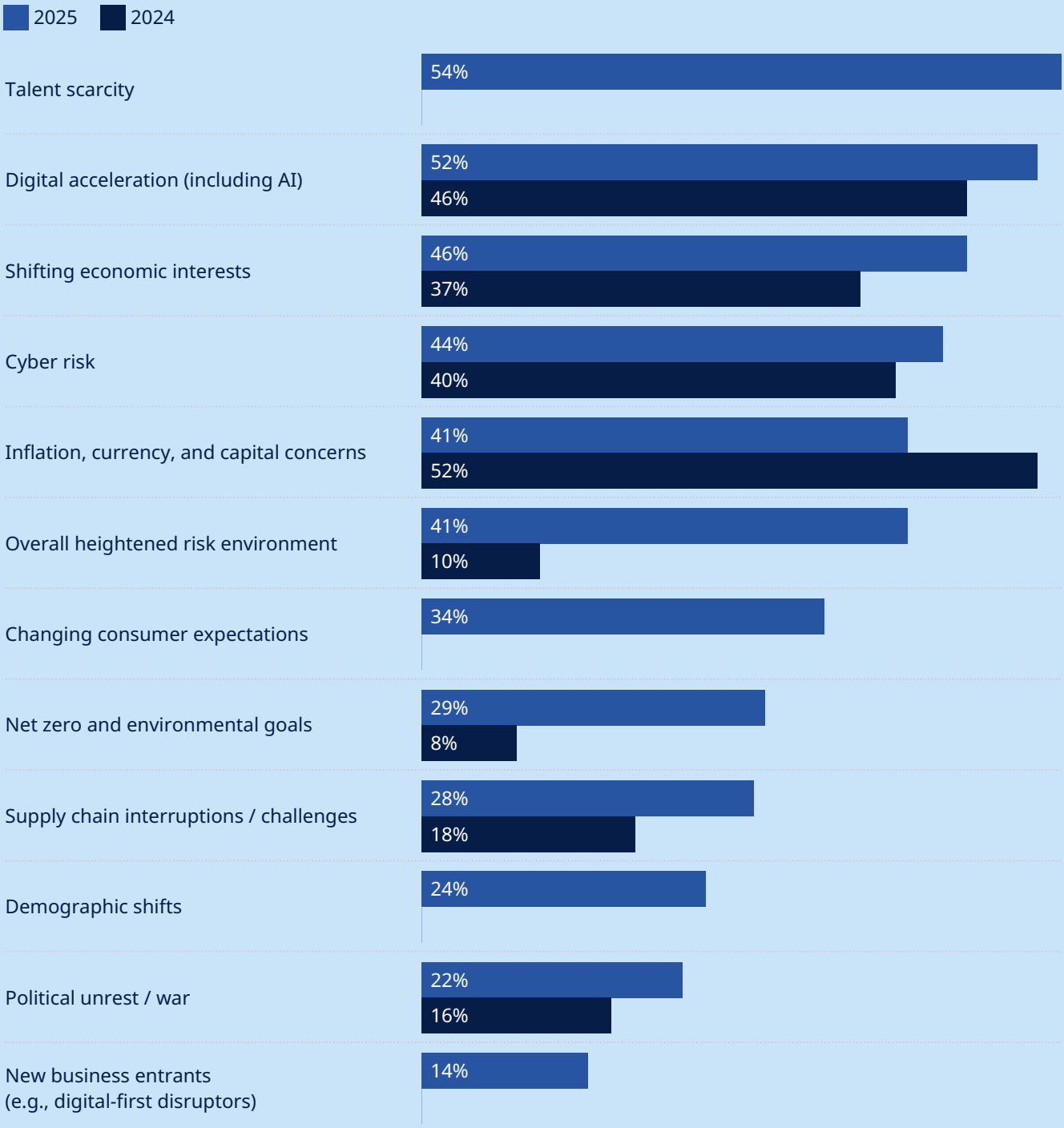
In the human-machine era, people risk is business risk

Executives remain gloomy about the path ahead: 57% expect a stormy or turbulent outlook over the next 10 years.[4] Emerging risks such as misinformation and increased geopolitical conflict add complexity to a fragile and volatile landscape. This context demands the balance of long-term strategic planning with meeting short-term operational needs — in other words, simultaneously running and transforming the business — something 81% of executives admit leaders in their organizations struggle to do.[5]

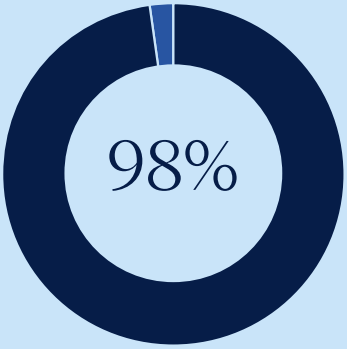
In 2025, executives said their biggest short-term risk to business growth was talent-related: reskilling and upskilling their workforces to keep up with shifting consumer demands, evolving business models and transformative new technologies.[6] In 2026, talent continues to drive the leadership agenda: talent scarcity is the top social or economic force influencing people plans at an enterprise level, as identified by executives. This is followed by digital acceleration and shifting macroeconomic factors, such as de-globalization and tariffs.

4 World Economic Forum. Global Risks Report 2026. Available at https://reports.weforum.org/docs/WEF_Global_Risks_Report_2026.pdf.
5 Mercer. 2025 Executive Outlook Study: Invest with Intent. Available at https://www.mercer.com/assets/global/en/shared-assets/global/attachments/pdf-2025-mercer-executive-outlook.pdf.
6 Mercer. 2025 Executive Outlook Study: Invest with Intent. Available at https://www.mercer.com/assets/global/en/shared-assets/global/attachments/pdf-2025-mercer-executive-outlook.pdf.

Macro drivers influencing C-suite people plans

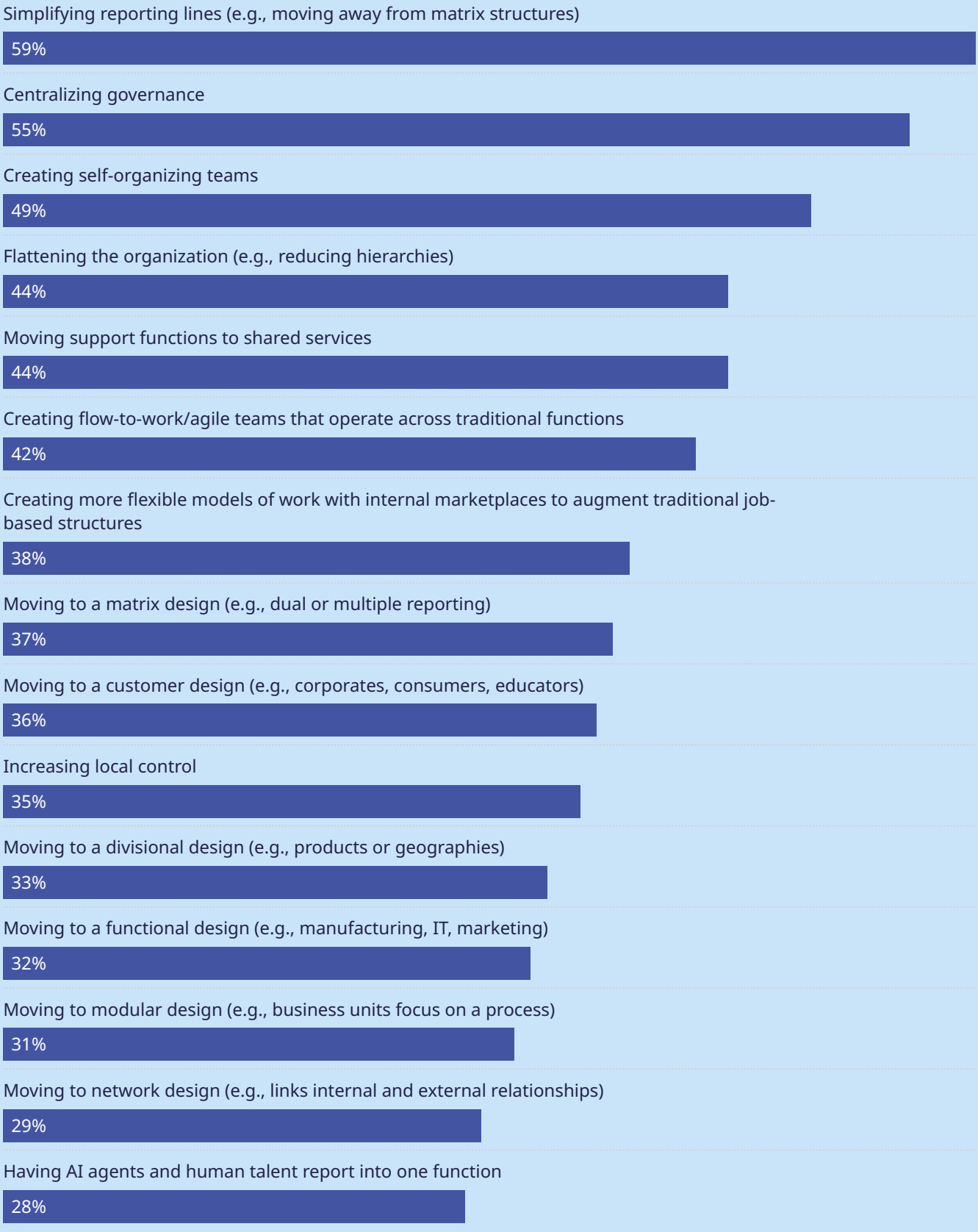


In response to the social and macroeconomic forces buffeting their businesses, as well as the rate of digital acceleration, almost all executives are planning organizational design changes. The question is how to ensure these changes drive the agility and productivity needed to deliver exponential and sustainable improvements in performance, beyond short-term gains in efficiency.



98% of executives plan to make organizational design changes over the next two years

Planned organizational design changes over the next two years



Redesign with intent

For an AI-powered future, the 2026 watchword is intent. In a machine-enabled world, organizational systems and work itself must be redesigned to both deliver business impact and amplify human potential. Most of the C-suite believe redesigning work for AI and automation is the people initiative with the highest potential ROI. This must be the year organizations move from incremental experimentation to intentional AI integration at scale, and they must take their people with them. The time to act is now.

Leader, HR and employee misalignment threatens growth

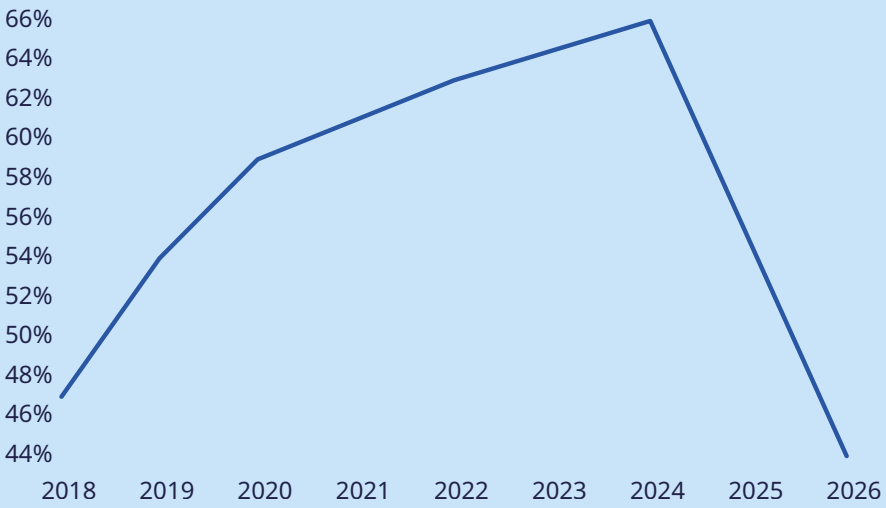
Achieving and sustaining exponential levels of performance requires continual transformation at pace and scale — but there is a disconnect between stakeholders that risks constraining growth and fueling workforce burnout and resentment.

Leaders are pushing for productivity, and investors expect to see returns on AI investment, but both will be impossible to achieve without a thriving workforce and organizational systems that support continuous reinvention.

This year is the lowest-ever score in employee thriving at work (defined as prospering in terms of health, wealth and career) since this measure was introduced in Global Talent Trends 2018. Burned-out, demotivated people cannot deliver a sustainable transformational agenda, and any productivity gains through technology implementation will be short-lived. Exponential performance is not about ‘sweating the assets,’ but building the human systems that enable people to flourish in pursuit of business outcomes, supercharged through AI and backed by people science and insight.

Employee thriving has fallen sharply

To what extent do you feel you are thriving in your work?



What's more, while the C-suite and investors seek growth through AI, HR functions are not prioritizing the impact of AI on work accordingly. No wonder, perhaps, that only 8% of executives see their current HR function as strategically embedded. The message for HR is clear: reinvent now or risk irrelevance, as executives become frustrated with the function's lack of focus on business alignment and the outcomes that matter most.

Global Talent Trends methodology

Global Talent Trends is a global survey of approximately 12,000 people (C-suite executives, HR leaders, investors and employees) from 16 geographies and 16 industries. Data was collected over one month (September - October 2025) via online surveys through a third-party fieldwork provider.

Sample sizes for the specific groups referred to throughout this report are as follows:

9250
Employees

825
C-suite

1650
HR leaders

100
Investors



Reinvent for a human advantage

Artificial intelligence is at the forefront of every leader's plans. But capitalizing on it remains elusive: despite $30–40 billion in enterprise investment into generative AI, a study by the Massachusetts Institute of Technology found 95% of organizations are getting zero return.

Merely deploying AI is not enough to amplify human potential and achieve exponential business performance. AI delivers value only when work is redesigned around it, not when technology is layered onto outdated work models and processes.

Work redesign must focus on deconstructing jobs and workflows, understanding where AI can substitute, augment or transform work, and reconstructing new ways of working for greater impact. This process of redesign shines a spotlight on 'sunset' and 'sunrise' skills, optimally combining AI's technical prowess with the creativity, empathy and critical thinking of the workforce. An intentional, outcomes-led approach to continuously replanning, reskilling and redeploying talent — grounded in dynamic skills intelligence and supported by a culture of AI-enablement — drives sustainable performance gains.



7 MIT Nanda. The GenAI Divide: State of AI in Business 2025. Available at https://mlq.ai/media/quarterly_decks/v0.1_State_of_AI_in_Business_2025_Report.pdf.

Redesign work for the future

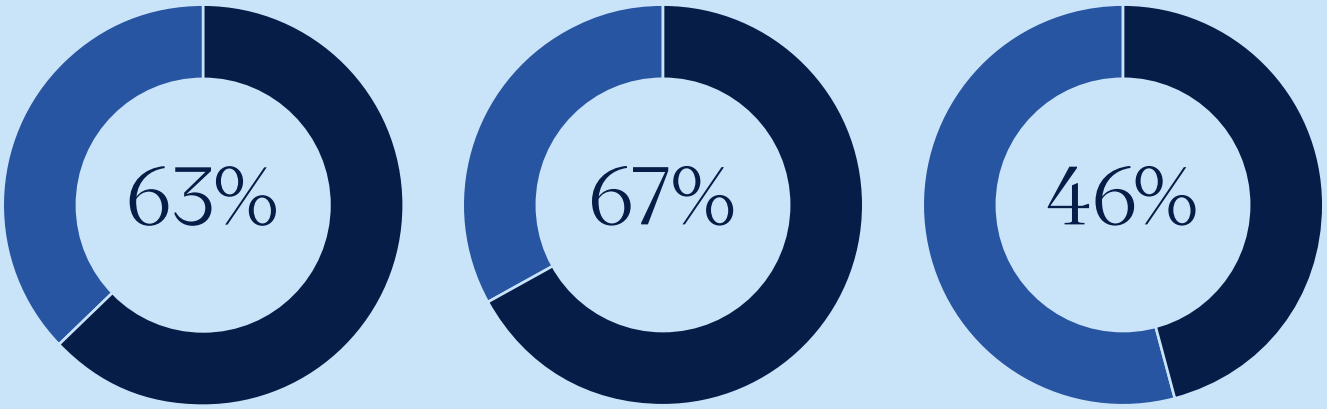
Harnessing AI to drive agility and unlock scalability and exponential performance requires leaders to think beyond use cases or democratizing access to AI tools. Rather, it requires them to shift from a technology-first to a work-first approach, redesigning work to optimize human-AI collaboration while recognizing shifting skills and agility requirements.

Instead of structuring work around fixed jobs, rigid processes and narrowly defined roles, work should be seen as a fluid system of tasks to be tackled by human and/or machine capability. Don't focus on how technology could be applied to existing jobs and processes to eliminate human work. Start with asking: what work needs to be done? Deconstruct tasks to understand which elements can be substituted, augmented or transformed using AI, reviewing the risks of transferring agency along the way.

Realizing a return on AI investments depends on intentional work design, not passive adoption, but leaders appear misaligned. While the C-suite believes redesigning work to incorporate AI and automation will deliver the greatest ROI in 2026, less than half of HR leaders plan to prioritize it.

This suggests a disconnect on the part of HR when it comes to understanding the importance of redesigning work around AI and human capability, an area where they have unique potential to lead. Work design must become a core organizational competency, with HR leaders stepping into the space of work architect to help steward organizations, leaders and employees into the new world of work.

Redesigning work to incorporate AI and automation is a top 2026 people priority:



Orchestrating human and machine collaboration

New operating models can optimize human-AI collaboration and unlock exponential gains in agility, productivity and innovation. The ability to amplify human capability in the machine era becomes a core competitive advantage.

Digital acceleration will lead to significant dislocation of people: leaders must ensure this is intentional, its consequences understood and calibrated for. With employees depleted, sustainable success requires long-term thinking, not the chasing of short-term gains.

72%

of investors agree organizations that are embracing the integration of both human and AI capabilities create stronger competitive advantage

33%

of executives see redesigning work to optimize human and AI capabilities as the greatest leadership challenge in leveraging AI for business growth

51%

of executives agree their organization is well prepared to succeed in the human-machine era — down from 65% in 2024

The future lies in managing humans and technology side-by-side, but the C-suite isn't confident the workforce can effectively combine their skills with machine capabilities. The toolset may be enhanced, but challenges with organizational mindset and skillset remain. Fewer executives believe their organization is well prepared to succeed in the human-machine teaming era today than in 2024. But with investors more likely to get behind organizations where AI is integrated into the very fabric of work, orchestrating human-machine collaboration is business-critical.

The future of work combines human and machine capabilities

82%

HR leaders: say the future of HR lies in managing humans and digital agents side by side

32%

C-suite: believe their workforce can optimally combine human and machine capabilities

60%

Investors: are more likely to invest in organizations with embedded and integrated AI throughout the workforce

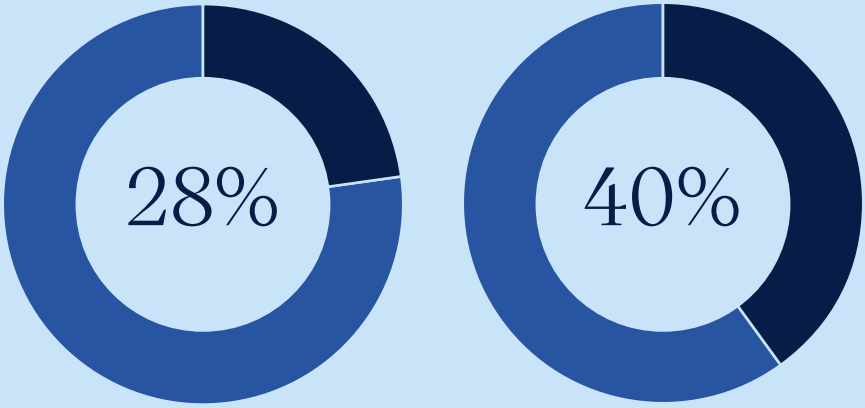
72%

Employees: agree that AI/automation will improve how their job is being done in the next two years

Build a culture of AI-enablement

Employees are increasingly concerned about job loss due to AI. This anxiety will impede value creation, agility and productivity unless leaders urgently address it. They must build a culture of AI-enablement, grounded in trust and emotional support, addressing the psychological and emotional impacts of AI openly and transparently, providing equitable access to tools and a commitment to continuous reskilling and upskilling.

Employees: "One of my biggest concerns about the future of work is job loss due to AI"



Leaders should commit to transparent communication, actively involving employees in work redesign strategies, giving them agency and visibility over how their work is changing. Clear messaging about AI's evolving capabilities and impact on work — what it can and cannot do, how it substitutes some tasks and augments others, and how it creates new work — alleviates fear and fosters confidence.

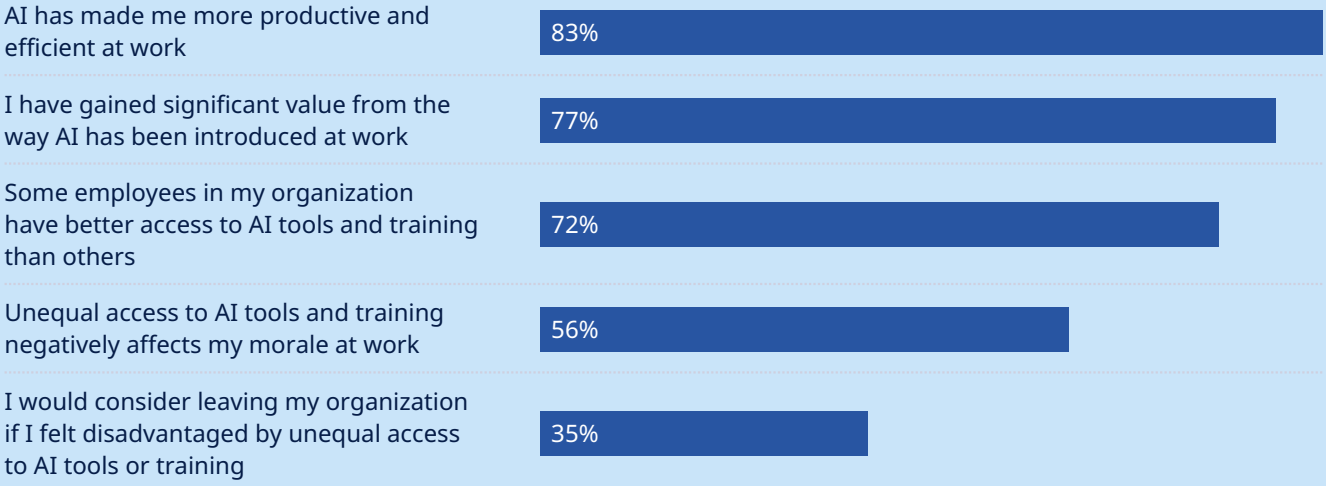
Alongside this, building AI literacy while developing new technical and human skills, like critical thinking and creativity, gives employees confidence that they have opportunities to stay relevant. And investors recognize the need for reskilling and upskilling.

77% of investors are more likely to invest in companies that are committed to empowering their employees through AI education and training

Ensuring fair access

Employees do see the value in using AI, believing it has made them more productive and efficient. But leaders must ensure AI opportunities are fairly distributed: unequal access can negatively impact morale and intention to stay.

Improved productivity but unequal access: Employee sentiment on AI



During continued economic volatility, AI amplifies uncertainty. Employees believe leaders underestimate the negative emotional and psychological impact of AI on employees. They are right.

62%

of employees believe leaders underestimate the negative emotional and psychological impact of AI on employees

19%

of HR leaders consider the psychological and emotional impact of AI technologies as part of their digital implementation strategy

Leaders cannot afford to neglect the human impact of AI implementation. Do so and risk both losing talent and missing out on the value that can be unlocked through an AI-enabled culture — one that allows for rapid adoption and continuous learning built on trust, and where AI is a force multiplier for human capability.

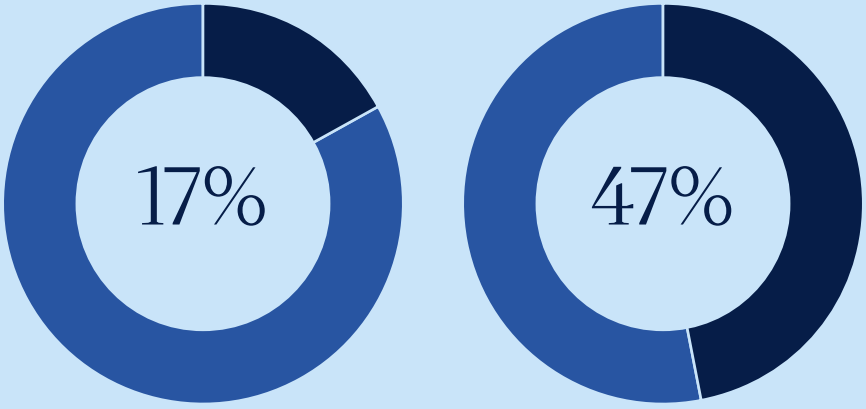
Strengthen skills intelligence

Dynamic skills intelligence (the continuous signaling of changing supply and demand for skills, and insight into skills gaps) is a foundational pillar for AI-centered reinvention. Investors recognize AI is disrupting skills at speed and scale — and employees feel it, too.

With AI agents rapidly shifting the workforce skills required, organizations must rethink talent practices, empowering people to continuously upskill and reskill. But only half of the C-suite believe they are investing enough today to close the skills gaps they expect to face tomorrow.

Employees are acutely aware of the need to stay relevant, and willing to trade pay increases for upskilling opportunities. As work radically changes, skills — not jobs — are becoming the new workplace currency.

"I worry about my skills staying relevant"



53%

of employees worry about lacking future-ready skills

63%

are willing to trade a 10% pay increase for opportunities to upskill in AI and digital skills

Embrace dynamic talent and reward practices

Developing a workforce with future-fit skills requires forward-thinking talent practices. HR must lead the transition from static, job-based hierarchies to dynamic, skills-powered roles, deploying people when and where their skills are needed. Investors see the value in such an approach, yet dynamic talent models (aligning skills and talent with business demand) remain rare.

Implementing skills-powered workforce planning and talent practices is critical, as is investing in measuring technical and human skills, and building leadership capabilities to manage blended human-agentic AI teams. As AI changes the demand for skills, it also has the power to transform skills intelligence, enabling organizations to supercharge their insights.

97%

of investors say their investment in an organization would be negatively impacted by a less progressive approach to agile and skills-based models

32%

of investors would not invest at all in an organization with a less progressive approach to agile and skills-based models

63%

of the C-suite agree that leaders need to move toward skills-powered talent practices to ready their organization for the future



Reinvent for a human advantage: Recommendations for leaders

- Align C-suite and HR leaders to a clear AI-human work strategy that redefines roles, processes, structure and culture for agility and collaboration. Shift from ‘spraying and praying’ with AI to intentional work design.
- Bring people on the journey via a culture of AI-enablement, with equitable access, transparent communication, and emotional and practical support to empower all employees to redesign work.
- Integrate work design with people strategy by rethinking talent and reward practices through the lens of skills, investing in AI-powered skills intelligence platforms for real-time skills mapping and agile talent deployment.
- Design space for learning within the flow of work, and make upskilling and reskilling a strategic business priority — not a matter of HR compliance.
- Implement impact measurement systems to track productivity, talent redeployment, and other performance and workforce gains from work redesign. Communicate results to sustain momentum.

Leap forward with insight

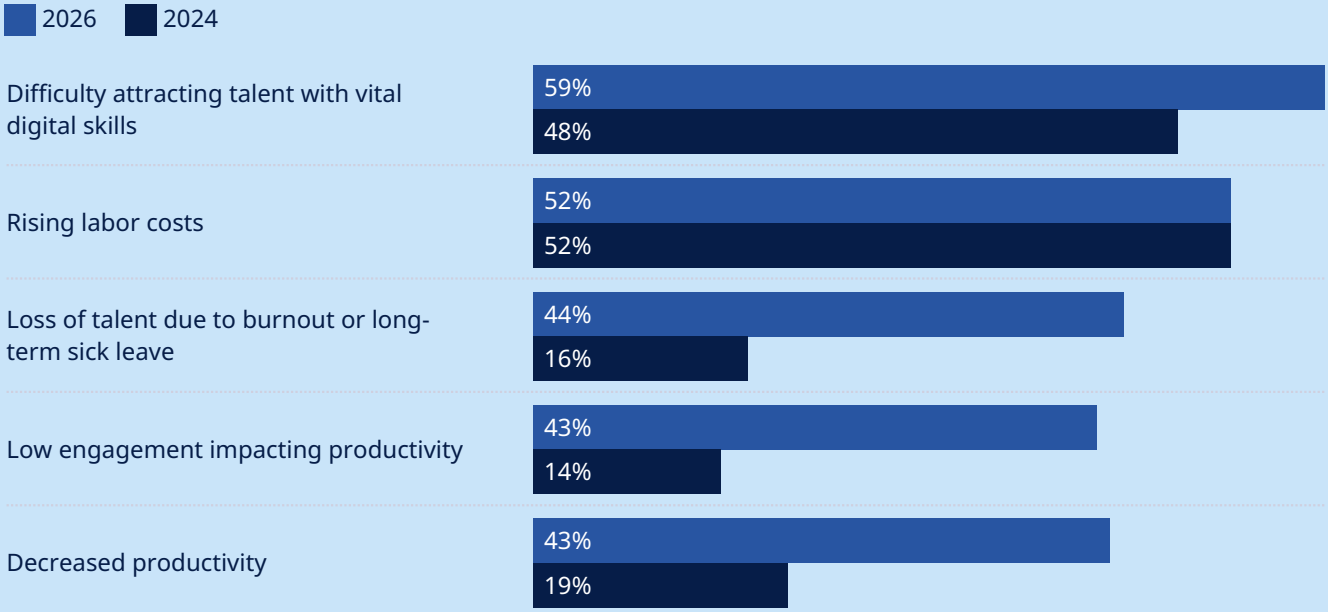
While leaders are focused on maximizing returns from AI investment, they face a looming talent crisis. With employee thriving plummeting, more people planning to quit, and heightened anxiety over AI, workers' capacity to drive performance is being challenged.



HR leaders foresee talent-related challenges on the horizon: skills gaps, rising labor costs, burnout and low engagement levels.

Transformation depends on talent, not just tech

HR: Top 5 workforce challenges facing businesses in 2026



Bottom ranked challenge (of 17): Slow adoption of new technologies: 23%

When people risk is business risk, talent foresight is the best mitigation strategy. Businesses that harness their workforce data will be able to make faster, smarter decisions. Leaders need data-driven talent processes to ensure organization and work redesign are executed with precision, optimizing talent to drive performance and translating workforce insights into action.

Take action on workforce signals

Workforce insights must keep up with shifting business demands, enabling organizations to proactively and precisely reshape themselves. Despite advances in technology, many organizations lack the integration and agility needed to fully exploit workforce intelligence. In fact, 55% of executives say their organization underutilizes the workforce intelligence it has today. Few believe their HR team effectively advises them on human capital risks and opportunities.

People analytics capabilities require strengthening

76%

of investors expect leading firms to prioritize improving people analytics capabilities to deliver the greatest ROI

57%

of the C-suite see improving people analytics capabilities as the people initiative that will drive the most ROI in 2026

48%

of HR leaders see improving people analytics capabilities as a top priority for 2026

27%

of executives believe their HR team effectively advises them on human capital risks and opportunities

Without talent intelligence, leaders can't plan effectively. But if organizations prioritize the wrong signals, they risk 'insight theater' — slick dashboards, little impact. Two-thirds of executives believe their organizational data tells them only what is most urgent, not what is most important. There is a mismatch between the workforce insights executives want and those HR teams are providing, with HR underserving on high-stakes, predictive decisions.

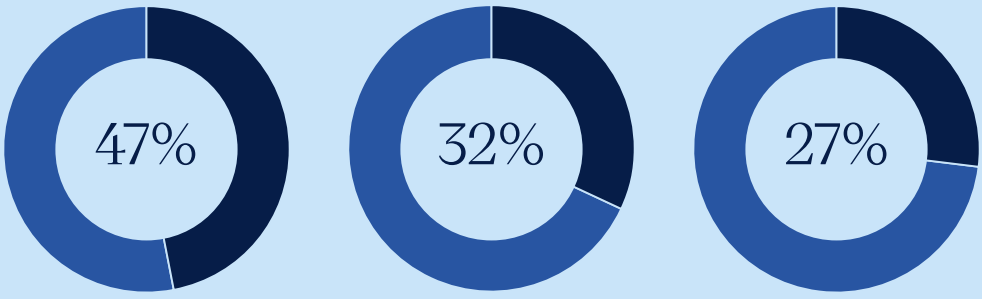
Workforce insights misalignment

Top 5 workforce insights executives want	Top 5 workforce insights HR teams are most likely to have available
1. What productivity gains can be achieved by implementing AI/automation?	1. How productive is each individual, team, department?
2. How is AI shifting skills premiums and impacting skill gaps?	2. What investments related to pay, benefits or retirement have the maximum ROI for different employee groups?
3. Which leadership behaviors contribute to the most thriving/engaged teams?	3. How effective is HR at meeting employees' needs?
4. What is the impact of different pay strategies on business results?	4. How effective is HR at meeting business needs?
5. How effective is HR at meeting business needs?	5. *(Joint position)* To what extent are there pay inequities across the workforce? / What is the adoption rate of newly implemented strategies?

Foresight through workforce intelligence

Moving with speed and precision calls for robust, real-time workforce intelligence to support decision-making and proactive work design. But many organizations lack the insight to map skill supply and demand, let alone access predictive insights (e.g., whether someone is at risk of burnout or requires a nudge to expand their skillset).

Talent insight gap



My company recognizes the jobs and tasks I am best suited for

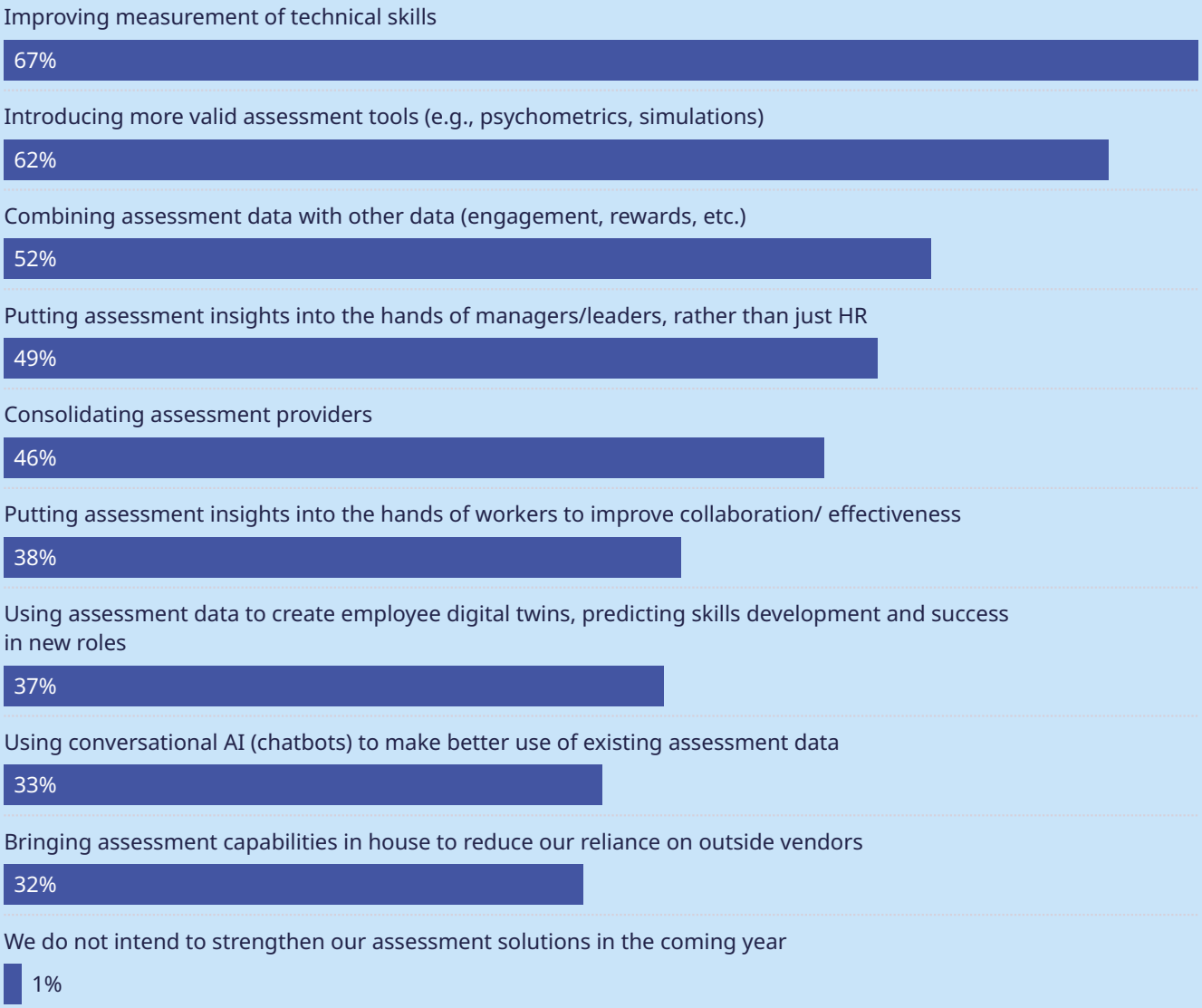
My company is aware of my potential to operate in more complex or senior roles

My company has a clear view of my behavioral skills

Source: Employee sample

Improving talent intelligence is on HR's radar for 2026. But while AI enables talent-related data ingestion at scale — consolidating real-time insights and validating them against business outcomes — it is not yet mainstream in talent processes.

How HR leaders plan to evolve talent assessment strategy in the next 12 months



AI in talent processes today

31%

use AI in internal talent management

25%

use AI in strategic workforce planning

25%

use AI to support work redesign

23%

use AI in predictive models to forecast how talent will develop

Taking action on workforce signals should become as much of a discipline as taking action on market and financial signals. It is becoming so in high-growth companies, where talent and business planning converge.

Executives in high-growth companies[8] are 2x more likely to believe that acting on talent insights is as critical as acting on financial insights

79% of executives say that 'having better insights into our talent's capabilities is key to delivering outsize performance'



8 High-growth firms: Survey respondents self-reported business growth of 10+%; Low-growth: Self-reported less than 3% growth

Drive agile talent practices

Shifts in hiring patterns, demographics and AI capabilities are eroding talent pipelines. Addressing talent scarcity and knowledge loss requires agile and adaptive talent practices, replacing tenure-based structures with those based on skills and potential. Careers and talent pathways must enable mobility and continuous skills development, moving at pace to keep up with technology.

A ticking talent timebomb

#1

Talent scarcity is executives' #1 workforce concern

99%

of executives say AI will lead to some headcount reductions within two years

60%

of HR expect 11-20% of their organization's workforce to be redeployed or reskilled due to AI within two years

40%

of employees are planning to leave their organization in the next 12 months

Pipeline disruption of this magnitude means that identifying and securing the right talent and developing it at pace has never been more business-critical. But in most organizations, traditional talent processes are sluggish at best.



Adoption of skills-powered processes lags behind need

47%

of executives say talent intelligence systems help hire people, not develop them

35%

of HR leaders believe their talent data enables them to quickly identify who might be most suitable for a role or assignment

46%

of employees say that career progression tends to be based on tenure, not skills

30%

of organizations have a talent marketplace

Only 26%

of employees say lateral moves are prevalent in their organization

Organizations must prioritize AI-powered talent velocity, building skills in the flow of work (experiential learning has seen the biggest rise in effectiveness in closing skills gaps) and focusing on learning pathways. Smart moves come from clarity around the skills the organization has and those it needs. Highly agile companies are more likely to agree that their talent processes identify true future leaders rather than today's top performers.

Skills-powered, dynamic talent practices require leaders to be talent developers and exporters, not hoarders. A lack of lateral moves is symptomatic of a climate focused on short-term gains at the expense of strategic skills growth. Promoting internal mobility through short-term projects and flexible roles must become a priority as business and talent agendas fuse.

Redefine the leadership blueprint

The ability to navigate complexity and manage leadership paradoxes — investing for the long-term while seeking short-term efficiencies, building digital-first cultures while leading with empathy — requires a powerful blend of IQ, EQ and D(igital)Q. As companies plan for an AI-driven future, inspiring change toward new ways of working is 'make or break.'

Leadership development: The first line of defense

83%

of investors say that organizations led by executives with high adaptability and resilience will outperform their peers during market disruption

#1

Executives believe leadership sponsorship and role modeling is the #1 driver of transformation

40%

of employees say having a leader who sets clear direction helps them thrive at work, up from 21% in 2024

#4

Inspiring and trustworthy leadership is a top 5 reason for people staying with their current employer (#4, up from #11 in 2024)

37%

Yet only 37% of HR leaders believe their high-potential identification and succession planning works well

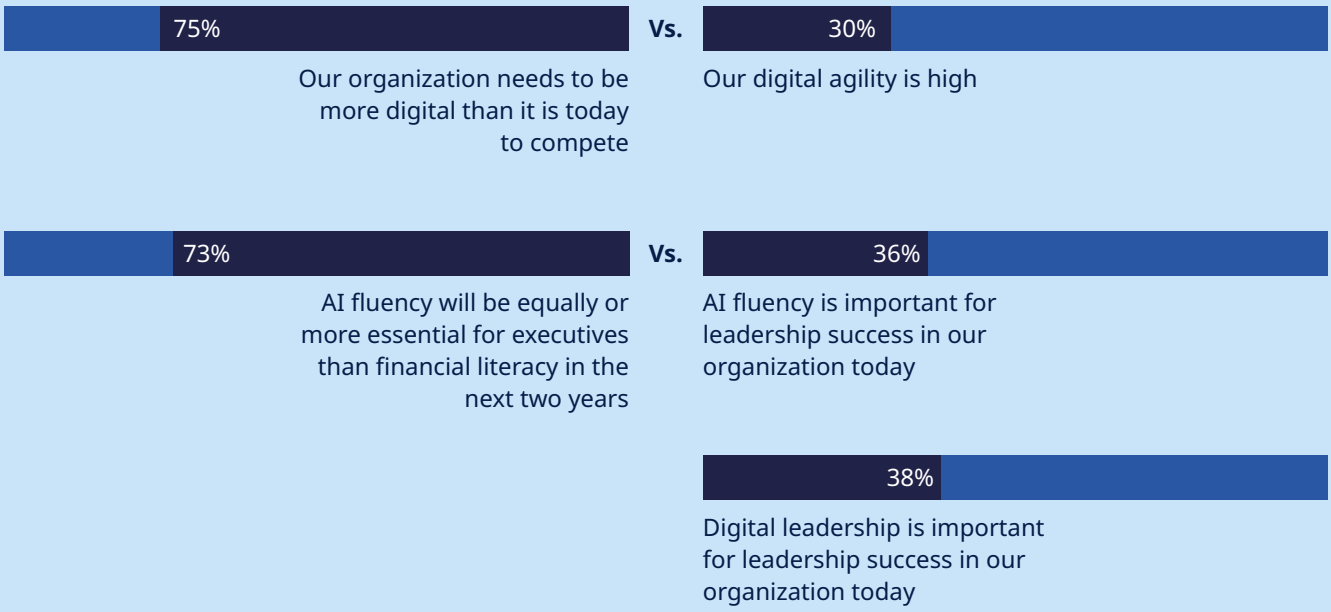
Building digital fluency

Organizations struggle to develop digitally fluent, resilient leaders who can manage transformation. Executives are focused on building leadership capabilities in risk, strategy, accountability and critical thinking (IQ attributes). Employees feel EQ skills (communication, empathy, integrity and honesty) are most important.

Both IQ and EQ remain non-negotiable, but must be accompanied by DQ: digital know-how. And this is where leaders are lacking. Executives are prioritizing business thinking today as risk, strategy and commercial fundamentals shift at pace. But tomorrow, digital leadership — managing agentic workforces and leading hybrid teams confidently and ethically — will matter as much, if not more.

Digital leadership: The awareness-action gap

C-suite:



Talent science is a business priority

Talent science is no longer a niche HR capability; it is a driver of exponential business performance. Leaders need evidence-based insights to identify high-potential talent early, make confident succession decisions, and invest in leadership capabilities for the future. The result is a stronger, more resilient leadership pipeline — deliberately built to meet tomorrow's challenges, not yesterday's job descriptions.



Leap forward with insight: Recommendations for leaders

- Harness comprehensive workforce data and AI-driven insights to anticipate talent needs and precisely reshape workforce strategies
- Redefine leadership development to build digitally fluent, resilient leaders capable of managing hybrid teams and inspiring people through complex change
- Adopt agile talent management practices that prioritize skills, potential and mobility over tenure, supported by AI-enabled career navigation tools and talent marketplaces
- Embed continuous feedback and sentiment analysis into manager dashboards to stay attuned to workforce signals and enable leaders to proactively address people risks
- Align talent processes with business strategy through active scenario planning and predictive analytics around workforce behaviors to drive exponential performance



Recalibrate the value exchange

Leaders have access to a wealth of workforce signals, creating an opportunity to generate insight and drive meaningful outcomes through talent practices, converting workforce intelligence into performance at scale. And in a tough environment, the employer-employee value exchange comes under scrutiny: is it delivering maximum returns and driving the right outcomes? And if not, how can taking action on workforce insights help transform it?

In response, organizations are redefining the employer-employee relationship to ensure it both drives sustainable growth and enables them to compete for scarce talent. The employee value proposition (EVP) is no longer simply about improving employee experience or boosting engagement scores: it's about ensuring both sides gain value from their investment.

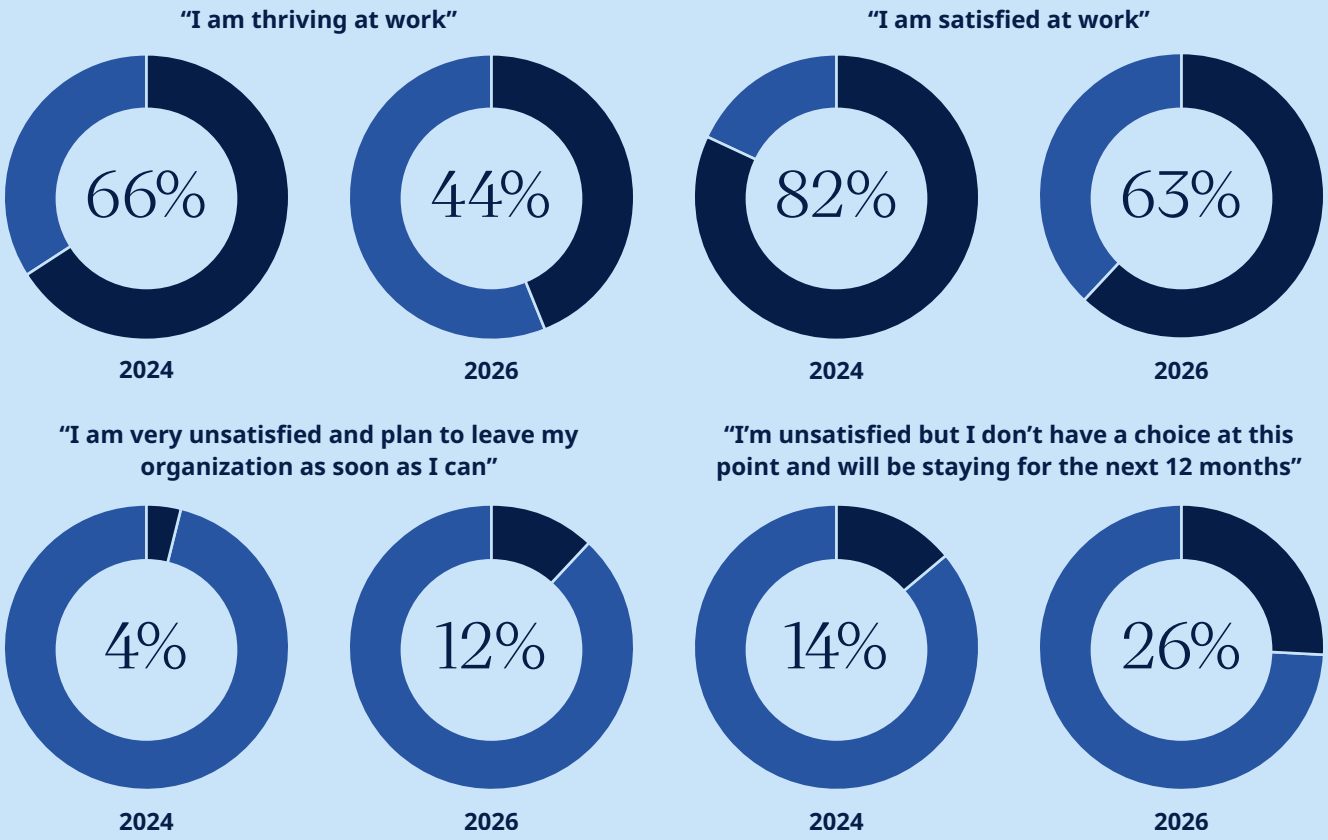
Organizations tighten their focus on spend optimization, using insights to make smarter decisions and drive business outcomes, while employees get what they need to grow, flourish and deliver peak performance. The result: a virtuous cycle where both sides of the equation reap the rewards, and EVP delivers measurable ROI.



Optimize the employee experience

Employee anxiety over cost of living, geopolitical uncertainty and remaining relevant in the age of AI is undermining their ability to thrive at work, jeopardizing organizational performance. More employees than ever would like to leave their organization; some are actively planning to do so, while others feel they have no choice but to stay. Organizations face the twin challenge of a disengaged workforce and hemorrhaging talent once the job market picks up.

Employees are not thriving at work

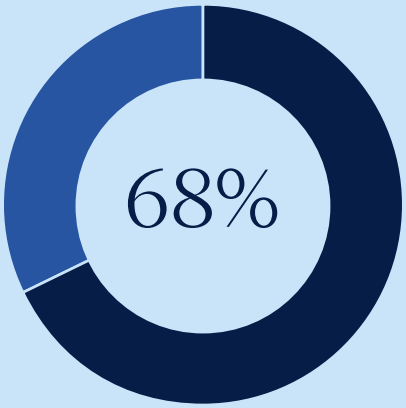


Only 9%

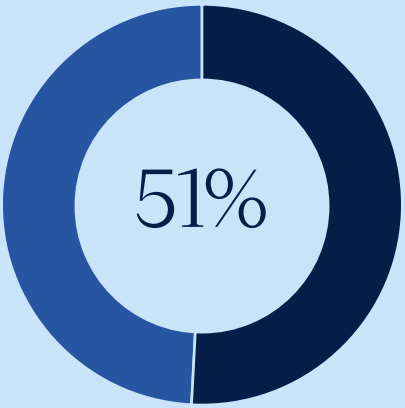
of employees in lower socio-economic groups are thriving at work in 2026

It is perhaps no surprise that enhancing the EX and EVP is the top priority for HR leaders in 2026. Employee experience is HR's bread and butter. More tellingly, over half of the C-suite believe enhancing EX and EVP is a people priority most likely to deliver ROI (ranked fourth, the highest ever position for executives). Investors, too, see the EX as a source of competitive advantage.

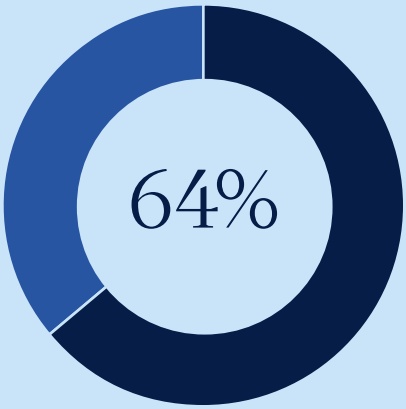
Driving value from the EX



of HR leaders say enhancing EX and EVP is a top priority for 2026



of the C-suite say enhancing EX and EVP is a people initiative that will drive ROI in 2026



of investors expect leading firms to be investing in enhancing EX and EVP to attract and retain top talent

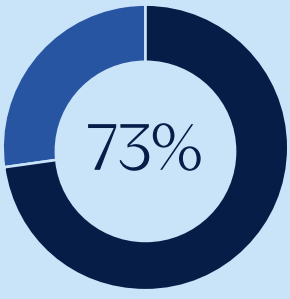
HR has the mandate to prioritize building an impactful EX but must do so in a way that also leads to business outcomes, not just happier employees. In 2026, organizations seek to make more informed decisions to invest in the right EX initiatives at the right times, maximizing impact. The key word is not simply 'enhance'; it's 'optimize.'

Using data-driven insights to maximize returns

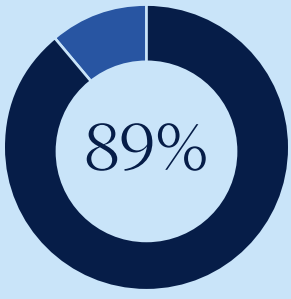
A future-proof EX is one that meets the needs of both the organization (growth and performance) and the individual (personal growth, work-life balance, flexibility and rewards). Organizations can't afford to layer more into their EX offering: they need results from the investment they are already making.

Optimizing EX with AI-driven insights ensures investments lead to measurable business outcomes, not just feel-good moments. Improved performance in the form of profits, reinvested back into EX and EVP, creates mutual benefit.

Investors support EVP optimization



Of investors think optimizing the EVP for employee and business outcomes is very important in driving sustainable long-term value over the next five years



Of investors say an uncompetitive value proposition would negatively impact their investment

To ensure EX delivers, organizations must go deep, drawing on utilization data, external market and competitor data, and employee sentiment. By synthesizing data from a range of sources and linking it to broader business data, HR leaders can continuously fine-tune EVP investment to ensure it is understood and valued by individuals and drives tangible outcomes.

With an increasingly diverse workforce, EX investments must be personalized and equitable. Personalization should not equal infinite choice and complexity, but AI-driven recommendations and curated total reward programs that are tailored to specific needs and objectives, creating an EX that resonates rather than adds cost.

EVP must be driven by work redesign. Work redesign identifies the shifting skills required to drive business success — informing decisions from where to focus hiring and development efforts, to where to invest in reward programs that resonate most with key talent.

Continuous, AI-powered employee listening enables organizations to personalize experiences and respond proactively to concerns. And with an agentic workforce able to gather, synthesize and evaluate real-time data from numerous sources, information can be collated without asking employees directly. Synthetic personas allow employers to test decisions, predicting the impact on employee sentiment.

However, annual engagement surveys remain the most common method for gathering insight on employees' work experience. Only 20% of HR leaders are using always-on listening platforms. Tying feedback opportunities to conversations and moments that matter to employees (e.g., being interviewed by an AI avatar upon key work milestones) will help both enhance the EX and the quality of workforce insights.

HR: Employee engagement approaches that will become critical in the next two years:

67%

Personalization of the EX

49%

Combining how people feel (sentiment data) with their work habits (behavioral data)

44%

Always-on listening platforms

43%

Using chatbots to understand the EX at moments that matter

Rethink rewards to drive impact

With employees globally feeling the pinch, rewards remain a critical motivator. The prospect of higher pay is the most common driver for people to leave their employer, while 52% of employees say their biggest concern about the future of work is compensation not keeping pace with cost of living.

Enhancing or modernizing pay and total reward practices is a 2026 priority for 39% of HR leaders, while half of investors expect organizations to be prioritizing this. But it's vital to use data to ensure financial investment is targeted where it drives the most value. Rather than focusing on traditional tactics (adjusting pay structures to keep up with the market), innovative firms use performance data to inform pay decisions, developing insights to understand the impact of different pay strategies on business results, an insight executives are keen to have.

Rewards must follow work redesign, reflecting contribution, skills and impact, not solely tenure. Data can help organizations make more targeted decisions, identifying the most critical, in-demand (and costly) skills versus those which are easier to develop and in wide supply, adjusting strategy accordingly. A clearly articulated skills strategy is vital to ensuring the organization and employees understand which skills matter most, earning a premium for the individual and building business value.

54%

of employees say the most important thing their organization could do for their compensation is to pay more for their unique or in-demand skills

Only 26%

of HR say their organization has any form of skills-based pay in place



From performance ‘management’ to ‘enablement’

Performance management is a critical mechanism in the value exchange. However, only around half of HR leaders believe their organization’s performance management process is effective, while only half of employees see it as a valuable experience.

This is a significant waste of investment and effort. The focus must shift from enabling process to enabling performance. Without this shift, organizations risk misaligned efforts, rising disengagement and lost productivity. Performance management isn’t just an HR process; it must drive business results, connecting employee efforts to business outcomes. It’s time to move from performance management to performance enablement.

Performance management needs a reset

Only 52%

of HR leaders believe their organization has an effective performance management process

39%

of employees believe performance management helps them improve and grow, not just receive a rating

45%

of employees believe performance management is embedded into culture and day-to-day work

49%

of employees see the performance management process as a valuable experience

Poor manager-employee dynamics risk impeding the creation of a performance culture. Only 37% of employees have had a career conversation with their manager in the last 12 months, while only 38% get regular feedback on how their performance and skills impact their career prospects. Under half (43%) agree their manager helps their team focus on the work that matters most.

Managers must be able to effectively communicate what people need to do to help the organization succeed, and what’s in it for them (e.g., development, progression and EX enhancement). AI can do much of the heavy lifting: cascading goals, synthesizing feedback, and drafting personalized development plans for managers to fine-tune.



Recalibrate the value exchange: Recommendations for leaders

- Align the value exchange with work redesign, ensuring connection between EX, EVP and employee segments with the skills profiles that will matter most to future organizational performance
- Modernize rewards with data-driven, skills-based and personalized approaches that fairly recognize and retain talent
- Embed conversation-based and AI-enabled engagement mechanisms at moments that matter, building a fuller picture of what employees value most, alongside surveys and pulse checks
- Invest in personalized EX initiatives that foster trust, belonging and motivation (especially for workforce segments with critical skills), but with a close eye on driving value
- Make performance enablement the foundation of the value exchange strategy, embedding continuous, AI-enabled and growth-focused practices

Unleash a new HR era

Driving exponential business performance requires a fundamental redesign of the HR function itself. With executives and investors focused on growth and returns, HR must move beyond incremental change to lead intentional, exponential transformation.

To help organizations become more agile, drive performance and future-proof themselves, HR must evolve from a focus on people operations (tracking what is happening now) to workforce architecture, (shaping what should happen next). This shift positions HR not as a downstream service provider, but as a system designer at the center of business performance.

The misalignment between HR's people priorities and the areas the C-suite believes will drive the greatest value is symptomatic of a deeper issue: HR is still not strategically embedded. Without reinvention, priorities will remain misaligned, investments will miss the mark, AI transformation will stall, and productivity gaps will persist.

Winning organizations will be those that treat HR not as a function, but as a capability: architecting work, steering intelligence, accelerating decisions, and enabling the business to evolve at the speed of change. To do so, HR must look outward and redesign itself, moving beyond traditional service delivery models to orchestrate the broader business system. And as human intelligence remains the ultimate differentiator, HR must also lead in ensuring responsible and ethical AI governance. There is no more time for inertia or incremental change: it is now or never for intentional, impactful HR transformation.



HR and C-suite misalignment risks derailing performance

HR's top priorities for 2026

1. Enhancing the employee experience/EVP to attract top talent
2. Designing talent processes around skills
3. Rolling out new HR technologies or optimizing existing platforms

C-suite's top people initiatives for driving ROI

1. Redesigning work to incorporate AI and automation
2. Improving HR/people analytics capability
3. Improving managers' abilities to lead an integrated workforce (humans and AI agents)

Embed HR to create enterprise value

For almost two decades, HR has aimed to become more strategic. AI disruption accelerates the urgency: if HR cannot elevate itself, it risks irrelevance. Those organizations where HR is embedded in strategic decision-making report higher workforce resilience and talent competitiveness. Investors see embedding HR into strategic decision-making as essential for driving growth.

81%

of investors say embedding HR into strategic decision-making is essential for driving growth

Executives who report their organization has an embedded HR function also highlight:

Greater resilience:

76%

of executives say their business is resilient and can withstand unforeseen challenges, versus 62% of organizations overall

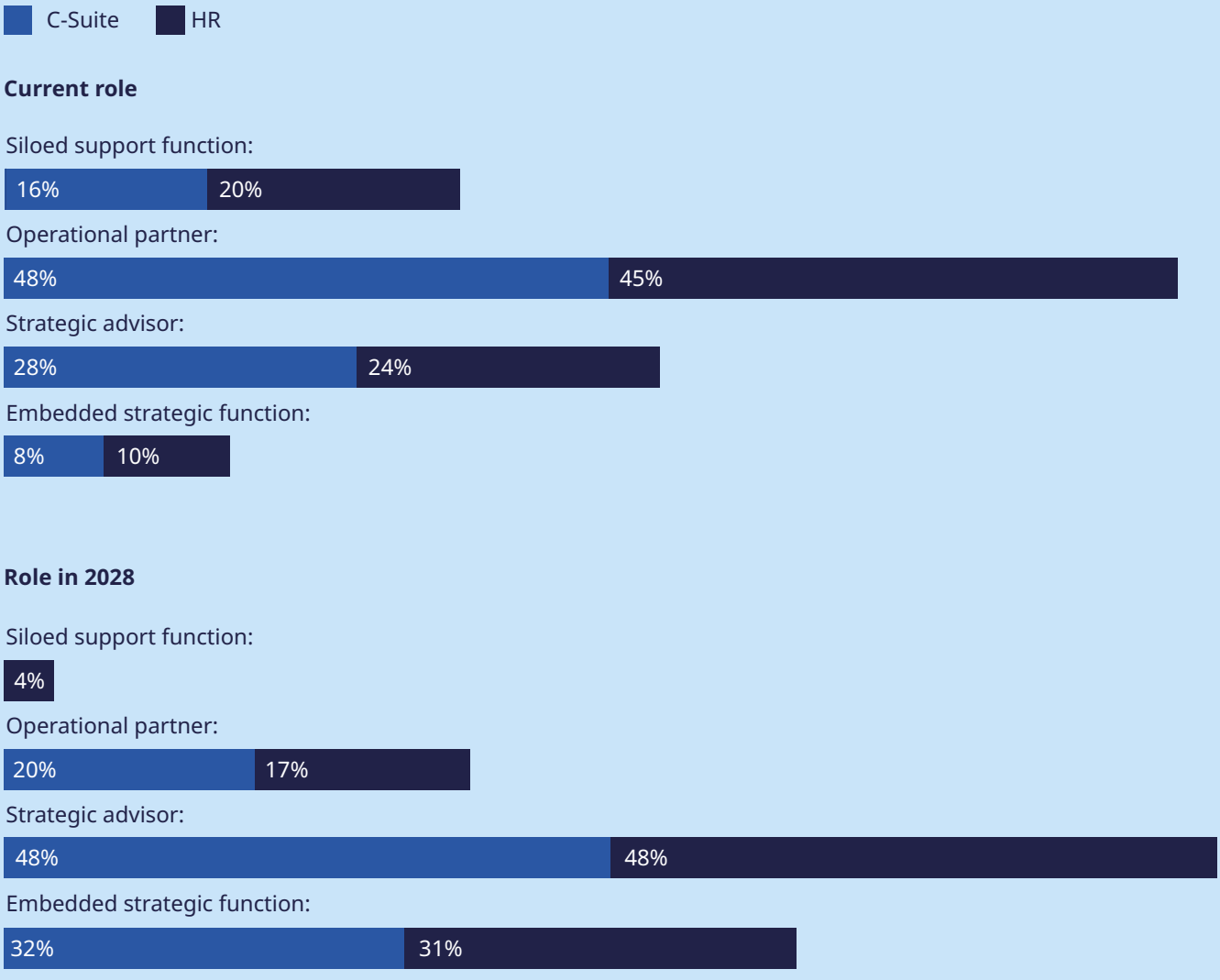
Improved talent competitiveness:

78%

of executives say their business is well-placed to compete for top talent, versus 62% of organizations overall

But HR remains stuck in the role of operational partner today, with only 8% of executives believing their HR function is strategically embedded. Going forward, HR must be fully embedded, not structurally sidelined, if it is to drive performance, agility, resilience and growth.

HR's role is shifting, but is it going far enough, fast enough?

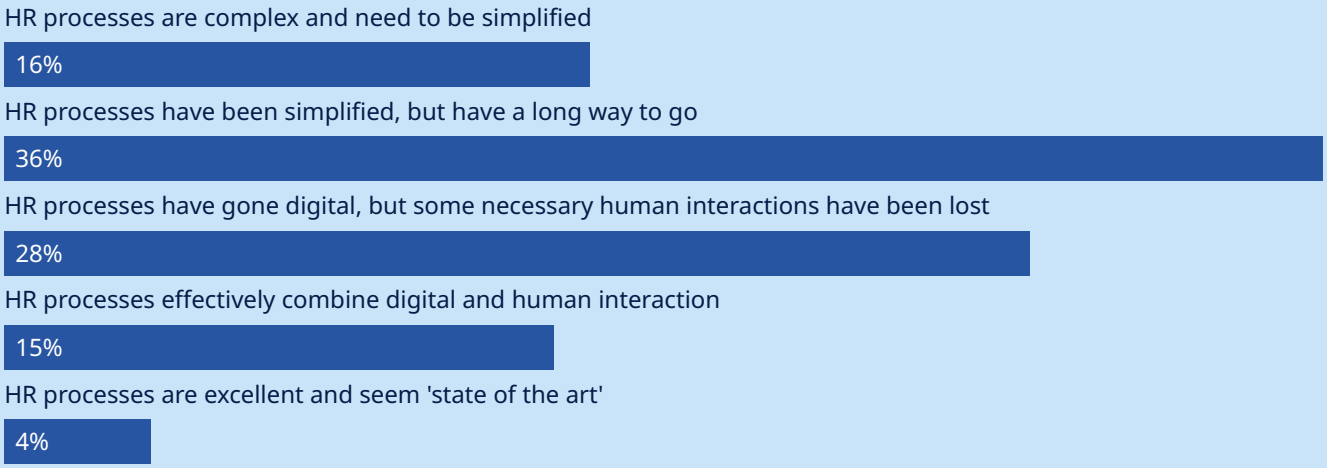


HR must redefine its north star in an era of human and machine teaming. Being a 'partner,' even an 'advisor,' is insufficient. HR must own the system of work, shifting its operating model from support to orchestration, building the foundations for AI enablement at scale.

Rearchitect the system of work

AI can rewire how employees interact with HR processes — and there is much room for improvement.

How employees feel about HR processes:



Just as redesigning work becomes a core organizational capability for amplifying human potential and driving AI productivity, redesigning *how* employees work, the system that enables them, must be a core HR capability. This is bigger than optimizing HR processes. How can HR architect the system of work to improve productivity, performance and the EX? Enabled by AI, HR moves from servicing requests to anticipating needs, and building experience around intent and outcomes — not channels or platforms.

HR processes must be simplified, digitized and balanced with human touchpoints to ensure they enhance the EX while driving efficiencies. While 67% of HR leaders are planning to increase self-service solutions in 2026, and 58% are planning to implement new technology for HR services, putting a new system on top of a broken process will not free up HR, improve the EX or deliver business outcomes. The system itself must be rewired.

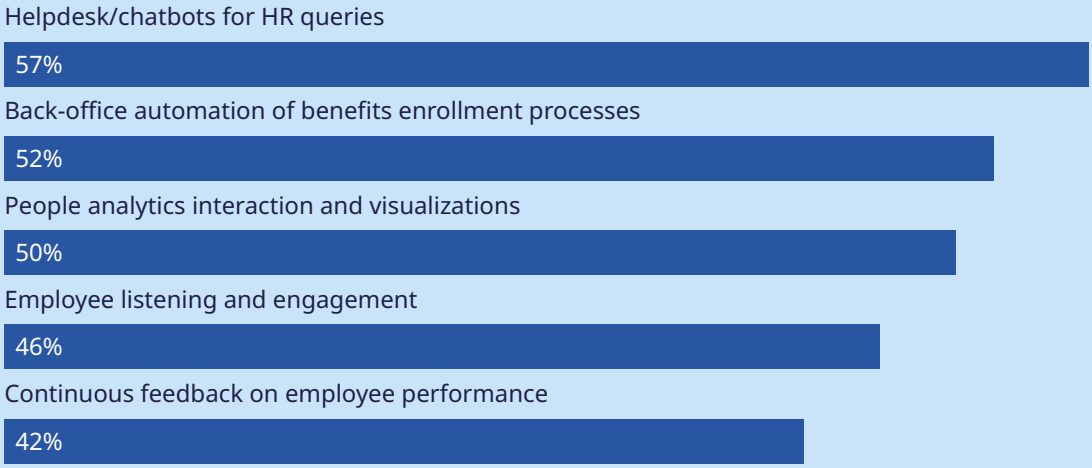
New tool, old process?

Adoption of AI tools in HR processes is not translating into ROI. While 57% of HR teams have implemented chatbots, only one in five say this has driven significant value — and only a quarter say HR process automation has done the same. Is this a case of 'new tool, old process?'

Bolting AI onto outdated, existing processes and siloed teams will only drive marginal gains, not the exponential performance executives seek. With fewer HR functions using AI to support work redesign and strategic workforce planning (SWP), there is limited value from AI deployment within HR. Rather than instructing AI to follow a process designed for humans — a waste of technology's capabilities — rethink the process itself. This helps organizations scale AI east-west across their operations.

Current AI usage in HR operations

Top 5 (of 17)



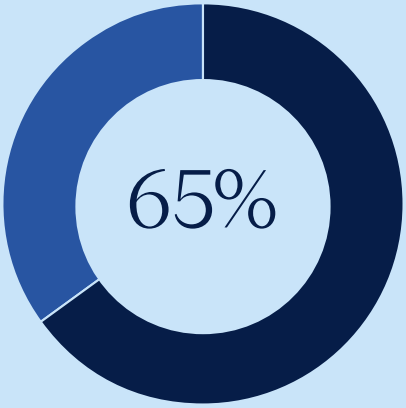
Bottom 5 (of 17)



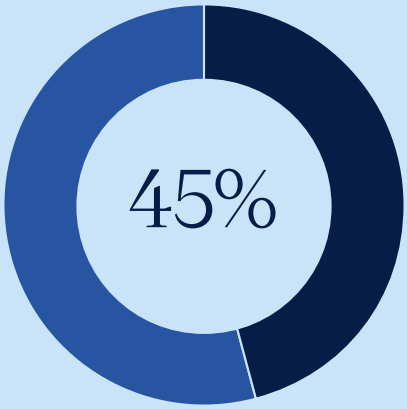
Today, only 13% of the C-suite see HR technology as a transformation leader, driving enterprise-wide transformation through data, technology and strategic insight. In two years' time, 36% of executives expect to see HR technology delivering transformation, while 44% want fully integrated HR technology.

Is HR capable of delivering? Yes, but not without taking a leap into designing and owning a more intentional, dynamic and outcomes-focused system of work. The future value of HR is not in managing people or deploying technology, but in designing and orchestrating the system of work where humans and machines create value together.

Reinvent or risk irrelevance



of HR leaders are concerned about HR's role given the proliferation of AI agents



of HR leaders worry that HR may lose the right to define its role in the workplace as technologies advance faster than they can adapt

Reinvent the HR operating model

Legacy operating models were built for compliance, not intelligence, and not to enable business performance at scale. Future models must be designed for flow, adaptability and continuous reinvention. Traditional, siloed HR and fragmented technology models slow the business down — constraining, not enabling, agility. Models must move from centralization to federation, hierarchy to fluidity, and process-first to outcomes-first design.

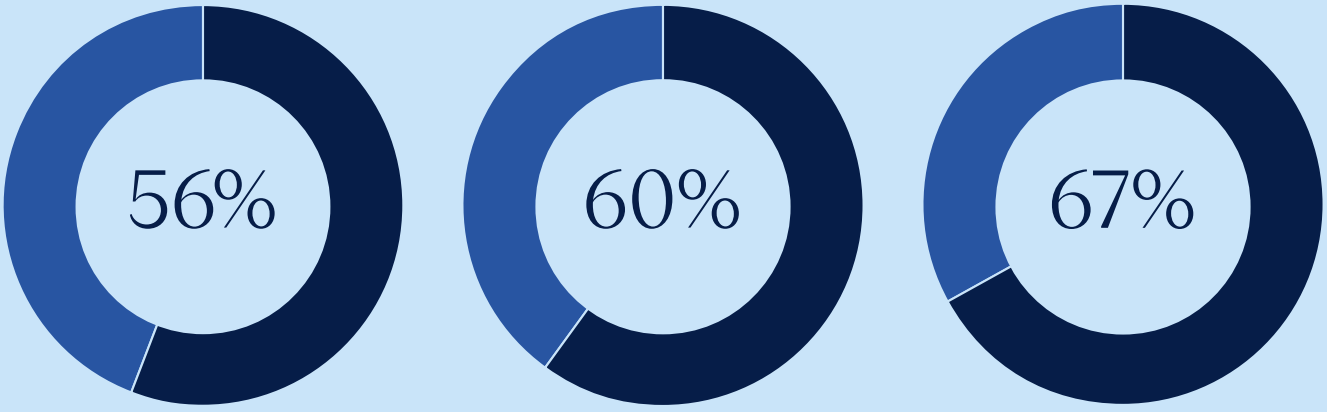
Three-quarters of HR functions still use the three-pillar model (centers of excellence, HR business partners or HRBPs, and shared services).[9] This model has worked for 30 years, but today demands something different.

35% of HR leaders and 30% of executives say reinventing the HR operating model is a priority for 2026

What comes next in HR's structural reset? The answer is not incremental redesign or optimization of a legacy model. It's reinvention of the operating model and the HR function's role within it. This requires new design principles and ways of working across HR, IT and finance, and a reorientation from service delivery to outcomes delivery.

AI renders silos useless, starting with HR and IT. Workforce strategy is technology strategy (and vice versa), with HR and IT acting as one seamless system. In the past, HR would partner with IT to deploy a program; doing so today slows progress and creates risk. AI blurs the boundaries: is an algorithm used in recruitment a talent or a tech tool? Where does accountability for bias sit: HR or IT? The answer is both. Many HR leaders and executives anticipate this shift, expecting HR and IT functions to merge.

Leaders expect HR and IT to merge



of HR leaders expect HR and IT departments to merge

of the C-suite agree HR and IT must function as a unified force

of investors believe organizations where HR and IT function as a unified force are more attractive investments

9 Mercer. Operating by design: Mercer's new outcome-driven operating model for HR and technology. 2025. Available at https://www.mercer.com/insights/people-strategy/hr-transformation/hr-operating-model/.

Mercer's outcome driven operating model

A living system, not a static structure, the operating model is designed for speed, scale and adaptability.

Digital fabric:

The connective tissue that integrates people, data, and systems into human-machine teams; the secure, shared infrastructure that lets work flow.

Outcome delivery teams:

Human-machine teams, aligned to business areas, and accountable for delivering people and digital outcomes that drive business results.

Domain expertise:

The home of deep, functional mastery, where strategy, design and governance meet, responsible for enterprise-wide principles, policy and frameworks.

Enablement services:

The operational foundation: shared services for the AI era, simplified, automated and instrumented.

AI empowerment center:

The engine for responsible intelligence, ensuring AI can be applied safely and at scale, making responsible AI an organizational capability.

HR's reinvented operating model must enable organizations to flow people to work, with humans and machines working as one system from the start. Rather than building around HR processes, design around desired business outcomes, with structure following work, not hierarchy. Technology allows organizations to work in new ways, if HR can design the systems that allow it, enabling performance and embedding agility.



Unleash a new HR era: Recommendations for leaders

- Stop 'being strategic' and start owning results, moving measurement of success from activity, adoption and delivery metrics to business outcomes
- Reinvent the HR operating model, with technology as the digital fabric underpinning how people flow to work and bringing HR and IT functions closer together, even merging
- Rearchitect HR processes to simplify and digitize, with a focus on human-centric, outcomes-focused design
- Establish a single workforce data backbone for decisions: no more intelligence without integration
- See human intelligence as a differentiator: without HR defining purpose, guardrails and governance, AI risks accelerating misalignment, not performance

Case study: *Powering growth with skills and AI*

A global leader in mining and manufacturing, this organization has routinely transformed to drive exponential success. Its efforts include a multi-billion-dollar shift toward a global, digital culture of learning. This led to new lines of business, a new employee experience (EX) program and the first coding school in its region — setting the stage for continued evolution.

For its next wave of transformation, the company sought to diversify its portfolio, boost production capacity and better align talent supply with demand. This required strategic alignment, workforce agility and human-machine productivity.

Leaders first had to define their North Star: a clear vision and strategy, establishing the firm as an agile, skills-powered organization with an AI-augmented operating model and reenvisioned EX. Work redesign helped realize the full potential of AI and automation: deconstructing jobs into tasks, redeploying them to the optimal mix of talent and AI/automation, and reconstructing new ways of working across all their operations.

As workflows evolve, so do the required skills. With many tasks ripe for automation and augmentation, new technical, human and leadership skills are demanded, calling for a modern skills strategy to close capability gaps. Talent assessments help determine which skills already exist within the workforce and which need to be built. Those gaps are being addressed through a mix of talent acquisition, upskilling and reskilling, and talent redeployment. Strengthened governance and career management processes will ensure high-value skills are deployed to where they are needed most.

Armed with powerful insights and AI-enhanced processes, the company has developed a digital HR strategy to help deliver on its new people agenda. A talent marketplace tracks skills demand and supply and other key metrics to better flow talent to work, unlocking latent capacity in the workforce.

Following pilot programs in its mining and manufacturing divisions, the business has built a strong foundation from which to refine and expand this transformation across the enterprise. With its skills-powered and AI-augmented approach, the firm is now uniquely positioned for whatever comes next as it looks to stretch its already-sizable performance advantage over competitors.

Are you ready to drive exponential performance?

In 2026, an era defined by persistent volatility and accelerating change, unlocking exponential performance is no longer a growth ambition: it is a condition for survival. The organizations that succeed will be those that act intentionally, using AI-enabled strategies to align stakeholders around what matters most. They will empower their people to deliver peak performance through agile, machine augmented systems of work, designed for outcomes and enabled by inspiring leadership and a reinvented HR function.

Leaders are not short on vision. They are already designing the future and have access to the technologies and insights needed to transform their organizations. The challenge now is execution at scale — and bringing people with them. Because in an AI-driven future, organizations that root their transformations in human-centric principles will win.

Achieving this demands more than isolated initiatives. It requires intentional work redesign, sharper talent intelligence, and a value exchange that resonates at both a personal and business level — all underpinned by an evolved HR vision and operating model built for continual reinvention. Get this right and companies will unlock exponential gains in performance, productivity and agility, delivering a sustainable business and talent advantage. In a world where change is constant, the ability to redesign work, mobilize talent and enable performance at speed will separate those who lead from those who fall behind.

Dare to be different

Amid constant change and uncertainty, business as usual just isn't sustainable. Follow these bonus tips for the C-suite, HR leaders and employees for an accelerated path to exponential performance.

Recommendations for the C-suite:

1. Make work design a core organizational capability, with upskilling and reskilling a critical part of your strategy.
2. Treat talent insights with the same rigor as financial intelligence.
3. Sponsor an AI-enablement agenda that addresses the EX, not just training and tools.

Recommendations for HR leaders:

1. Shift from service providers to strategic architects of human-machine systems of work.
2. Power the talent engine with insights and skills, and use AI to drive process efficiencies.
3. Redesign the EX and performance management processes around value and outcomes.

Recommendations for employees:

1. Treat AI and digital fluency as core parts of your professional development plan.
2. Actively redesign your own job and ensure space for learning in the flow of work
3. Own your skills narrative and seek out internal mobility.

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