



# Human Capital Index

## KEY POINTS

- Employee resignations are expected to slow
- Preparations for artificial intelligence are taking place
- The need for the human resource unit to be increasingly proactive and strategic is evident from trends such as generational challenges, natural disasters, and economic uncertainty

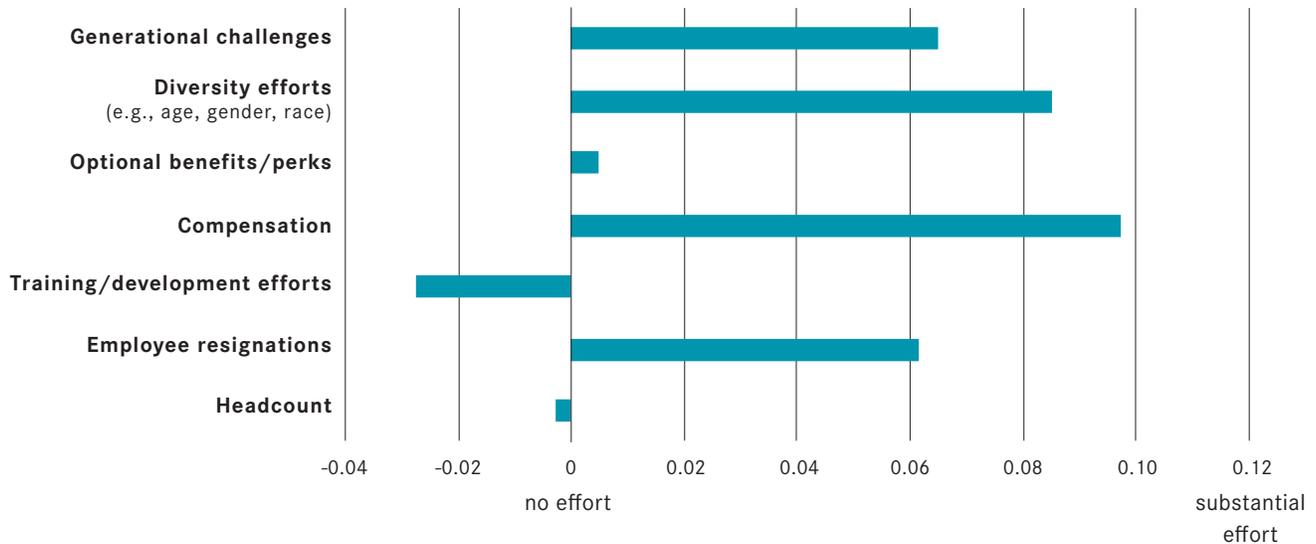
Together with the Sacramento Area Human Resource Association, we track several areas on a year-over-year basis to anticipate upcoming human capital movements. Figure 1 shows the 2018 to 2019 movements, where positive numbers indicate movement in desired direction and negative numbers indicate reductions/shrinkage. We see in essence no movement on optional benefits and perquisites or on headcount. Headcount levels indicate that slightly more organizations are planning to actively recruit versus staying at current levels, with no indications of layoffs. We see a change in anticipated turnover; organizations are expecting fewer voluntary resignations. This is suggestive of a larger workforce locally. Another static area is training and development, where companies are basically keeping the relatively high 2018 levels. Increased efforts are indicated for compensation as well as diversity and inclusion efforts. Finally, as compared to last year, a larger number of organizations report generational differences to be an upcoming challenge.

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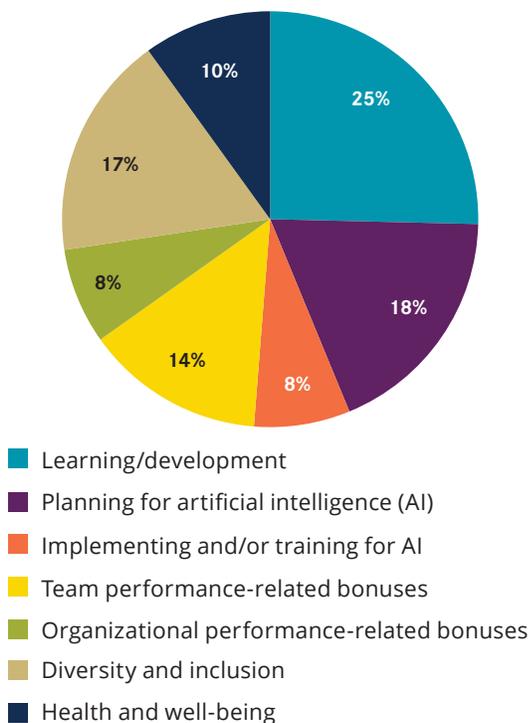
*A majority of organizations (70.5%) are reporting that new or significantly revised talent management/HR initiatives are planned for 2019.*

**Figure 1**  
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**Figure 2**  
**Talent Management Initiatives 2019**



A majority of organizations (70.5%) are reporting that new or significantly revised talent management/HR initiatives are planned for 2019, with the top three being learning and development, planning for artificial intelligence (defined as machine learning and new technologies), and diversity and inclusion (Figure 2). Initiatives receiving little or no focus in the upcoming year include broader (non-financial) employee recognition, individual performance-related bonuses, financial participation of employees in business results (e.g., stock options), complementary health care assistance, complementary pension arrangements, reduction in wage disparity between top management and highly skilled talent, encouragement/reward of bottom-up ideas, encouragement of employee entrepreneurship without penalizing possible related failures, and promoting greater autonomy of employees at work. The trends from the planned versus no-go initiatives are that the focus is on collaboration and cooperation that is partly achieved by financially rewarding teams and tying such rewards to the organizational-level results. Focus is also on preparing for new AI and the HR staples of learning/development and diversity/inclusion. No-go initiatives are at the individual level as well as those initiatives focusing on employee-level creativity and innovation (including autonomy).

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Table 1 lists factors expected to exert the most influence on the overall organization in 2019. The top four factors carried over from 2018, with slight changes in the order. In 2018, talent shortage was deemed the biggest pressure, while this year cost reduction is looming large. Skills gap (job candidates available but without needed skills) and challenging productivity/profit targets are staying at 2nd and 4th ranks respectively. In a separate survey this year, we asked employees about the extent to which they feel prepared for the work they do: 62% reported that they have the education required for their current position and 50% reported feeling prepared for their next promotion/position. This suggests a large need for further training and development to shrink the existing

local skills gap. Talent shortage (job candidates not available) is predicted as the third most important factor in 2019. Artificial intelligence is new on shared rank number eight. Downsizing is deemed to be the least threat.

Write-in options included mergers and acquisitions, lack of business acumen in top management, cyber security awareness/training, pace of technological change, and retirement and the need for succession planning, which was mentioned repeatedly. Other points made were concerns regarding large impacts at the societal level, such as impending recession/economic depression, uncertainty of the stock market and trade, and unpredictable factors such as weather changes and natural disasters. These external factors impact business strategy and operations that in turn impact workforce planning

<b>Factors</b>	<b>Rank</b>
Pressure on cost reduction	1
Skills gap	2
Talent shortage	3
Challenging productivity and profit targets	4
Development and management of new competencies	5
Change in company culture	6
Expansion of operations in new markets	7
NEW: Artificial intelligence	8
Increased market competition	8
Organizational restructuring	8
Market volatility and fear of recession	9
Downsizing	10

## HUMAN CAPITAL FORECAST FOR 2019



**TRAINING/  
DEVELOPMENT**  
are staying at  
**2018 LEVELS**



**DIVERSITY AND  
INCLUSION**  
EFFORTS are still  
**GROWING**



**PRESSURE ON  
COST REDUCTIONS**  
is seen as  
**MOST IMPORTANT  
FACTOR EXERTING  
INFLUENCE**

*37% of workers perceive their organization as caring, something that impacts willingness to go over and beyond simple job descriptions.*

and management. Overall, these factors suggest a need for the HR unit to stay strategic and proactive, and to scan the environment for upcoming trends and local/global factors impacting our Sacramento-area businesses.

The surveyed HR professionals reported receiving continued employee requests for telecommuting and flexible schedules, which aligns with the data from the employee survey. When asked about the reason for staying with an employer, 74.25% of workers cited the opportunity for flexibility in scheduling. The next highest reason for staying with the company was "great coworkers" with 55.85% of employees reporting this, something the organization and HR have influence over in the extremely important recruitment and selection processes.

Our data suggests diversity (gender, race, and age) are less of a priority for all levels in the organization (C-suite/top management, middle and line managers, and HR) in the upcoming year than in the past cycle. Identified challenges include ensuring the organization is current on inclusiveness on gender and educating the workforce and leadership on diversity/inclusion and harassment. An opportunity is to revise the training significantly to start anew and to move away from the harassment training that is seen as a simple bureaucratic exercise with little or no value to an initiative promoting better general understanding, awareness, and appreciation. Gender bias tends to be alive and well with respondents reporting on inappropriate work practices such as dismissing women from meetings without due cause and male employees citing the gender of their boss as a reason for not yielding to authority. HR professionals have the responsibility to provide a safe environment for all employees by establishing a strong ethical code of

conduct not only for themselves but for the company. HR can make it known throughout the company that such behavior is unacceptable. Only 37% of employees reported perceiving their organization as caring about them.

Managing expectations and reducing conflict across the generations with regards to technology, importance of face time (presence in the office versus delivering results from remote places), and scheduling and vacation preferences are still ever-present. Currently, the millennial generation move with a faster speed and willingness to take risks not always mirrored in the older generations. Finally, several comments related to the alarming lack of succession planning and performance management of more senior employees, as well as apparent age discrimination. This aligns with the employee data where only 34.45% of workers indicated available career opportunities and only 25% have access to coaches/mentors for further development.

*Development of the next generation skilled workers and leaders is abysmal, with 34.45% of workers saying they see career opportunities and 25% reporting having access to coaches or mentors.*

