H3HR ADVISORS

2027 WORKPLACE TRENDS

What today's signals reveal about tomorrow's organizations



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INSIDE THE
2027 REPORT

Seven emerging truths about work are taking shape across the economy, labor market, technology, politics, culture, demographics, and the workplace. This report reads those signals and interprets what they reveal about organizational capability in 2027.

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THE CONNECTION IMPERATIVE

As we look toward 2027, organizations do not suffer from a lack of technology, talent, data, or opportunity. In many respects, they have more tools, talent, and possibilities than ever before. AI is rapidly expanding what technology can do. Organizations have unprecedented access to workforce data and intelligence. Workers have more ways to find opportunities and develop skills, while employers have more tools to identify, assess, and engage talent. The potential to make work more productive, more intelligent, and more effective continues to grow.

And yet, many of the most important challenges facing organizations and workers remain stubbornly difficult to solve. Employers struggle to find the capabilities they need while qualified people struggle to find meaningful opportunities. Organizations invest heavily in AI while still determining how work, jobs, management, and operating models must change around it. Workers are asked to continuously adapt while concerns about trust, job security, financial wellbeing, caregiving, and the future of work intensify. Technology can create extraordinary new capacity and enterprise value without answering the question of how that value will ultimately benefit workers, customers, organizations, and other stakeholders.

The challenge is the growing disconnects that have emerged between them.

This is the central idea behind H3 HR Advisors' 2027 Workplace Trends Report. The organizations best positioned for the next era of work will be those that improve their ability to make connections: connecting people with opportunity, skills with changing business needs, technology with human capability, strategy with organizational readiness, managers with the capacity to lead, intelligence with trust, productivity with shared value, and workforce needs with meaningful organizational support.

To understand these challenges, we looked beyond individual workplace trends and considered the broader signals emerging across labor markets, technology, economics, demographics, organizations, and the experience of workers themselves. Individually, these developments can appear to be separate issues. Viewed together, they reveal a series of deeper disconnects in how work and organizations are evolving.

OUR APPROACH

Our approach follows a simple progression: Signals reveal Disconnects. Disconnects point toward deeper Truths. Those Truths identify the Organizational Capabilities that will matter next. And these ultimately suggest how workplace technology should and must adapt to support organizations and people.

Through that lens, we see seven gaps becoming particularly consequential as organizations enter 2027:

- **Labor Market Matching Gap**
- **Development Gap**
- **Organizational Clarity Gap**
- **Management Capacity Gap**
- **Trust Gap**
- **Distribution Gap**
- **Expectation Gap**

Each represents a different disconnect, but they share a common theme. Organizations increasingly possess powerful resources and capabilities while struggling to connect them in ways that produce better outcomes for businesses and people.

The seven Gaps point toward a workplace being reshaped simultaneously by technology, economic pressure, demographic change, evolving worker needs, and new expectations for organizational performance. Navigating this environment will require more than responding to each new development as it emerges.

Organizations need capabilities that allow them to continuously connect people, work, technology, leadership, and opportunity as conditions change.

TREND 1

THE LABOR MARKET MATCHING GAP

The Labor Market Matching Gap is the growing disconnect between people seeking opportunity and organizations seeking capability. Despite unprecedented access to talent, data, recruiting technology, and AI, employers and workers are often becoming less effective at finding one another.

The Signals

The signals show a labor market with plenty of people, jobs, data, and technology - but increasingly poor matching. Rising application volume, rapidly changing skill needs, automated filtering, and fewer early-career opportunities are making it harder for employers to find the right talent and for workers to find the right path in.

What It Reveals

The labor market's challenge is about matching capability to opportunity, not simply finding more people. Organizations that can recognize potential, adjacent skills, and transferable capability instead of relying only on credentials and past experience will be better positioned to find talent and open overlooked pathways to work.

What Organizations Need

1. Understand the capabilities the work requires
2. Recognize capability and potential wherever it exists
3. Connect people to opportunity more intelligently

THE LABOR MARKET MATCHING GAP

One of the most persistent contradictions in today's labor market is that employers continue to report difficulty finding the talent and skills they need while millions of workers struggle to find meaningful opportunities. Technology was supposed to make these connections easier. Employers have access to more candidates, more labor-market data, more sophisticated recruiting platforms, and increasingly powerful AI tools. Workers now have unprecedented access to job opportunities and tools to help them find and pursue work. Yet the experience on both sides often suggests that matching is becoming harder, not easier.

This is the Labor Market Matching Gap: the growing disconnect between people seeking opportunity and organizations seeking capability. The challenge is understanding that while talent and opportunity exists, organizations struggle with recognizing capability, have difficulty seeing beyond traditional signals and credentials, and can find frustration in their efforts to connect the right people with the right work.

Signal 1
Opportunity and hiring are not moving together

Open jobs and available workers both exist, but hiring is not efficiently clearing the market. The latest JOLTS data show approximately 7.3 million U.S. job openings in July 2026, while employers made about 5.1 million hires. The August 2026 unemployment rate was 4.1%, representing roughly 7 million unemployed people. Another 5.7 million people outside the labor force said they wanted a job, while labor-force participation stood at 61.6%, down half a percentage point since January.

Hiring itself remains subdued; LinkedIn reported U.S. hiring in July was 7.6% below the prior year. The presence of available workers and available work does not guarantee that the two will connect.

> *The talent advantage will come from better matching, not simply greater reach.*
>
> — H3 HR ADVISORS

THE LABOR MARKET MATCHING GAP

Signal 2
More candidates are actually making matching harder

A May–June 2026 Indeed/Harris Poll survey of 300 hiring managers at U.S. employers with 500+ employees found that 71% said increased application volume made it harder to find qualified candidates, 72% feared they were missing top talent because of application volume, and 93% said they had lost top talent because their hiring process took too long.

Employers have greater access to candidates while becoming less confident in their ability to identify the right ones. And there is a technological feedback loop underneath it. Digital application tools and GenAI make applying easier. More applications create more employer filtering. More automated filtering encourages applicants to optimize applications for machines. Employers then need increasingly sophisticated tools to distinguish signal from noise.

This isn't primarily a candidate shortage. It is a matching-efficiency problem.

Signal 3
The skills employers seek are changing faster than traditional matching

LinkedIn reports that U.S. jobs requiring AI-literacy skills grew 70% year over year, while approximately 1.3 million AI-enabled jobs have emerged globally over the last two years.

Lightcast skills data show that one-third of the skills associated with the average U.S. job changed between 2021 and 2024. Its newer AI research shows the acceleration continuing: AI skills now appear in roughly 2.5% of U.S. job postings, up 55% year over year, while mentions of agentic-AI skills increased more than 280% in a single year.

A person's previous title or degree becomes a progressively weaker proxy for whether that person possesses the capabilities needed for work that is itself changing.

THE LABOR MARKET MATCHING GAP

Signal 4
More technology has not automatically created better matching

There is a compelling story around AI-assisted applications, very high applicant volumes, automated screening, job-seeker frustration, employer filtering, skills-based hiring, and candidates using AI to optimize applications.

Indeed's 2026 data make an interesting distinction between applications and outcomes. In Q1 2026 data drawn from a major ATS, Indeed accounted for about 59% of applicant volume but more than 75% of hires; other platforms collectively generated more than 41% of applications but only 25% of hires. Indeed argues that hiring platforms need to move toward optimizing hiring outcomes.

Better matches are the objective. Recruiting has never had more data, automation, sourcing capability, or potential reach, yet both sides increasingly describe the process as dysfunctional.

Signal 5
The first rung of the career ladder is becoming harder to reach

Recent graduates face about 5.6% unemployment and 42% underemployment. Underemployment is especially important here because it measures graduates working in jobs that typically do not require a college degree.

Lightcast's longitudinal research makes that first job consequential. It finds that roughly four in ten college graduates are underemployed in their first job. Of those, around two-thirds remain underemployed five years later, and among those still underemployed at year five, roughly three-quarters remain outside college-level employment at year ten.

Early-career postings remain 12% below pre-pandemic levels, while Class of 2026 applicants are submitting roughly twice as many applications as the Class of 2023. At the same time, employers expect candidates to demonstrate work experience and rapidly emerging capabilities such as AI proficiency before entering their first professional role.

THE LABOR MARKET MATCHING GAP

THE DISCONNECTS



People and jobs.
Workers are looking for opportunities, sometimes for extended periods, while employers insist they cannot find the right talent.



Skills and credentials.
Employers increasingly say they value capability, yet many hiring processes still rely on degrees, job titles, years of experience, keywords, and other proxies of capability.



Applicant volume and hiring confidence.
Technology makes applying easier, which creates more volume, which causes employers to automate more filtering, which encourages applicants to optimize even harder to "beat" the algorithms. That can become a vicious circle.



Labor-market data and organizational decision-making.
Companies have extraordinary external talent intelligence available, yet workforce planning, recruiting, learning, and internal mobility often remain in separate systems and functions.



Potential and Opportunity.
Employers say they need emerging skills while frequently requiring candidates to have already performed the exact work elsewhere. This is the "Five years of experience in a programming language invented two years ago" problem.

THE LABOR MARKET MATCHING GAP

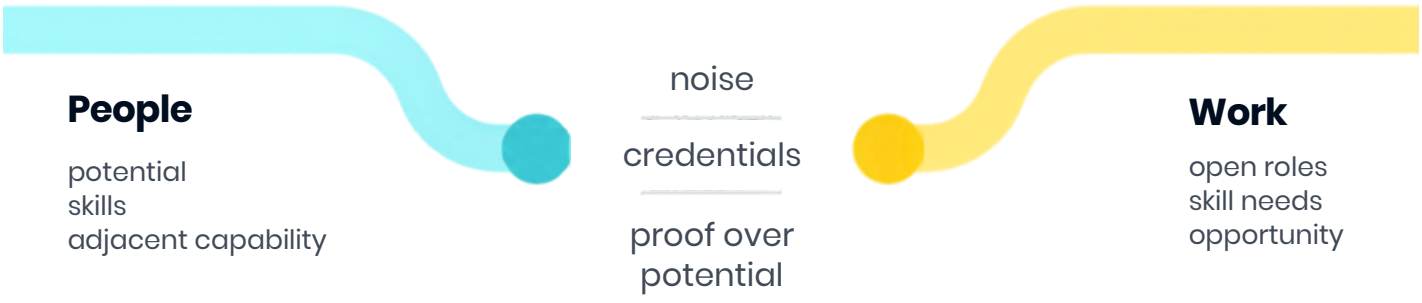
THE TRUTH

The labor market increasingly suffers from a matching problem as much as a supply problem. Workers struggle to find meaningful opportunities while employers continue to report difficulty finding the skills and capabilities they need. More recruiting technology, more candidate data, and easier access to jobs and applicants have not necessarily improved the connection. High application volumes create noise, skills are changing rapidly, and hiring systems still rely heavily on credentials, previous titles, and demonstrated experience as proxies for capability. The result is a labor market in which available people and available work can coexist without connecting efficiently.

This disconnect is especially visible at the beginning of careers, where employers increasingly seek demonstrated skills, experience, adaptability, and AI proficiency from people who have had limited opportunity to acquire or prove them. More broadly, organizations often say they want potential while their hiring systems reward proof and familiarity.

The emerging talent advantage, therefore, will come less from accessing more candidates and more from becoming better at recognizing, matching, and mobilizing capability. Organizations that can see beyond conventional credentials, identify adjacent skills and potential, and connect people to opportunity more effectively will be better positioned to address talent needs while opening pathways to work that today's labor market too often misses.

THE MATCHING PROBLEM



THE LABOR MARKET MATCHING GAP

REQUIRED CAPABILITY: OPTIMIZED TALENT MATCHING

Organizations must become better at understanding the capabilities they need and recognizing where those capabilities exist or can be developed. Optimized Talent Matching moves beyond generating more applicants or filtering candidates more efficiently. It connects a clearer understanding of work with better visibility into skills, experience, potential, and adjacent capabilities across both external and internal talent pools.

This requires organizations to rethink how they define qualified talent, reduce reliance on outdated proxies such as credentials and exact prior experience, and better connect recruiting, internal mobility, workforce planning, and development. The goal is not simply to find more talent. It is to make better matches between people, capability, and opportunity.

That involves developing or strengthening several critical capabilities:

- Defining work in terms of tasks and skills required
- Improving skills discovery and visibility
- Identifying adjacent skills and potential
- Connecting external recruiting with internal mobility and development
- Using labor-market signals and intelligence in workforce planning
- Redesigning selection processes around actual predictors of success
- Using AI to improve matching rather than merely processing more applicants

There's an important philosophical point for organizations in 2027:
The answer to a broken matching system cannot simply be more efficient filtering.

AI may help employers screen out 50,000 candidates faster, but faster rejection does not necessarily improve their ability to identify the people most likely to succeed.

THE LABOR MARKET MATCHING GAP

MARKET IMPLICATION: TALENT PROCESSING TO TALENT INTELLIGENCE

For HR leaders and enterprise decision makers, the Labor Market Matching Gap should change how talent technology is evaluated. The priority should move beyond systems that make existing recruiting processes faster toward platforms that improve the organization's ability to understand work, recognize capability, identify potential, and connect people with opportunity. Technology investments should increasingly connect recruiting, skills intelligence, internal mobility, workforce planning, learning, and AI rather than optimizing each independently. The central evaluation question becomes: Does this technology actually help us make better talent decisions and better matches, or does it simply help us process more activity?

For HCM technology providers, the same shift should influence both product roadmaps and customer success strategies. The opportunity is to develop capabilities that reveal skills and adjacent potential, improve matching across internal and external talent pools, reduce dependence on traditional credentials and job histories, and connect talent acquisition more directly with development and workforce planning. Providers should also help customers redesign the underlying practices their technology enables. The next generation of talent technology should be measured not by how efficiently it processes candidates but by how effectively it connects capability with opportunity.

The strongest products should increasingly answer questions such as:

- Who could perform this work, even if they have never held this exact title?
- Which existing employees possess adjacent capabilities?
- Which requirements are genuinely predictive and which are legacy filters?
- Where should the organization build, buy, borrow, automate, or redesign capability?
- How can external talent-market signals inform internal workforce decisions?

THE LABOR MARKET MATCHING GAP

MARKET IMPLICATION: TALENT PROCESSING TO TALENT INTELLIGENCE

This also gives customers a useful lens for evaluating vendor positioning.

A vendor saying "AI makes recruiting faster" is solving yesterday's problem.

A vendor saying "We help organizations understand capability and connect it to work wherever it resides" is much closer to the 2027 and beyond opportunities.

CONCLUSION

The Labor Market Matching Gap ultimately reveals that organizations cannot solve their talent challenges simply by searching harder, reaching more candidates, or applying more technology to existing hiring processes. Better outcomes will depend on recognizing capability more accurately, expanding pathways to opportunity, and making stronger connections between people and work. Yet even optimized matching has limits.

Organizations will not always be able to find people who arrive with precisely the skills their changing businesses require, particularly as AI and other forces accelerate the pace at which those requirements evolve.

Closing the matching gap therefore leads directly to the next challenge: organizations must become much better at creating capability, not simply finding it.

That is the Development Gap we will explore in the next chapter.

TREND 2

THE DEVELOPMENT GAP

The Development Gap is the distance between the capabilities that organizations expect and the developmental experiences they provide. As AI reshapes entry-level work, career paths become less predictable, and managers have less time to coach, organizations need adaptable and experienced talent but can not assume the workplace will develop it on its own.

The Signals

The signals show organizations expecting more readiness and AI fluency from employees while the systems that build those capabilities are weakening. Entry-level work is changing, learning investment is strained, apprenticeship is less visible, and managers are being asked to develop talent without enough time or support.

What It Reveals

For years, the career ladder quietly served as one of the workplace's most important development systems. As that ladder becomes less dependable, organizations can no longer consume experience without creating it. THe challenge is designing clearer pathways for employee capability and growth.

What Organizations Need

1. Design development into the work itself
2. Create clearer pathways for experience and growth
3. Equip managers and systems to build talent intentionally

THE DEVELOPMENT GAP

Most of us can point to a job early in our careers that taught us far more than the job description ever promised. It could have been a manager who requested our participation in a meeting we were not quite ready for. Or the project that felt slightly above our pay grade. Maybe it was the routine work we complained about at the time but later realized it's how we learned the ins and outs of the company we worked for. Was it the mistake someone helped us fix or the colleague we watched closely because they seemed to know exactly what to do?

That is how workplace experience has traditionally been built: gradually, imperfectly, and often almost invisibly in the moment. This is the structure that is changing.

Organizations increasingly need employees who can adapt quickly, use AI effectively, exercise sound judgment, solve complex problems, and move into new roles as work evolves. At the same time, some of the very experiences that helped people develop those capabilities are being reduced, automated, compressed, or left to chance.

Entry-level work today doesn't look like it used to. Managers have less time to coach their teams, and specific career paths are becoming less predictable. Learning can feel somewhat disjointed yet expected to happen continuously, often on top of already-full workloads.

This is the Development Gap: the growing distance between the capabilities organizations expects, and the developmental experiences they provide.

For decades, the career ladder did more than define who moved up next. It quietly served as one of the workplace's most important development systems. As that ladder changes, organizations will need to become far more intentional about how people gain experience and build the expertise to become ready for what comes next.

> ***Organizations cannot keep consuming experience without creating it.***
>
> — H3 HR ADVISORS

THE DEVELOPMENT GAP

Signal 1
The first run of the career ladder is changing

Entry-level jobs typically serve one of two purposes for an organization; getting necessary work done and developing the people who will eventually take on more complex work. In previous years, the work itself helped develop the person doing it through research projects, preparing first drafts, organizing information, documenting processes, conducting basic analysis, sitting in on meetings, or supporting more experienced colleagues. These tasks gave people repeated opportunities to learn how work happened.

Strada Education Foundation's 2026 research found that 41% of employers say AI has reduced foundational or skill-building tasks for entry-level employees. At the same time, 42% say it has increased the analytical and judgment-based responsibilities assigned to them. That combination may prove more consequential than simply eliminating routine work. Employees are being asked to operate higher up the value chain earlier in their career, while potentially spending less time doing the foundational work that once helped them develop the judgment those responsibilities require.

NACE's 2026 Job Outlook Spring Updateprojected a 5.6% increase in hiring for the Class of 2026. But what employers expect from those new hires is shifting quickly. More than one-third of entry-level jobs now require AI skills, nearly three times the share reported only six months earlier, and nearly 60% of employers say interns are being given projects involving AI tools or skills. The challenge is what happens beneath those rising expectations.

Organizations have every reason to remove unnecessary work and use AI to increase productivity, but efficiency and development are not always the same thing. If we automate a task, we also need to understand whether we are automating away a learning experience. And if so, organizations need to redesign a new developmental path for the job.

If the first rung on the career ladder changes, something still has to help people reach the second.

THE DEVELOPMENT GAP

Signal 2
Expectations for new talent are rising faster than preparation systems

As the first rung of the career ladder changes, the expectations placed on the people stepping onto it are rising as well. Employers have always wanted capable new hires. What is different now is the combination of capabilities they are seeking. Early-career employees are increasingly expected to understand AI, communicate effectively, think critically, exercise judgment, collaborate across teams, and become productive quickly. In many cases, they are entering roles where the more routine work has already been streamlined, leaving higher-value work behind.

Handshake's 2026 research on graduating seniors captures the disconnect clearly. While 58% of the Class of 2026 believe they will need stronger AI skills to succeed in the workplace, only 28% say their academic programs have meaningfully integrated AI. At the same time, employer demand is accelerating. More than 10% of active internship postings on Handshake now mention AI, and the share of full-time postings mentioning AI nearly doubled year over year.

According to Strada Education Foundation, employers rank critical thinking and communication above AI literacy when evaluating entry-level college graduates. Perhaps most importantly for the Development Gap, Strada found that work experience outweighed elite academic credentials when employers considered potential candidates. This creates a difficult equation for new talent.

Organizations want people who can use emerging technology, but they also want the judgment, communication, and workplace readiness that are often strengthened through experience. And experience requires opportunities to gain it. The result is a growing risk that "entry level" begins to describe an employee's career stage without accurately describing the expectations of the job.

For organizations, this raises an important question. How much readiness can reasonably be expected at the point of hire, and how much must still be developed after someone arrives?

THE DEVELOPMENT GAP

Signal 3
Traditional employee development isn't keeping pace

The Development Gap does not end once someone moves beyond an entry-level role. Organizations need employees who can adjust as roles change and develop capabilities that may not have been part of their jobs even a year ago. Deloitte's 2026 Global Human Capital Trends research found that 85% of leaders believe developing the ability of their organization and workforce to adapt at today's required speed is critical. Yet only 7% say they are leading in helping their workforce continuously grow and adapt, and just 8% believe their organizations are highly effective at meeting employees' continuous learning needs.

The expectation is continuous development. The infrastructure supporting it is much less continuous.

SHRM's 2026 L&D benchmarking data makes that tension particularly clear. Organizations maintained a median of eight hours of learning and development per full-time employee, unchanged from the previous year, while median L&D spending per employee fell 28%. At the same time, critical thinking and judgment and decision-making rose to the top of the skills organizations expect to prioritize over the next five years. Only 32% of organizations reported offering AI upskilling beyond basic compliance requirements.

In other words, the capabilities becoming more important are not necessarily becoming easier to develop.

Time may be an even greater constraint than budget. The demands of high workloads leave little room for training, even when it is needed. Employees are expected to learn while delivering more, adapt while moving faster, and build new capabilities without stepping away from the work long enough to practice them.

Traditional development models were built around moments when learning could be separated from work: a course, a workshop, a leadership program, or an annual development plan. Those approaches still have value, but they are becoming mismatched in a workplace where skills and roles can evolve continuously.

THE DEVELOPMENT GAP

Signal 4
The informal apprenticeship system is weakening

Some of the most important learning at work has traditionally happened simply by being around people who know more than we do.

- A new employee overhears how an experienced colleague handles a difficult conversation.
- A manager makes a small correction before a mistake becomes a larger one.
- Someone asks a question after a meeting or watches how a more senior employee approaches a problem.

Over time, those interactions build context and an understanding of how work happens in their organization. For years, organizations could largely take this informal apprenticeship for granted. Increasingly, they cannot.

Research published by the Federal Reserve Bank of New York in 2026 found that employees working alongside their colleagues received more feedback and mentorship than those working at a distance. The decline in feedback was especially pronounced among younger employees, who lost access to the kinds of constructive comments that support skill development. The researchers estimate that remote work could explain 64% of the recent increase in unemployment among young college graduates, in part because organizations may be less willing to hire inexperienced workers when training and mentoring them is more difficult.

This becomes even more important as AI changes the work itself. If technology removes some of the foundational tasks through which employees practiced and learned, while distributed work reduces some of the observation and feedback that accompanied those tasks, two pieces of the informal apprenticeship model can weaken at the same time.

The efficiency gained may be real. So is the developmental cost if nothing replaces what was lost. Mentoring cannot simply mean matching two names in a system, and apprenticeship cannot depend on being fortunate enough to sit near the right person. What used to happen by proximity will increasingly have to happen by design.

THE DEVELOPMENT GAP

Signal 5
We're asking managers to fill gaps without preparation

As formal development becomes harder to separate from the daily workload, more responsibility for employee growth is falling to managers. They are expected to coach, provide feedback, identify development opportunities, guide career decisions, help employees adapt to AI, recognize emerging skills, and create stretch experiences - all while delivering on the day-to-day performance of their teams. In many organizations, the manager has effectively become the connective tissue between learning and work.

Are managers fully prepared for that role?

American Management Association's 2026 Talent Development Study found that 51% of respondents had entered people management without formal leadership training. Only 27% described their managers as highly effective, while 66% said they did not receive frequent support from their manager. At the same time, only 30% reported having sufficient opportunities to develop new skills.

This creates another layer of the Development Gap: organizations are relying on managers to create development experiences for others without consistently giving managers the preparation or support to do it well.

For managers, creating those experiences requires a different capability than assigning training or conducting an annual career conversation. It requires understanding what someone needs to learn and identifying work that can help them learn it. It also means giving meaningful feedback and gradually increasing responsibility.

If managers are expected to build the next generation of talent, organizations must first build managers who know how to do it.

THE DEVELOPMENT GAP

THE DISCONNECTS



Business expectations ↔ developmental opportunity
Organizations need employees who can exercise judgment and take on more complex work. Yet some of the experiences that traditionally helped people build those skills are becoming less available or less intentional.



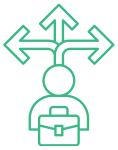
Efficiency ↔ apprenticeship
AI can remove routine work and increase overall productivity, but some of that same work once game employees a lower-risk environment to practice and build expertise. Efficiency gains do not replace the developmental value of the work being removed.



Experience requirements ↔ entry-level access
Employers want workers who can contribute quickly and demonstrate workplace readiness, while entry-level employees need opportunities to gain the experience employers are seeking.



Continuous learning expectations ↔ time and investment
Employees are expected to continuously build their skill resume as work changes, but learning still competes with growing workloads. Organizations need to build in time for skill-building.



Career mobility ↔ career architecture
ETraditional career ladders are less predictable, while employees still need visibility into how they can grow within a company. Without clear pathways, mobility can become an aspiration rather than a developmental system.

THE DEVELOPMENT GAP

THE TRUTH

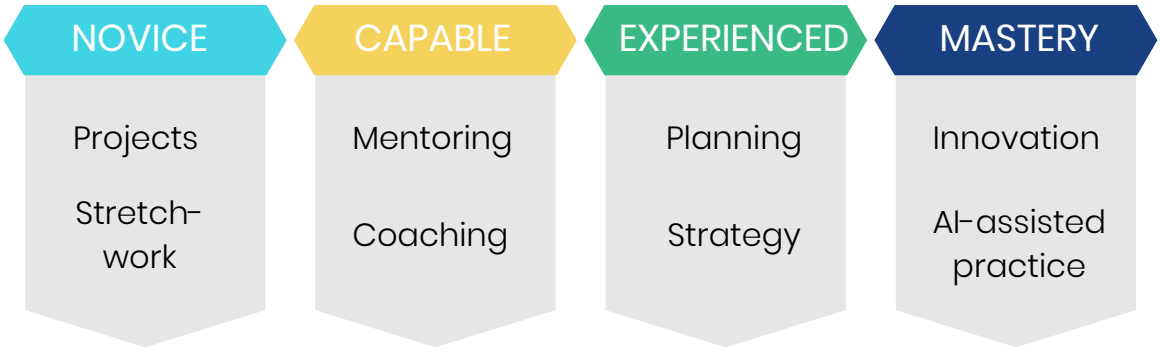
The career ladder was one of the most important development systems in the workplace. Employees gained access to things which they had not previously had, namely more complicated work, a wider context, greater responsibility, closer contact with experienced colleagues, and the opportunity to practice their judgment before it was time for them to use it on their own. The process of advancing was how development took place. Today's system is becoming less dependable.

Since AI takes on basic tasks, career routes become less straightforward, teams tend to be more widely distributed, and managers have less room to provide coaching, organizations' can no longer suppose that experience will build up naturally over time. Yet they still rely on the result. They still need people who know how to make difficult decisions, who can lead others, understand the business, cope with uncertainty, and apply their expertise in cases where there is no clear answer.

This shows the real reason for the Development Gap - that organizations cannot go on to consume experience without creating it at the same time.

Employees need a method of progressing from being a novice to becoming capable, from capable to experienced, and from experienced to expert. If this kind of progression is not already part of the structure of the work, then organizations will have to plan it themselves.

DEVELOPMENT BY DESIGN



THE DEVELOPMENT GAP

REQUIRED CAPABILITY: DEVELOPMENT BY DESIGN

Organizations will have to improve their ability to incorporate development into the daily workload. This involves is going beyond the current approach in which employee development is mainly achieved via training courses, annual development plans, or by promoting them to the next position. While these methods will still be important, they are no longer sufficient in today's work environment.

Development by Design begins by posing a different question, namely, what kind of experiences a person needs tobecome capable of the next stage.

The response could involve stretch assignments, project work, rotations, mentoring, apprenticeships, peer learning, lateral moves, exposure to more experienced colleagues, and chances to practice new skills in lower-risk environments. AI too can be incorporated into this infrastructure by providing support for simulations, coaching, feedback, and personalized learning, though it should be aimed at enhancing the developmental process rather than at speeding up task completion.

Managers will still be essential, but they won't be able to shoulder this responsibility by themselves. Companies will have to establish more defined career structures, provide better visibility of the opportunities available inside the organization, strengthen the links between learning and job mobility, and set up systems which enable employees to not only find out what skills they need but also how they can obtain the relevant experience.

The object is to keep intact the clear progression whereby individuals could develop their skills, judgment, confidence, relationships, and experience over time.

In 2027, the organizations best placed to close the Development Gap will be the ones that can deliberately set up those pathways - even if the path no longer goes straight up.

THE DEVELOPMENT GAP

MARKET IMPLICATION

The Development Gap creates a significant opportunity for HR technology to move beyond identifying skills and toward helping organizations create capability.

Much of the talent technology market has focused on visibility: understanding what skills exist, which skills are missing, where talent sits, and which roles employees may be suited for. Those capabilities remain important, but visibility alone does not close a development gap.

Organizations will increasingly need technology that answers a more difficult question: How does someone become ready for what comes next?
That creates opportunities across learning, talent marketplaces, career development, mentoring, coaching, workforce planning, and internal mobility. The strongest platforms will connect these experiences rather than treating them as separate processes. Employees should be able to see not only a possible next role, but the skills, projects, relationships, learning opportunities, and experiences that can help them become ready for it.

AI will expand this opportunity. It can help personalize development plans, identify relevant stretch assignments, connect employees with mentors or experts, simulate difficult situations, provide coaching, and recommend experiences based on an employee's goals and an organization's future needs. But products that focus only on faster content creation or skill recommendations may miss the larger problem. Development requires practice and real opportunities to apply what has been learned.

For HR technology providers, the opportunity is to become part of the developmental infrastructure of the organization; connecting learning with work, mobility with experience, and skills with real pathways for growth.

THE DEVELOPMENT GAP

CONCLUSION

Organizations will continue to need people who can adapt, exercise judgment, work alongside AI, lead others, and take on increasingly complex responsibilities. But those capabilities do not appear fully formed. They are developed through experience and opportunities to grow into harder work over time.

For decades, much of that development was embedded in the career ladder itself. As work becomes more fluid and AI reshapes the tasks people perform, organizations can no longer assume that the same developmental journey will happen on its own.

The opportunity for 2027 is to design a better one.

The career ladder may become less linear, but the need for progression remains the same. Employees still need ways to move from learning to practice, from practice to experience, and from experience to expertise.

Organizations that understand this will not simply ask where their future talent will come from. They will build the systems that create it.

TREND 3

THE ORGANIZATIONAL CLARITY GAP

Organizations are adopting AI faster than they can define what success looks like. While investments in technology, skills, and experimentation continue to grow, many organizations have yet to determine which business outcomes they want to improve. The challenge is no longer simply implementing AI. It is creating the organizational clarity needed to translate AI capabilities into meaningful, measurable results.

The Signals

AI adoption is accelerating, but enterprise-wide impact remains limited. Organizations are investing in skills before redefining work, expanding pilots without clear measures of success, and pursuing use cases without identifying the outcomes that matter most. Meanwhile, employees are finding practical applications for AI, often ahead of formal organizational strategies. Together, these signals reveal a growing disconnect between AI activity and business value.

What It Reveals

The greatest barrier to realizing AI's potential may be a lack of organizational alignment. Without a shared definition of success, even well-intentioned investments in training, tools, and work redesign can produce activity without meaningful improvement. The organizations that succeed will be those that define their desired outcomes first, then align people, processes, and technology to achieve them.

What Organizations Need

1. Clearly defined business outcomes that guide AI investments and establish what success looks like
2. Leadership alignment and intentional work redesign that connect AI capabilities to organizational priorities
3. Meaningful measures of business impact that move beyond adoption and activity to demonstrate real value

THE ORGANIZATIONAL CLARITY GAP

Organizations are buying AI faster than they can absorb it. Not only that, but they are buying AI capabilities before they redesign the work, processes, roles, and operating models those capabilities are intended to support. And while some are still approaching it as a skills gap problem, the leading companies are asking a different question altogether: How does work get done, and where can AI accelerate, enhance, simplify, or improve it?

The true AI advantage belongs to organizations that take a pragmatic approach. One that begins with understanding which outcomes matter most, which processes create value, and where AI can sustainably elevate both. For many organizations, however, AI has become a polarized conversation. They are either retreating from it entirely due to uncertainty and risk concerns, or they are deploying it aggressively without sufficient rigor around where it creates meaningful business impact.

Which camp does your organization fall into? What we see emerging are those organizations that consider AI adoption as an opportunity. Namely, an opportunity to reexamine workflows and processes and redesign them before AI is applied.

What is becoming increasingly apparent is that technology itself is not the constraint. Most organizations already have access to more AI capability than they know how to use. The challenge is a lack of organizational alignment. Leaders often jump directly into discussions about training employees, redesigning jobs, implementing agents, or selecting vendors before they have established a clear vision for what success looks like.

And since this is all new, that's a fair reaction. As a result, AI initiatives frequently devolve into disconnected pilots, departmental experiments, and isolated use cases that generate activity without creating transformation. Organizations rush to implement AI yet fail to improve.

THE ORGANIZATIONAL CLARITY GAP

The companies seeing the strongest results are taking a different path. Rather than asking where they can insert AI, they are first defining the outcomes they hope to achieve.

- What will improve our customer experience?
- Will increasing productivity result in stronger outcomes?
- Do we need to accelerate decision-making?
- How can we expand workforce capacity without adding headcount?
- Is it possible to reduce friction in critical processes?
- How can we improve safety outcomes?

Once those questions are answered, AI becomes easier to evaluate as a business tool for employee or process enablement rather than as a technology trend. The conversation shifts toward measurable outcomes. In these organizations, work redesign isintentional, workforce development becomes more targeted, and AI investments are easier to justify because they are tied directly to business objectives.

This new age is what we at H3 HR Advisors call the Organizational Clarity Gap. It is the gap created by a lack of clarity around what success looks like within an organization. Work redesign, skills gaps, adoption barriers, and workflow orchestration will not close the distance between AI implementation and meaningful business results if leaders have not first defined the destination.

The real problem is not that organizations lack technology, talent, or ambition. The reality is that many organizational leaders cannot clearly articulate what successful AI execution would look like in their environment. Until they can answer that question, decisions about how to use AI, how to upskill or reskill employees, or how to redesign work are premature. The first step is not deployment. The first step is defining success. Only then can organizations make the strategic choices required to turn AI from an interesting capability into a sustainable competitive advantage.To help them define success, they must observe the signals.

THE ORGANIZATIONAL CLARITY GAP

Signal 1
AI adoption is accelerating faster than organizations can operationalize it

Organizations are moving from experimentation to deployment at an unprecedented speed. Most large employers now have some form of generative AI initiative underway, yet few can clearly articulate how those investments will translate into sustainable business value.

According to McKinsey's State of AI 2025, 88% of respondents said their organizations regularly useAI in at least one business function, compared with 78% the year before. However, nearly two-thirds said their organizations have not yet begun scaling AI across the enterprise ("State of AI"). The conversation has shifted from "Should we use AI?" to "How quickly can we implement AI?" before many organizations have aligned on what success looks like. The result is an environment where AI activity is often mistaken for AI progress.

Signal 2
Leaders are focusing on skills before defining, or redefining, the work

Much of the market conversation remains centered on AI skills, reskilling, and AI literacy. While those are important discussions, they often occur before organizations have identifiedhow work itself will change.

PwC's 2025 Global AI Jobs Barometer found that the skills requested by employers were changing 66% faster in occupations most exposed to AI than in occupations least exposed to it. The rate was up from 25% in the previous year's analysis (Fearless Future). Training employees on AI without first determining where AI fits into workflows is the equivalent of teaching someone to use new tools before deciding what needs to be built.

THE ORGANIZATIONAL CLARITY GAP

Signal 3
AI pilots are multiplying while enterprise-scale impact remains limited

Many organizations can point to dozens, sometimes hundreds, of AI experiments occurring across functions. Fewer can point to significant enterprise-wide productivity gains, operating model changes, or measurable business transformation resulting from those initiatives. Activity is scaling faster than execution, and AI is often being layered onto existing processes rather than used to rethink how work should be performed.

Signal 4
Employees are often more ready than leadership teams expect

Employees are finding practical ways to incorporate AI into their daily work, discovering efficiencies, and identifying use cases before formal organizational strategies emerge. The bottleneck is increasingly not workforce clarity. It is leadership alignment, including governance models, operating principles, success metrics, and transformation priorities.

Signal 5
Organizations have no shortage of use cases but often lack outcome definitions

Organizations can readily produce lists of areas where AI could be applied across recruiting, learning, payroll, communications, analytics, and knowledge management. Yet many struggle to answer the more fundamental question: What specific business outcome are we trying to achieve?

In BCG's 2024 research, they found that 74% of companies had not demonstratedtangible AI value. By contrast, the leading organizations targeted measurable cost and revenue outcomes, concentrated on core-function transformation, and generated 62% of their AI value in core business processes ("AI Adoption"). The issue is not a shortage of ideas. It is a shortage of organizational clarity.

THE ORGANIZATIONAL CLARITY GAP

THE DISCONNECTS



The Skills Gap Obsession
Employees may become highly skilled at using AI while producing little additional business value if leaders have not defined the outcomes they want to improve.



Endless Use Case Hunting
Inventories of applications keep expanding, but collecting use cases is not strategy. Organizations mistake possibility for progress rather than prioritizing the outcomes that matter most.



Vendor and Tool Evaluation Paralysis
Leadership teams spend months comparing platforms, copilots, agents, models, and marketplaces before understanding what they are trying to transform.



Work Redesign Before Outcome Definition
Organizations rush to redesign jobs, teams, and workflows before defining success. Redesigning work is not the objective. It is one mechanism for creating better business outcomes.



Governance and Policy Over-Optimization
Committees, policies, frameworks, and risk models are built before a clear AI vision exists. Governance matters, but governance without strategic clarity can produce caution and control without value.



Measuring Adoption Instead of Impact
Organizations celebrate licensed users, prompt volume, hours saved, utilization, and training completion. These are useful operating metrics, but they are not business outcomes. Adoption is an input. Impact is the objective.

THE ORGANIZATIONAL CLARITY GAP

THE TRUTH

Organizations do not need another AI feature as much as they need clarity about what success looks like when they use it.

Five Actions Organizations Can Take Today

1 Define success before deployment

Before discussing tools, skills, or governance, leaders should answer: What business outcome are we trying to improve? If success cannot be clearly defined, AI implementation is likely to create activity without impact.

2 Start with work, not technology

Examine how work is currently performed, where friction exists, and where decisions slow execution. The goal is not to find places for AI. The goal is to understand where AI can improve how work gets done.

3 Prioritize a small number of strategic outcomes

Most organizations have too many AI initiatives and too few organizational priorities. Focus on two or three outcomes that matter most. Clarity increases when priorities decrease.

4 Measure business impact, not adoption

Move from asking how many employees are using AI to asking what is performing better because of AI. Adoption is a milestone. Impact is the objective.

5 Build leadership alignment before organizational change

Leaders should establish a shared definition of success, value, risk tolerance, decision rights, and transformation priorities. Organizations move faster when leadership clarity precedes workforce change.

THE ORGANIZATIONAL CLARITY GAP

MARKET IMPLICATIONS

The Organizational Clarity Gap challenges one of the assumptions driving the HR technology market: that organizations need more AI capabilities. Many do not have a capability problem. They have a clarity problem. The next competitive battleground will not be who offers the most AI features. It will be who helps customers achieve the clearest business outcomes.

HR Technology Strategy: From AI Deployment to AI Execution
Providers are competing on features, assistants, agents, copilots, and automation. Those capabilities remain important, but customers are increasingly asking, "How do I know where to start?" Providers can become strategic partners by helping organizations identify high-value outcomes, prioritize transformation efforts, and establish success measures before implementation begins. The future opportunity is not simply providing AI. It is helping organizations align people, work, and technology around measurable business results.

Product Development: Build for Clarity and Accountability
Product development should focus less on adding AI and more on creating organizational clarity. The next generation of platforms should help leaders determine what work should be automated or augmented, where friction and productivity bottlenecks exist, what outcomes are improving, and which investments are generating value. The highest-value applications may not be the tools that perform work. They may be the tools that help leaders identify where work should change in the first place.

- What work should be automated or augmented?
- Which processes create the most friction?
- What outcomes are improving because of AI?
- Which AI investments are generating the greatest value?

THE ORGANIZATIONAL CLARITY GAP

MARKET IMPLICATIONS

Messaging: Move from Speed to Outcomes
The Organizational Clarity Gap suggests customers are becoming less interested in speed alone and more in outcomes. Messaging should evolve from "AI helps you do things faster" to "AI helps you achieve better business outcomes." Customers want confidence that technology is improving productivity, decision quality, workforce effectiveness, innovation, customer experience, or organizational performance.

Positioning: Become an Execution Partner
As AI capabilities become increasingly commoditized, providers have an opportunity to position themselves not simply as AI vendors, but as execution partners. The distinction is important. One position presents the vendor as a technology supplier. The other presents the vendor as a strategic business partner capable of helping customers translate AI investment into measurable results.

> Not: "We provide AI."
> But: "We help organizations achieve measurable business outcomes through AI-enabled transformation."

CONCLUSION

The Organizational Clarity Gap marks an important shift in the AI conversation. Customers are no longer impressed by capability alone. They are looking for accountability, measurable outcomes, and confidence that AI is helping the business perform better. For HR technology providers, that means the opportunity is not simply to add more features, automate more tasks, or drive more adoption. The real opportunity is to help organizations define what success looks like and turn AI investment into business impact. The providers that win will be the ones that move beyond implementation support and become trusted execution partners, helping customers answer the question that matters most: What does successful AI execution look like, and how do we get there?

TREND 4

THE MANAGEMENT CAPACITY GAP

Organizations have flattened structures, expanded spans of control, increased coaching expectations, and put managers at the center of change and AI adoption. Yet every one of those decisions asks managers to do more without increasing their capacity to lead. The result is a growing gap between what organizations expect managers to deliver and what they can realistically absorb. When that gap widens, execution suffers.

The Signals

Managers today are taking on broader responsibilities, larger teams, fewer layers, and constant transformation. As coaching, performance, employee support, technology adoption, and change leadership are added to the role, capacity is stretched. That growing gap between expectations and available time is beginning to slow execution and limit the value organizations can realize from transformation and AI.

What It Reveals

These signals reveal that management capacity, rather than technology or strategy alone, is becoming a critical constraint on organizational performance. Unless organizations redesign managerial work and provide stronger support, the leaders responsible for translating transformation into results may become the limiting factor in execution.

What Organizations Need

1. A deliberate strategy for managerial capacity
2. Human-AI work design, not just AI deployment
3. A new leadership support model

THE MANAGEMENT CAPACITY GAP

For much of the last decade, organizations have focused on increasing efficiency through flatter structures, leaner operating models, digital transformation, and more recently, AI-driven productivity initiatives. Yet many organizations are discovering a growing contradiction inside these efforts. While management layers are being reduced, the demands placed on managers continue to expand.

Today's manager is expected to deliver measurable results, coach employees, understand and support wellbeing initiatives, manage team and individual performance, guide career development, implement new technologies, navigate uncertainty, and lead continuous change. And the more we add on to the plates of managers, the less capable they are to achieve the business goals. At the same time, organizations are increasing spans of control, accelerating transformation initiatives, reducing organizational layers, and introducing new forms of work enabled by AI. With all those things in play it's no wonder we are noticing an issue.

The result of this pressure is a growing Management Capacity Gap: the difference between what organizations expect managers to accomplish and the actual time, attention, judgment, and skills managers possess.

At H3 HR Advisors we argue that management capacity is emerging as a critical workforce and organizational constraint. The next challenge facing organizations may be the amount of human complexity managers can realistically absorb while still providing effective leadership. And if an organization is only focused on absorbing all that comes with AI, they may miss this critical gap.

> ***AI can increase organizational capacity, but only if managers have the capacity to lead through it.***
>
> — H3 HR ADVISORS

THE MANAGEMENT CAPACITY GAP

Signal 1
Organizations are Removing Management Layers

Organizations have spent the last few decades pursuing flatter, faster, and more efficient operating models. Faced with pressure to improve productivity, accelerate decision-making, and control labor costs, many leaders have reduced management layers to eliminate bureaucracy and move decisions closer to the work. While this reduction occurred, advances in technology have made information, reporting, and workflow coordination more accessible throughout the organization. This is creating an expectation that managers can effectively oversee larger teams and broader responsibilities than in the past.

The challenge is that while technology can improve efficiency, it does not eliminate the need for human leadership. Managers are still expected to coach and develop employees, navigate change, resolve conflicts, build trust, communicate strategy, and help teams adapt to new ways of working. Each one of those requirements takes time and the skills necessary to do them all while doing their "day job" of meeting the company product or service goals.

As organizations remove layers and expand spans of control, they often assume managerial capacity will scale alongside organizational efficiency. Many of the most important aspects of leadership remain constrained by the finite amount of time and attention a manager can provide. This creates a growing tension between the drive for efficiency and the human capacity required to lead effectively.

In a recent Deloitte Perspective, they identified AI-driven delayering and role fusion as a significant emerging trend, arguing that organizations are rethinking traditional operating models and management structures as AI becomes more deeply embedded in work processes. The important question here is what happens to the layers of coordination, communication, coaching, and decision-making these leaders previously performed.

Removing a management role removes a position from the organizational chart. It does not automatically remove organizational complexity.

THE MANAGEMENT CAPACITY GAP

Signal 2
Managers are Carrying Larger Workloads

Evidence suggests that managers are being asked to do more with less. Yet the challenge is the complexity associated with those employees, their work, the technologies they use, the changes they must absorb, and the expectations placed upon them. This disconnect with the span of control and achievable results is widening.

Recent Gallup research points to expanding spans of control. They report that the average number of direct reports increased from 10.9 employees in 2024 to 12.1 employees in 2025, representing a substantial increase in managerial responsibility and reflecting broader organizational flattening trends.

As the gap grows, the consequences show up in weaker coaching, slower decisions, inconsistent performance management, and fewer development opportunities. This leads to reduced organizational execution. The challenge is whether managers still have the capacity to provide the leadership that increasingly complex organizations require.

Signal 3
Coaching and Development Expectations Continue to Grow

For many years, organizations have expected managers to function as coaches, mentors, career advisors, and talent developers. But as we've seen, this has been a pain point for many organizations. HR has guided senior leadership in the direction of managers as mentors for good reason.

However, leadership development expectations are growing when managerial capacity is shrinking. Gallup has also reported that many managers lack formal preparation for the role and that manager coaching capabilities can significantly improve performance outcomes.

The contradiction is increasingly apparent. Organizations often expect more individualized leadership while simultaneously increasing the number of people a single manager must support.

THE MANAGEMENT CAPACITY GAP

Signal 4
Managers Have Become the Front Line of AI Adoption

AI initiatives succeed when work processes change, rarely because technology is deployed. And it's the managers increasingly sitting at the center of AI implementation efforts who are expected to help employees adopt new tools and ways of working. Prior to the release of generative AI and agentic AI, leaders were already overwhelmed by their current responsibilities. How can we expect them to suddenly add such a huge responsibility to their already over-extended work situation?

This AI expectation creates an important tension. Organizations are treating managers as the primary mechanism for AI adoption while simultaneously expanding their responsibilities and reducing organizational support structures.

Signal 5
The Change Burden Continues to Increase

Today's managers operate in an environment of almost continuous transformation. There is constant restructuring, budget cuts, and employees feeling overwhelmed and overworked. According to a recent Gallup survey, they reported that in recent organizational changes:

- 64% of managers said employees received additional responsibilities.
- 51% reported team restructuring.
- 42% reported budget reductions.

The modern manager is no longer merely a supervisor. The modern manager increasingly serves as the translator between executive strategy and daily execution. They are also the connective tissue between employees and senior leadership. Every new initiative, restructuring effort, technology deployment, policy change, and workforce adjustment tends to pass through managers before reaching employees.

THE MANAGEMENT CAPACITY GAP

THE DISCONNECTS

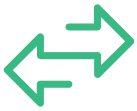
The central disconnect is straightforward. Organizations expect managers to perform an expanding set of leadership, coaching, performance, organizational, technological, and change-management responsibilities. Simultaneously, organizations are reducing the managerial resources available to accomplish those responsibilities.



Efficiency vs. Attention
While delayering typically leads to improved structural efficiency, leading teams requires human attention. And while a flatter organization may reduce overhead, it doesn't eliminate the time needed for a leader to coach and develop, give feedback, and make decisions.



Accountability vs. Authority
While managers' responsibilities are increasing, many still do not have full control over their budget, staffing levels, compensation or technology choices. We're holding them accountable but not giving them the ability to have meaningful control.



Change Expectations vs. Change Capacity
The burden on managers is cumulative, and organizations are continuing to introduce new initiatives and technology. The expectation of continuous transformation collides with the finite ability of the managers and their teams to absorb change.



Data Availability vs. Decision Support
The good news is that in the past couple decades managers have gained access to unprecedented amounts of workforce data. We see that continuing to increase as connections are made between data sets. However, more dashboards don't make their job easier. The very technology that makes information available often comes with additional issues requiring the manager's attention.

THE MANAGEMENT CAPACITY GAP

THE TRUTH

The deeper reality is that management is becoming a capacity problem rather than a competency problem. For years, organizations have treated management challenges primarily as training challenges. If managers struggled, organizations provided additional training, leadership programs, coaching resources, or development opportunities. And often, if training was completed it didn't make much of an impact on their capacity.

Managers don't lack motivation. They lack capacity. Managerial capacity consists of several finite resources:

- Time & Attention
- Relationship depth
- Decision-making bandwidth
- Emotional energy
- Context retention
- Change absorption capability

These resources cannot expand indefinitely. As organizations add responsibilities faster than capacity, managerial overload becomes systemic. This results in slower decisions, lower engagement, AI adoption challenger, and burnout, to name a few.

Organizations need to stop treating management as an unlimited resource. Managers carry the weight of organizational transformation while navigating growing complexity, constant change, AI adoption, and increasing employee expectations. Rather than relying on simple manager-to-employee ratios, organizations need to understand managerial load more holistically and manage it as carefully as they manage workforce plans, budgets, and technology investments. That means redesigning manager roles, reducing unnecessary work, and making management capacity part of strategic planning.

THE MANAGEMENT CAPACITY GAP

This shift also creates a new challenge and opportunity for HR technology providers. The next generation of technology will not be judged by how much information it delivers, but by how much managerial capacity it creates. AI, decision support, manager-focused experiences, and organizational capacity analytics all have the potential to help managers spend less time on administration and more time leading people.

The question organizations should ask of every new tool is simple: does it help managers lead more effectively, or does it create more work for them?

CONCLUSION

Organizations have spent years optimizing technology, workflows, organizational structures, and workforce costs. Far less attention has been devoted to the managerial system responsible for connecting these elements together.

The evidence increasingly points to a growing mismatch between organizational expectations and managerial capacity. Managers face expanding responsibilities, larger spans of control, greater change burdens, increasing development expectations, and growing accountability for AI adoption. The Management Capacity Gap suggests that organizations may be approaching a fundamental limit.

The next workforce constraint may not be skills, technology, talent, or capital. It may be the amount of human complexity managers can realistically absorb while still providing the judgment, coaching, development, trust, and leadership that organizations and employees depend on.

TREND 5

THE TRUST GAP

Organizations know more about their workforces than at any point in history. Through a variety of tools such from HR systems to AI-powered tools, leaders can now see patterns in how people work, communicate, learn, perform, and engage. What was once primarily reporting data has become a source of prediction and influence. At the same time, many employees have only a limited understanding of what information is collected, how it is used, and what role it plays in decisions that affect them.

The Signals

In recent years, as AI investments are accelerating, there is a widening gap in the level of confidence employees have in their organizational leaders. And as confidence erodes, they lose trust in the organization overall. At H3HR Advisors we have seen this occur as AI implementation metrics are prioritized over trust metrics. Employees want to understand how their data, and AI, are being used and how it influences the decisions made around them.

What It Reveals

This reveals that trust in the workplace is not something organizations can assume. As employee become more skeptical of the systems and decisions they don't understand, they begin to push for more transparency. And as AI, analytics, and automation become more embedded in work, transparency is becoming the foundation of trust.

What Organizations Need

1. Trust built through transparency
2. Assurance that technology, and specifically the use of AI, is enhancing human judgement
3. Focus beyond implementation by exploring technology legitimacy

THE TRUST GAP

Signal 1
Organizations are building an unprecedented understanding of workforce behavior

Workforce data has evolved from recordkeeping to intelligence gathering. Organizations can now analyze productivity trends, collaboration networks, skills development, career mobility, learning activity, employee sentiment, and countless other indicators. The ability to identify patterns across thousands of employees creates opportunities for better workforce planning and decision-making. Leaders increasingly rely on these insights to guide business decisions. The challenge is that employees rarely have the same visibility into the data being collected about them or the conclusions being drawn from it.

Signal 2
Workforce decisions are becoming more influenced by algorithms

AI is increasingly influencing hiring recommendations, succession planning, performance assessments, scheduling decisions, career pathing, and workforce planning. In many cases, employees experience the outcome of these systems without understanding how recommendations were generated. The more technology becomes embedded in workforce decisions, the more important explainability becomes. What organizations view as objective and data-driven can often feel opaque and impersonal from the employee perspective.

Signal 3
Monitoring is expanding beyond productivity into prediction

Organizations have always measured performance, but today's technologies allow them to go far beyond measuring outputs. Systems can identify patterns that suggest burnout, turnover risk, or workforce constraints before they become visible to managers. Leaders often view these capabilities as opportunities for proactive intervention. Employees may see them as surveillance that extends beyond traditional workplace expectations. As monitoring becomes more sophisticated, questions about privacy, consent, and appropriate use become far more difficult to answer.

THE TRUST GAP

Signal 4
Transparency has not kept pace with technology

Technology capabilities are advancing at a pace that most organizations cannot fully explain, even internally. Leaders are investing heavily in AI, analytics, automation, and intelligent workforce systems because the potential business value is significant. Yet many employees are still unclear about how technology affects hiring decisions, performance discussions, career opportunities, or workforce planning processes. They are often asked to trust systems they do not understand and decisions they cannot easily challenge. This gap between technological capability and organizational transparency continues to widen

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WHAT IT REVEALS

Taken together, these signals point to a growing imbalance in the workplace. Organizations can see more, predict more, and influence more than ever before, while employees often have limited visibility into the systems shaping their experiences. The issue is not whether organizations should use workforce data, AI, or advanced analytics. These capabilities can create enormous value when applied responsibly. The real question is whether employees believe those capabilities are being used fairly, transparently, and in ways that align with organizational values. As workforce technology becomes more powerful, trust increasingly determines whether employees embrace innovation or resist it.

WHAT ORGANIZATIONS NEED

Organizations need to move beyond technology implementation and focus on technology legitimacy. Employees want clarity about what information is being collected, how it is being used, and who is accountable for decisions influenced by data and AI. They want confidence that technology enhances human judgment rather than replacing it. They want meaningful opportunities to raise concerns and challenge decisions when necessary. Most importantly, they want transparency that allows trust to be earned rather than assumed. Organizations that provide that transparency will strengthen adoption, confidence, and engagement as workforce technologies continue to evolve.

THE TRUST GAP

THE DISCONNECT

Organizations have spent years building systems that can better understand people. Far less attention has been given to helping people understand the systems. Employees are frequently told that decisions are data-driven, but they are rarely shown what that means in practice. They may know that AI influences hiring, performance management, scheduling, or career opportunities, but they often cannot explain how those decisions are made. As organizations gain visibility into employee behavior, employees are often left with limited visibility into how organizational decisions are being shaped.

The missing piece is transparency. Not transparency as a communications strategy, but transparency as an operating principle. Employees increasingly want to understand what data is collected, how it is used, who has access to it, and what role it plays in important workforce decisions. When those questions go unanswered, trust erodes. In the absence of information, assumptions fill the gap.

THE TRUTH

The deeper issue is not technology. The deeper issue is power.

For the first time, organizations can observe, analyze, predict, and influence workforce behavior at unprecedented scale. Every advance in workforce intelligence creates new opportunities to improve decision-making, but it also creates new expectations around accountability. Employees are not simply evaluating whether technology works. They are evaluating whether the organization using the technology deserves their trust. As intelligent workforce systems become more capable, employees increasingly want reassurance that those capabilities are being used responsibly and ethically.

The organizations that recognize this shift will approach workforce technology differently. They will see transparency, explainability, employee voice, and governance as strategic enablers rather than compliance exercises. They will understand that trust is not created by technology itself. Trust is created by the way technology is implemented, communicated, and governed.

THE TRUST GAP

CONCLUSION

Building trust in technology does not mean placing blind trust in it. Even when employees become comfortable with AI and digital tools, organizations must continue to reinforce the human side of work as the primary source of judgment, decision-making, and accountability. Technology can accelerate work and improve efficiency, but it can also make mistakes, misunderstand context, and generate inaccurate information with confidence. Trust should be grounded in transparency, validation, and human oversight, not the assumption that technology is always right. The goal is not for employees to rely on AI instead of people, but to use it as a tool that supports better human decisions.

Organizations that treat trust as a communications issue will struggle. Organizations that treat trust as a business capability will create a lasting advantage. Employees are far more willing to embrace technology when they understand its purpose, trust its outcomes, and believe their interests are being considered alongside organizational goals. The future belongs to organizations that can balance intelligence with transparency, innovation with accountability, and insight with employee confidence.

Trust is no longer simply a cultural outcome. It is a prerequisite for intelligent workforce systems.

TREND 6

THE DISTRIBUTION GAP

The Distribution Gap is the growing disconnect between the value organizations create through AI and technology and how much of that value translates into better outcomes for workers. Productivity and efficiency can increase without automatically improving compensation, workload, job quality, development, opportunity, or employment security.

The Signals

The signals show AI creating greater productivity and capacity without a predetermined outcome for workers. Productivity gains are not automatically becoming worker gains, organizations are still deciding what to do with AI-created capacity, workforce reduction is emerging as one option, and access to the benefits of AI is becoming increasingly uneven across the workforce.

What It Reveals

Technology creates value, but it does not determine who benefits from that value or how. Organizations ultimately choose whether AI-created gains become growth, profit, lower costs, reduced headcount, employee development, better jobs, greater opportunity, or some combination. The challenge is moving from simply capturing technological value to intentionally designing how that value is used.

What Organizations Need

1. Define technology value more broadly than productivity and ROI
2. Intentionally decide where AI-created capacity and gains should go
3. Create pathways for workers to participate in the upside of technological change

THE DISTRIBUTION GAP

AI and other emerging technologies promise to make organizations more productive, efficient, and capable, creating new forms of economic and organizational value. Yet how that value ultimately benefits the enterprise, workers, customers, and other stakeholders is not determined by the technology itself.

The Distribution Gap is the growing disconnect between the value organizations can create through technology and the degree to which those gains translate into compensation, opportunity, security, development, improved work, and other outcomes for the people and stakeholders who contribute to organizational success.

Signal 1
Productivity gains do not automatically become worker gains

Productivity is the fundamental economic promise behind much of today's investment in AI and automation. Yet higher productivity does not automatically translate into proportional improvements in compensation or other worker outcomes.

The latest U.S. Bureau of Labor Statistics data illustrate the disconnect. Nonfarm business productivity was 2.2% higher in the second quarter of 2026 than a year earlier, while real hourly compensation declined 0.1%. Labor's share of output, the percentage of economic output accruing to workers as compensation, fell to 52.8%, the lowest level recorded since the series began in 1947.

The divergence is also visible in the corporate sector. Nonfinancial corporate productivity increased 3.1% over the prior year while real hourly compensation declined 0.3%.

> *The defining AI question for workers is what the organization chooses to do with the value technology creates.*
>
> — H3 HR ADVISORS

THE DISTRIBUTION GAP

These figures should not be interpreted as evidence that AI caused the divergence. They demonstrate something more fundamental: economi can increase without being distributed proportionally to workers through compensation.

We are in an economy where the relationship between productivity and worker rewards is already far from automatic. If AI generates the substantial productivity improvements its advocates anticipate, the question of where those gains ultimately go becomes increasingly important. Productivity creates value. It does not determine who receives that value.

Signal 2
AI is creating capacity faster than organizations are deciding what to do with it

Evidence is increasing that AI creates meaningful additional capacity for individual workers. BCG's 2026 global AI at Work study of nearly 12,000 workers across 14 markets found that 42% of regular frontline AI users report saving eight hours or more per week, effectively an entire workday. Yet BCG also found that most organizations have not figured out how to convert that saved time into additional value.

The worker's experience with AI is compelling. Sixty-seven percent of regular AI users in BCG's research reported higher job satisfaction, while 41% reported increased cognitive load. Gallup similarly finds that 65% of employees at organizations implementing AI say it has positively affected their productivity and efficiency, while only 14% strongly agree that AI has transformed how work gets done.

This creates a new management challenge. If technology gives an employee several hours of productive capacity back each week, what happens to those hours? They can become additional output, different responsibilities, learning and development, innovation, reduced workload, better customer service, or eventually reduced staffing. Simply filling the newly available capacity with more work is also a choice.

THE DISTRIBUTION GAP

Signal 3
Workforce reduction is becoming one way that organizations capture technology-created value

As organizations deploy AI, automation, and autonomous systems, workforce reduction is emerging as one possible mechanism for converting technological capability into economic value. Gartner surveyed 350 executives at global enterprises with at least $1 billion in annual revenue that were piloting or deploying AI agents, intelligent automation, or autonomous technologies. Approximately 80% reported workforce reductions.

Eliminating positions can reduce costs and create budget capacity, but reducing headcount is not the same as creating sustainable value from technology. The International Labour Organization's 2026 review of emerging GenAI evidence similarly concludes that productivity gains are real, although uneven, while large-scale job displacement remains limited so far. The ILO also highlights potential implications for inequality, worker autonomy, employment opportunities, and job quality.

We can already see organizations making different choices. In September, Wipro said its AI initiatives had freed capacity equivalent to approximately 20,000 workers, yet those workers had been reassigned rather than eliminated.

Organizations are beginning to make explicit choices about whether technology-created capacity becomes reduced headcount, redeployment, reskilling, expanded responsibilities, growth, or some combination of these outcomes. Workforce reduction is one possible distribution of the AI productivity dividend. It is not the only one.

THE DISTRIBUTION GAP

Signal 4
The benefits of AI are being distributed unevenly within the workforce

New evidence suggests that AI is also creating meaningful differences among workers, depending on their skills, roles, and how technology changes the value of their expertise.

PwC's 2026 Global AI Jobs Barometer finds that jobs requiring AI-specific skills are growing significantly faster than the overall job market and that workers possessing AI skills command an average 62% wage premium compared with workers in comparable roles that do not require those skills. PwC also identifiesan emerging "two-track" labor market. In some roles AI amplifies scarce human expertise, while in others AI makes work easier for people without the same level of specialized expertise to perform.

The emerging issue is therefore not simply whether workers will benefit from AI. It is which workers benefit, how they benefit, and whether other workers have realistic pathways to participate in those gains. Access to AI skills, development opportunities, high-value work, organizational investment, and roles in which technology complements rather than commoditizes human capability could increasingly determine who captures the upside.

AI can increase worker value, but those gains are unlikely to be experienced equally across the workforce.

Together, these Signals lead us to an important realization: AI creates possibilities for value creation, but it does not contain a built-in mechanism for deciding who benefits from that value or how.

THE DISTRIBUTION GAP

THE DISCONNECTS



Productivity and compensation
Organizations can become more productive without workers experiencing corresponding increases in compensation. Productivity creates additional economic value, but it does not determine how much of that value flows to wages, benefits, incentives, investment, customers, shareholders, or other stakeholders.



Efficiency and workload
Greater efficiency can lead to reduced workloads or shorter work time, but it can just as easily lead to higher output expectations, expanded responsibilities, larger spans of work, or new tasks replacing those that were automated.



Technological capability and employment security
As AI and automation become capable of performing more tasks, organizations face choices about what happens to the people who previously performed that work.



Enterprise value and worker value
A highly successful technology investment could increase margins while simultaneously increasing workload, reducing employment, or narrowing career opportunities. Alternatively, the same productivity improvement could support higher compensation, investment in skills, greater autonomy, improved job design, or new opportunities for employees.



AI opportunity and access to its benefits
Workers themselves will not experience the AI transition equally. Who gets access to the skills, tools, experiences, and opportunities that allow people to participate in the upside of technological change?

THE DISTRIBUTION GAP

THE TRUTH

Technology can increase productivity and enterprise value without producing corresponding improvements in worker security, compensation, development, workload, or job quality. The benefits of technological progress do not automatically flow to employees, customers, shareholders, or any other stakeholder in predetermined proportions. Technology creates possibilities for value. Organizations determine how that value is ultimately used and distributed.

When AI saves time, increases output, automates tasks, or allows the organization to operate with fewer resources, leaders make choices about what happens next. They can reinvest in growth, increase margins, reduce headcount, raise compensation, develop employees, improve customer experiences, redesign jobs, reduce workloads, return time to workers, or pursue some combination of these outcomes. There is no single correct distribution model for every organization, and not every stakeholder will benefit equally from every investment. What matters is recognizing that these outcomes are choices rather than inevitable consequences of technology.

What organizations choose to do with the value that technology helps create?

For organizations, the challenge is to move beyond measuring whether AI produces value and toward intentionally determining how that value supports sustainable performance across the enterprise and its stakeholders. The organizations that navigate the Distribution Gap most effectively will be those that treat technological value as something to design and allocate deliberately, rather than simply capture wherever it happens to accrue.

THE DISTRIBUTION GAP

REQUIRED CAPABILITY: SHARED VALUE DESIGN

Organizations need the ability to intentionally determine how the value created by technology will benefit the enterprise and the people who contribute to it. Shared Value Design is the practice of considering how gains in productivity, efficiency, capacity, and performance can be converted into a broader set of outcomes.

Consider an organization where AI allows a team to complete its existing work 20 percent faster. One organization might use all of that additional capacity to increase output. Another might reduce staffing. A third could redeploy some of the capacity toward customer service, innovation, employee development, or reduced workload. Most organizations will pursue a combination. Technology creates capacity. Shared Value Design determines what the organization does with it.

Building Shared Value Design into the organization requires several practices:

- Define value broadly. Measure technology investments through productivity and financial returns alongside workforce, and organizational outcomes.
- Decide where new capacity should go. When technology saves time or eliminates work, explicitly determine whether that capacity will support growth, cost reduction, development, or other priorities.
- Include workforce strategy in technology decisions. Consider job design, skills, staffing, development, compensation, and employee experience as part of AI and automation planning rather than after implementation.
- Create pathways into the upside. Give workers opportunities to develop the skills that allow them to benefit from technology-enabled work.
- Make the choices visible. Help employees understand how technology is changing work and what the organization hopes to gain.

The objective is to ensure that organizations design for the outcomes they want rather than allowing the distribution of value to become an unintended consequence of technology adoption.

THE DISTRIBUTION GAP

MARKET IMPLICATION

The next opportunity for HCM technology may be to help organizations understand not only how AI changes work, but what happens to the value created when work changes. Emerging workforce planning tools can increasingly model skills, tasks, employees, contingent workers, and AI, helping leaders decide whether work should be hired for, developed internally, redeployed, automated, or assigned differently. The next step could be helping organizations model the consequences of those choices across a broader set of stakeholders.

Imagine a workforce planning platform that identifies 50,000 hours of annual capacity potentially created through AI and then allows leaders to model different scenarios for that capacity. One scenario might reduce headcount and cost. Another could redeploy employees into higher-value work. Others could increase customer capacity, create development time, reduce overtime, improve manager spans, accelerate innovation, or combine several outcomes. The system could show the financial impact alongside effects on skills, staffing, workloads, career opportunities, employee experience, and organizational risk.

For HR and business leaders, this would expand technology evaluation beyond traditional ROI and efficiency measures. Leaders could ask not simply, “How much value will this technology create?” but “What choices will this technology create for us, and what are the consequences of each?”

For HCM providers, this represents an opportunity to move from workforce optimization toward workforce value modeling. Providers could build scenario engines that connect AI productivity gains with workforce costs, capacity, skills, compensation, development, job design, employee experience, and business outcomes. Rather than prescribing how technological value should be distributed, these systems could give leaders the information needed to make those choices intentionally.

THE DISTRIBUTION GAP

CONCLUSION

The Distribution Gap reminds us that productivity is only the beginning of the technology value equation. As AI creates new capacity and economic value, organizations will make consequential choices about whether those gains become growth, profit, lower costs, workforce reductions, better jobs, greater opportunity, improved customer outcomes, or some combination. The organizations best positioned for the next era of work will be those that recognize these choices explicitly and intentionally design how technological value supports sustainable performance and shared success.

The defining question for the AI era will increasingly be what organizations choose to do with the value the technology creates.

TREND 7

THE EXPECTATION GAP

The Expectation Gap is the widening disconnect between what workers and society increasingly look to employers to provide and what organizations can realistically, sustainably, and equitably deliver through employment. As healthcare costs rise, caregiving pressures grow, financial and mental wellbeing challenges intensify, and expectations for employer support expand, organizations are being asked to do more at the same time they are under pressure to reduce cost and complexity.

The Signals

The signals show more of life's challenges arriving at work. Employer-sponsored healthcare is becoming more essential and more expensive, caregiving demands are reshaping workforce participation, financial and mental wellbeing pressures are affecting employees on the job, and the definition of employer support continues to expand faster than organizations' capacity to provide everything equally.

What It Reveals

Employers did not create most of these pressures and cannot solve them independently, but when they affect employees' ability to participate, perform, develop, or remain in the workforce, organizations cannot simply ignore them. The challenge is deciding where employer action can make a meaningful difference and where the limits of organizational responsibility must be recognized.

What Organizations Need

1. Stay connected to the changing realities affecting employees
2. Focus support where it can improve workforce participation and success
3. Adapt benefits and work practices while recognizing the limits of the employer's role

THE EXPECTATION GAP

The challenges employees bring to work increasingly extend far beyond work itself. Rising healthcare and living costs, caregiving responsibilities, mental health pressures, financial insecurity, technological disruption, and concerns about job stability all affect people's ability to participate successfully in the workforce. Employers did not create most of these challenges and cannot independently solve them, yet their consequences increasingly arrive at the workplace.

The Expectation Gap is the growing tension between what workers need to navigate an increasingly complex and uncertain world and what organizations can reasonably and sustainably provide.

Signal 1
Employer-sponsored healthcare is becoming more important and less sustainable at the same time

Healthcare remains the clearest example of society placing a major source of economic security inside the employment relationship. SHRM reports that 88% of employers still consider health-related benefits very or extremely important, while Aon projects U.S. employer healthcare costs will increase 9.5% in 2027, pushing average employer costs above $19,000 per employee. Employers already absorb about 82% of plan costs. Employees, meanwhile, are expected to spend an average of nearly $5,300 on premiums and out-of-pocket healthcare costs in 2026.

Mercer's separate 2027 projection makes the tension even clearer. It expects an 8.2% average increase even after employers make cost-reduction changes, and estimates costs would rise by 11% without intervention. Fifty-nine percent of employers expect to make cost-cutting changes, while roughly two-thirds of large employers expect employees to absorb a greater share of premiums.

> *The talent advantage will come from better matching, not simply greater reach.*
>
> — H3 HR ADVISORS

THE EXPECTATION GAP

This gives us a powerful Expectation Gap Signal because neither side is behaving irrationally. Workers reasonably view healthcare as fundamental to their economic security. Employers recognize healthcare as foundational to attract and support talent. Yet the cost of providing that security is rising much faster than most organizations can comfortably absorb.

Signal 2
Caregiving is becoming a workforce issue because dempgraphic change is becoming a worker issue

The 2025 AARP/National Alliance for Caregiving study estimates that 63 million Americans, nearly one in four adults, are family caregivers, up 45% from 2015. Seven in ten caregivers are employed, 29% are simultaneously caring for an adult and a child, and half report negative financial consequences from caregiving. A 2026 follow-up found that more than 51 million Americans are caring specifically for someone age 50 or older. The scale is enormous. AARP estimates that unpaid adult caregivers provided 49.5 billion hours of care worth approximately $1.01 trillion in 2024.

Employers did not cause population aging, childcare shortages, eldercare costs, or weaknesses in America's long-term-care infrastructure. But their employees live inside those systems every day. Eventually those pressures arrive at work through absenteeism, scheduling needs, reduced hours, financial stress, leaves, benefits expectations, and decisions to leave the workforce entirely.

THE EXPECTATION GAP

Signal 3
Financial and mental wellbeing problems increasingly arrive at work even when they originate outside it

PwC's 2026 Employee Financial Wellness Survey found that 59% of employees are currently stressed about their finances, 49% say compensation is not keeping pace with costs, 53% have less than $5,000 in emergency savings, and 44% report using credit cards for necessities they otherwise could not afford. Among Gen Z workers, 85% say financial stress affects their mental health and 71% say it reduces their productivity.

The mental-health picture creates a similar challenge. Gallup reports that half of U.S. employees experienced significant stress during much of the previous day as of May 2026, while only one in five strongly agree their organization cares about their overall wellbeing. Business Group on Health reports that 73% of employers experienced increased use of mental health and substance-use services, while employers continue to expand access and simultaneously confront mental health as a growing healthcare cost driver.

The important point is not that employers should solve inflation, personal finance, anxiety, or America's mental-health system. It is that these problems affect people's ability to work, which makes these challenges increasingly difficult for employers to ignore.

THE EXPECTATION GAP

Signal 4
The definition of employer support continues to expand while employers face growing pressure to prove that support produces value

The modern benefits portfolio has expanded well beyond health insurance and retirement. SHRM's benefits research now tracks 230 distinct benefits, while employers rate health, retirement, leave, flexible work, family care, and professional development among their most important benefit categories.

Wellbeing itself has become multidimensional. Business Group on Health's employer research encompasses physical health, mental health, financial wellbeing, social connectedness, community, job satisfaction, flexibility, and other dimensions. At the same time, employers are becoming more demanding about results: its earlier survey found 94% were increasing expectations that wellbeing vendors demonstrate outcomes, reflecting growing pressure to justify investments amid rising healthcare costs and broader business constraints.

There is even increasing attention to connection and community. Gallup reports that 22% of employees globally experience significant daily loneliness, including 19% in the U.S. and Canada, while MetLife's 2026 benefits research explicitly identifies workplace connection, human skills, and modern benefits as interconnected elements of workforce health and performance.

This is where the Expectation Gap becomes larger than a benefits strategy. Employers are increasingly expected to support employees physically, financially, psychologically, professionally, socially, and through different life stages, while leadership simultaneously demands lower costs, greater productivity, simpler administration, and demonstrable ROI.

THE EXPECTATION GAP

THE DISCONNECTS



Worker Needs ↔ Employer Capacity
Employees bring the realities of their lives to work. Employers cannot eliminate these pressures, yet they increasingly affect attendance, performance, retention, engagement, and workforce participation.



Expanding Support ↔ Cost and Complexity
The range of support associated with employment continues to expand. Employers face the difficult task of determining which interventions help people succeed at work, and which extend beyond what the organization can sustainably or responsibly provide.



Individual Wellbeing ↔ Structural Problems
Many workforce challenges originate in systems employers do not control. Employer interventions can make meaningful differences, but organizations must recognize the distinction between supporting workers through structural problems and assuming responsibility for solving them.



Technology Adoption ↔ Worker Security
Workers are being asked to help organizations realize the value of technologies that may alter their own economic security. Employers cannot eliminate that uncertainty, but expecting enthusiastic adoption without addressing it openly risks undermining the trust and participation required for successful transformation.



Organizational Responsibility ↔ Institutional Responsibility
The challenge for employers is not to assume responsibility for every unmet societal need, but to determine where organizational action can make a meaningful difference and where the limits of the employer's role must be acknowledged.

THE EXPECTATION GAP

THE TRUTH

Workers are experiencing an unusually complex combination of pressures. Healthcare and housing costs strain household budgets. Childcare and Eldercare responsibilities compete with work for time and attention. Mental health challenges, financial insecurity, and concerns about job stability create additionalstress. At the same time, they are being asked to adapt continuously, develop new skills, embrace AI, and become more productive, often while wondering how those same technologies may ultimately affect their own jobs and economic security.

These challenges do not remain outside the workplace simply because employers did not create (all of) them. When employees cannot find affordable care, manage a health condition, meet financial obligations, develop needed skills, or feel sufficiently secure to plan for the future, the consequences eventually appear at work through distraction, disengagement, absence, burnout, reduced performance, turnover, or withdrawal from the workforce altogether. Employers therefore have legitimate reasons to help address barriers that prevent people from participating successfully in work.

But organizational responsibility has limits. Employers cannot independently solve healthcare affordability, caregiving shortages, financial insecurity, demographic change, social isolation, or the disruption created by technological progress. Work is increasingly becoming the institution through which society attempts to address problems that work did not create and employers cannot independently solve. The challenge for organizations is not to accept responsibility for every difficulty employees face, nor to ignore those difficulties as outside the boundaries of work. It is to determine where employer action can make a meaningful difference in people's ability to work, develop, and thrive, while being realistic about what the organization can sustainably provide.

THE EXPECTATION GAP

REQUIRED CAPABILITY: ADAPTIVE WORKFORCE SUPPORT

Organizations must improve their understanding of the conditions affecting their workforce and adapting support as those conditions change. Adaptive Workforce Support combines listening, contextual awareness, and organizational flexibility to identify the barriers that most affect employees' ability to participate successfully in work and determine where the employer can make a meaningful difference.

This begins with listening but extends beyond traditional employee surveys. HR leaders should understand the economic, demographic, technological, social, and local context in which their workforce operates. Rising healthcare or housing costs, caregiving pressures, changes in the labor market, new technologyexpectations, or even a natural disaster affecting a particular workforce population can quickly change what employees need from their organization. The objective is not to respond to every external challenge, but to understand which ones are materially affecting the workforce.

Building Adaptive Workforce Support requires organizations to:

- Listen continuously. Combine employee feedback, workforce data, manager observations, and other signals to understand emerging needs.
- Understand context. Monitor external conditions that may affect employees, from economic and demographic trends to local events and disruptions.
- Interpret workforce impact. Determine which challenges are materially affecting participation, performance, retention, development, or wellbeing rather than assuming every external issue requires an employer response.
- Respond flexibly. Adapt benefits, policies, work arrangements, communications, or targeted support as workforce conditions change.
- Know the organization's limits. Focus resources where employer action can make a meaningful difference while recognizing that not every societal or individual challenge can or should be solved through employment.

THE EXPECTATION GAP

MARKET IMPLICATION

For HR and business leaders, workforce technology should increasingly help the organization understand what employees are experiencing, identify emerging sources of stress, and respond before those pressures become larger workforce problems. This requires connecting traditional listening tools with workforce analytics, benefits utilization, absence and leave data, labor-market and economic intelligence, and external signals that provide context about the environment in which employees live and work. AI can help identify patterns across these sources and surface where particular workforce populations may be experiencing increased pressure, while appropriate privacy and governance remain essential.

Technology can also help organizations reduce the stress they create in the workplace. Employee experience platforms, digital assistants, scheduling tools, benefits navigation, simplified workflows, and better access to information can remove unnecessary administrative friction from employees' lives. An organization cannot always solve an employee's financial insecurity or caregiving responsibilities, but it can avoid making those challenges worse through unpredictable schedules, confusing benefits, difficult HR processes, or unnecessary demands on employees' time.

For HCM and workforce technology providers, the opportunity is to move beyond administering individual programs toward helping customers listen, understand, adapt, and connect. Solutions can help employers detect emerging workforce needs, model which populations are most affected, recommend targeted responses, and connect employees more easily with healthcare, mental health, financial wellbeing, caregiving, development, flexibility, and other available resources. The goal is not for technology that encourages employers to assume responsibility for every challenge employees face. It should be technology that gives organizations better intelligence about their workforce, reduces avoidable friction, and helps leaders direct support where it can make the greatest difference.

THE EXPECTATION GAP

CONCLUSION

Closing the Expectation Gap does not mean expanding the employer's responsibility without limit. It requires organizations to stay connected to the realities affecting their people, understand where those conditions intersect with work, and adapt support where they can make a meaningful difference. In an increasingly uncertain environment, the most effective employers will not attempt to solve every problem their employees face, but they will listen, understand context, reduce unnecessary stress they create themselves, and respond with flexibility when workforce needs change.

CONCLUSION

Entering 2027, the workplace is full of contradictions. Organizations have extraordinary technology but are still learning how to redesign work around it. Employers need skills while workers search for opportunity. AI can create new capacity while raising questions about jobs, trust, development, and who ultimately will benefit. And crucially, workers face growing pressures inside and outside work while organizations confront their own demands for greater productivity, efficiency, and adaptability.

The seven Gaps explored in this report point toward a common imperative: organizations need to become better at making connections. Connecting people with opportunity. Learning with changing work. Technology with organizational readiness. Managers with the capacity to lead. Intelligence with trust. Productivity with shared value. And the workforces' needs with meaningful support.

None of these connections will happen automatically. They require deliberate choices about how work is designed, how technology is deployed, how people are developed, how managers are supported, and how organizational value is created and shared. They also require leaders to listen closely to their workforce and understand the broader economic, technological, demographic, and social context in which their people live and work.

There are reasons for optimism. Organizations have more tools, intelligence, knowledge, and technological capability available to them than at any time in history. AI will expand those possibilities even further. The opportunity now is to translate that potential into stronger organizations and better work.

The organizations that lead through this next era will approach these choices intentionally. They will recognize change early, understand its implications, invest in the capabilities their people and businesses need, and remain willing to adapt.

The future of work will not be determined by technology alone. It will be shaped by the choices organizations make about how technology, talent, leadership, opportunity, and value connect.