

# Insights Report 2026



## The Workforce Wake-Up Call

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# ECONOMY

## Background

### Global Economy

2025 was a year of disruption. The U.S. tariff surge pushed effective rates to multi-decade highs, sparking retaliation and rerouting supply chains. Trade policy uncertainty became the dominant theme, and global institutions adjusted their outlooks sharply:

- **World Bank** cut its 2025 growth forecast to **2.3%**, the weakest non-recession year since 2008.
- **IMF** projects global growth at **3.2% in 2025** and **3.1% in 2026**, warning that risks tilt downward if protectionism persists.
- **WTO** expects merchandise trade volumes to contract in 2025 before a modest recovery in 2026.

Analyses of the “Liberation Day” tariff package show sharp contractions in trade flows and welfare losses if elevated tariffs endure. Tariff revenues surged, effective rates hit double digits, and sectors like steel, aluminum, and automotive bore the brunt.

This tariff storm overshadowed another slow-burn challenge: **demographics**. Aging populations and declining birth rates are reshaping labour markets and consumer demand worldwide. **Together, trade fragmentation and demographic pressure may be the most disruptive forces of modern economic history.**

### Canada’s Economy

Canada weathered 2025 with resilience but not without scars. Growth was uneven: firms front-loaded trade early in the year, activity softened mid-year and rebounded in Q3. Inflation hovered near **2%**, and the Bank of Canada held its policy rate at **2.25%** in December. Housing recovery remains patchy amid affordability constraints.

The tariff shock left Canada on a permanently lower growth path than pre-tariff projections. Labour markets softened mid-year before stabilizing, and sector-specific strain was evident in manufacturing and resources.



## The K-Shaped Economy

“K-shaped” recovery is now a mainstream lens for 2025–2026. Higher-income households and asset owners (the top arm of the “K”) benefit from rising equities and real estate, driving consumption and propping up headline growth. Meanwhile, lower- and middle-income households (the bottom arm) face tighter budgets and slower wage gains.

In Canada, the income gap between the top 40% and bottom 40% hit a record high in early 2025. This divergence matters because **70% of GDP is consumer-driven**. Aggregate spending can look healthy, but it’s fragile if stress at the bottom worsens.

## Fearflation and Affordability

Inflation cooled, but fear didn’t. Elevated borrowing costs and high price levels make monthly life feel harder than official numbers suggest. Canadians remain rate-sensitive, with debt-to-income near historic highs. Holiday spending surprised to the upside, yet record “Buy Now, Pay Later” (BNPL) usage signals cash-flow strain.

Fearflation, the emotional force behind affordability anxiety, creates a “windchill economy” where conditions feel colder than the data. This psychology loop drives behaviour: consumers accelerate purchases before prices rise, suppliers pre-emptively mark up, and employees push for outsized cost-of-living adjustments.

### Why does affordability feel broken?

- **Borrowing costs amplify stress:** Mortgage rates remain far above pre-pandemic lows, making monthly payments heavy even as home prices stabilize.
- **Expectations matter:** Households anticipate sharp increases in essentials like rent and medical costs, reinforcing fear even when headline inflation sits near 2%.
- **Coping behaviour is shifting:** BNPL spending hit record levels during the holidays, signaling households are stretching budgets despite strong retail numbers.

For employers, this matters because employees live in monthly payments, not CPI charts. Affordability anxiety influences morale, retention, and productivity – even when macro indicators look stable.



# Implications

- **Persistent Uncertainty:** Ongoing trade unpredictability and tariff aftershocks are likely to keep global and Canadian growth below previous trend lines.
- **Volatility:** Prices fluctuate, demand is unstable, and teams feel uneasy as economic conditions shift.
- **Confidence Matters:** Fearflation and affordability anxiety persist long after inflation spikes, because employees experience financial stress through monthly payments – not just official inflation rates.
- **Labour Market Pressure:** Employers face uneven demand and cautious hiring intentions; talent markets remain tight in some sectors and slack in others.
- **Organizational Change:** According to McKinsey, 90% of leaders expect significant transformation within the next 3–5 years, driven by shifts in trade, technology, and workforce expectations.

## What to Do Next

### Addressing Fearflation Inside Your Organization

Fearflation thrives when information is scarce and speculation fills the gap. Leaders can counter this by providing transparent plans, consistent messaging, and visible productivity wins – helping to cool expectations and stabilize sentiment.

#### 1. Reduce Friction for Employees

Make cash flow supports visible, offer flexible benefits, and communicate organizational stability. When employees feel confident, performance improves.

#### 2. Keep Pay Decisions Clear and Fair

Be transparent about compensation decisions. Explain how pay reviews work and provide clear rationale – transparency lowers anxiety and builds trust.

#### 3. Communicate Clearly

Acknowledge uncertainty, and reinforce what the organization can control – culture, flexibility, and opportunity. Employees respond positively to openness.

#### 4. Make Financial Well-being a Core Benefit

Provide access to budgeting tools, financial coaching, and lower-fee credit options through reputable partners. Train leaders to guide employees to available resources.



## Bottom Line

**We can't control tariffs or global politics, but we can control how our organizations respond. Inside organizations, lowering fear and increasing confidence is not a nice to have. It is a growth lever.**

**Reduce monthly stress, make supports visible, and manager communication will carry the rest. Position your teams for success in a world where trade shocks, affordability stress, and demographic shifts redefine the playing field.**



# DEMOGRAPHICS

## Background

Canada's demographic story is shifting from slow burn to flashing warning lights. Even when the tariff dust settles, many countries, including Canada, will face a talent shortage and slower labour force growth. This will reshape hiring, pay and productivity.

### Lowest-Low Fertility

The total fertility rate fell to **1.26 children per woman in 2023**, a record low. Births ticked up slightly in 2024 to **365,737 (+3.7%)**, but that doesn't change the long-term reality: smaller families and later childbearing.

### An Aging Nation

By July 1, 2025, Canada's **median age hit 40.6 years**. Seniors (65+) now make up **19.5% of the population**, while children (0–14) account for just **15%**. The old-age dependency ratio climbed to **~30.4 older adults per 100 working-age Canadians**, and the share of those over 85 is growing fastest.

### Immigration as the Growth Engine – and the Flashpoint

Here's the critical twist: **97.6% of Canada's population growth in 2023 came from immigration**, with natural increase contributing only 2.4%. For years, immigration was positioned as the solution to labour shortages and demographic decline. But in 2024–2025, government missteps (caps on study permits, abrupt program changes, and poor communication) sparked backlash. Immigration has become the lightning rod for everything that feels broken: high housing costs, job competition, and rising prices. Public sentiment has shifted from “immigration as lifeline” to “immigration as culprit,” complicating policy and employer strategies.

### Age Profile Snapshot

- **Children (0–14):** 15% – small cohorts mean slower replenishment of the workforce.
- **Youth (15–24):** Constrained pipeline due to decades of low fertility.
- **Core Working Age (25–54):** Still sizeable but increasingly sustained by newcomers.
- **Pre-Senior (55–64):** Swelling as the last wave of boomers moves through.
- **Seniors (65+):** 19.5% and rising; health and care demands intensify.



## What Happens Next

- By **2030**, seniors could account for **21–23%** of Canadians.
- By **2040**, seniors reach **~22.7%**, with the 85+ cohort expanding fastest.
- The worker-to-retiree ratio falls from **3.4 in 2022** toward **~2.3 by 2068**, tightening labour supply and straining public finances.
- Immigration caps and program changes in 2024–2025 cut new study permits by **~45–48%**, slowing near-term inflows of prime-age newcomers and potentially dampening growth through 2026–2027.

## Implications

- **Labour Market Pressure:** Aging and low fertility shrink the domestic talent pool. Immigration could offset this – but political backlash and policy uncertainty make it harder.
- **Public Finance Strain:** Fewer workers per retiree means higher per-capita costs for health care and pensions unless productivity rises.
- **Employer Reality:** Talent shortages will deepen, but hiring newcomers may face cultural and political headwinds. Organizations must navigate both optics and operational needs.

## What to Do Next

### 1. Workforce Planning by Age Band

- **0–24:** Build school-to-work pipelines, apprenticeships, and early career programs.
- **25–54:** Compete on flexibility, skills growth, and housing-adjacent benefits to attract prime-age workers.
- **55–64:** Offer phased retirement and mentorship to retain experience.
- **65+:** Create advisory and project-based roles while supporting caregivers.

### 2. Immigration Readiness – With Sensitivity

Streamline credential recognition and onboarding for newcomers, but communicate clearly about why immigration matters for economic health. Employers will need to counter negative narratives with facts and empathy.



### **3. Care Economy Planning**

Partner regionally on elder-care solutions and age-friendly workplaces. This is both a talent issue and a community license-to-operate issue.

### **4. Productivity Moves**

Invest in automation and AI to offset demographic drag and free employees for higher-value work.

## **Bottom Line**

**A demographic crisis isn't inevitable – but demographic pressure is real. Canada's birth rates are far below replacement, cohorts are aging, and immigration (the traditional safety valve) has become politically fraught.**

**The organizations that thrive will plan early: align workforce strategies with demographic realities, advocate for balanced immigration, and double down on productivity and participation gains.**



# ENGAGEMENT

## Engagement in 2026: A New Reality

Engagement is no longer about perks or “feeling valued.” It’s about **control, clarity, and confidence** – and the behaviors and data confirm this shift. Employees want:

- **Flexibility and Work–Life Balance:** Control over where and when they work, plus clarity on outcomes.
- **Stability and Trustworthy Leadership:** For the first time in a decade, stability outranks “feeling valued” as the top engagement driver.

Recent global survey analysis shows a **major shift in engagement drivers:**

- **Effective change management and confidence in senior leadership now outrank belonging and recognition.**
- Engagement today equals **anticipation of success:** employees stay engaged when they believe the organization will keep its commitments and they can see a future worth investing in.

Employees are asking two questions:

1. “Will the organization handle change well and keep its side of the deal?”
2. “Can I still see real growth and success here?”

If the answer feels like “yes,” engagement rises. If not, people pull back, look elsewhere, or quietly quit.

### Why This Shift Makes Sense

The economic, political, and technology backdrop is noisy: tariff headlines, affordability concerns, and AI stories touch day-to-day work. In this context, employees look to senior leaders for proof that the path forward is clear and that their contribution still matters.



## Behaviors We're Seeing

- **Remote Options Remain in Demand:** Even employees who come in want practical flexibility.
- **Coffee Badging:** Clocking in, showing face, brief networking, then working elsewhere.
- **Microshifting:** Working in shorter blocks to match energy, family needs, and collaboration windows.
- **Gen Z “Office Frogs”:** They change roles readily and vote with their feet when a job no longer serves their goals. They want skill growth, purpose, and credible paths – or they move.
- **Polyemployment:** Multiple jobs at once, often driven by affordability but also variety and boredom. Expect side gigs; design roles that offer challenge, learning, and visible progress to keep focus and commitment.

## Implications

Engagement in 2026 will be less about perks and more about trust stability and believable progress. When employees see that change is handled well and that their own success is likely they will lean in. Therefore, it is critical to make success visible, communicate clearly, equip managers and keep flexibility practical.

- Engagement is now a **strategic resilience indicator**, not a soft metric.
- Employees prioritize **flexibility, stability, and trustworthy leadership** over perks or belonging.
- Leaders must design conditions where employees feel safe, see a clear path to success, and trust leadership decisions.
- Organizations that ignore this shift risk talent flight, polyemployment distractions, and stalled innovation during critical transformation periods.

## What HR and Leaders Should Do Now

1. **Make Success Visible**
2. **Communicate Change with Clarity**
  - Explain **what is changing, why it matters, and what employees will feel in the next month.**



- Keep **one source of truth** for decisions, dates, and owners.
- Close loops on feedback; say **what you changed based on input**.

### 3. Strengthen Manager Capability

- Coach managers on **short, empathic talk tracks** for pay, scheduling, workload, and support.
- Require simple follow-through: **every promise gets an owner and a date**.

### 4. Build Flexible Structures That Still Deliver

- Offer practical flexibility (hybrid patterns, microshifts, compressed weeks) within **clear outcome expectations**.
- Cross-train to reduce burnout and improve coverage.
- Use **team-level agreements** on availability, response times, and collaboration windows.

### 5. Update Engagement Strategy for the New Drivers

- Measure **confidence in leadership and change-handling quality** alongside belonging and recognition.
- Link recognition to **growth and impact**, not just tenure or attendance.
- Give Gen Z and early-career talent **visible skill paths and project rotations**.

### 6. Address Affordability Signals

- Reduce everyday friction where you can: **commuting supports, grocery discounts, modest childcare credits**.
- Offer **budgeting tools and financial coaching**; train managers to point people to help.

## Bottom Line

**Engagement in 2026 is less about perks and more about trust, stability, and believable progress. When employees see that change is handled well and that their own success is likely, they lean in. Make success visible, communicate clearly, equip managers, and keep flexibility practical.**

**Do that, and you'll lower volatility, raise confidence, and get better performance – whatever the headlines say.**



# ARTIFICIAL INTELLIGENCE

## Background

### Lessons from 2025

#### **The Brooklyn Bridge Fireworks Fiasco**

On New Year's Eve, thousands gathered at Brooklyn Bridge expecting fireworks that never happened. Viral TikTok and Instagram clips (actually recycled July 4 footage) fooled crowds. No permits were issued, and NYC officials confirmed official displays were elsewhere. Yet, AI took the blame thanks to a viral Reddit post claiming ChatGPT recommended the non-existent show.

**Confidence outruns facts:** The Brooklyn Bridge fireworks fiasco showed how quickly people blame AI for misinformation – even when the source was social media recycling. That same dynamic drives workplace risks when AI outputs are accepted without scrutiny.

**Workslop emerged:** Low-quality AI-generated content that looks polished but forces colleagues to redo the thinking. Studies show 40% of workers received “workslop” in the past month, costing nearly two hours of rework per instance.

**Fear slowed adoption:** 22% of leaders hesitated to lead AI initiatives due to fear of failure or backlash; 39% cited fear as a barrier.

**Digital burnout intensified:** 62% of employees experience burnout occasionally or regularly; poorly implemented AI worsens this by adding rework instead of reducing load.

AI should free employees to focus on strategic, human, and empathetic work – but that does not happen by accident. It requires clear adoption norms, quality standards, and a culture where people can question, experiment, and correct without fear.

#### **What AI Is For**

- Unburdening teams from routine tasks so they can invest time in coaching, problem solving, and customer care.
- Improving signal quality in decisions: AI-assisted sourcing and analytics expand talent pools and surface patterns faster; humans provide judgment, context, and fairness.



- Elevating HR impact: Automation in screening, scheduling, payroll, onboarding, and analytics frees HR professionals to focus on engagement and strategy.

## What AI Is Not

- A substitute for empathy or trust: No model replaces a manager who listens, explains trade-offs, and supports people through change.
- A universal fix: AI can amplify poor processes as easily as it improves good ones. Over-automation, bias from low-quality data, and “black box” decisions erode confidence.

## Implications

- AI is not a cure-all: Without guardrails, it creates more work, not less.
- Confidence outruns facts: Blind trust in AI outputs risks errors and reputational damage.
- Psychological safety drives adoption: Cultures that normalize questioning and failure outperform those that punish mistakes.
- Digital burnout is real: Layering AI on top of chaotic workflows without reducing friction accelerates fatigue.

## What HR and Leaders Should Do Now

### 1. Automate the Trivial, Protect the Meaningful

- Use AI for calendars, status pings, first-pass resume screens, and policy lookups.
- Keep performance coaching, pay conversations, and change communication firmly human.

### 2. Pair AI with Objective Assessments

- Combine AI-assisted sourcing with validated psychometrics for cognitive ability, EQ, values, and leadership style.
- Provide onboarding-oriented feedback so assessment data becomes a development plan, not a disappearing score.



### **3. Define “Appropriate Use” and Publish Guardrails**

- Adopt a short policy covering privacy, data handling, acceptable prompts, human review, and transparency.
- Require disclosure and traceability (prompt logs, AI labels).
- Apply the eight-point AI quality standard: task fit, source discipline, audience fit, accuracy check, context completeness, disclosure, peer review, measurable quality.

### **4. Upskill Managers to Be AI Literate and Empathy Strong**

- Train managers to question AI outputs, spot data gaps, and translate insights into humane actions.
- Normalize “Question the Algorithm” rituals in team meetings.

### **5. Make Success Visible and Communicate Change Clearly**

- Show the plan for the next 30, 60, 90 days.
- Explain what’s changing, why it matters, and what employees will feel next month.
- Close loops on feedback; say what changed based on input.

### **6. Combat Digital Burnout**

- Set clear channel norms and reduce app overload.
- Build recovery rituals (offline blocks, no-meeting windows).
- Use AI to lighten, not lengthen, the load – apply editorial standards.
- Model boundaries: leaders avoid late-night broadcasting.

### **7. Measure Time Returned to Humans**

- Track hours saved and reinvest them in coaching, problem solving, and customer care.
- Monitor rework rates, time saved vs. time lost, and recipient satisfaction.



## Bottom Line

**AI's job is to return time to people. When we use it to clear the noise from our days, we can invest that time in the work that moves culture and performance – empathic leadership, strategic problem solving, and better decisions. Treat AI as an accelerator for humanity, not a replacement for it. Pair adoption with guardrails, psychological safety, and digital wellbeing practices.**



# RECRUITMENT

## Background

Recruitment in 2025 was shaped by economic volatility that masked deeper demographic pressures. While tariff shocks and trade uncertainty dominated headlines, the real structural challenge was a shrinking talent pipeline. Canada's fertility rate hit historic lows, the median age climbed past 40, and retirements accelerated – yet these trends were overshadowed by short-term economic whiplash.

Skills mismatches intensified. Employers struggled to align fast-changing role requirements with available talent. Critical gaps emerged in leadership, technical, and client-facing roles, forcing organizations to rethink sourcing strategies.

AI entered the recruitment world – but not without friction. While AI promised efficiency, its misuse introduced a new problem: “workslop.” This term describes low-quality, AI-generated content (resumes, cover letters, even job descriptions) that looked polished but lacked substance. Further, recruiters faced floods of spamlications (mass AI-assisted applications), making it harder to identify genuine fit and slowing the overall process.

Candidate expectations shifted. Flexibility, transparency, and trust became non-negotiable. Gen Z candidates, in particular, demanded skill growth and purpose, while affordability pressures drove the rise in polyemployment and side gigs.

### **Recruiting in 2026: A Continuous Capability**

Recruitment is no longer episodic – it's an always-on system that blends brand, networks, data, and objective decision tools into a single capability.

The firms that win adopt ABR (Always Be Recruiting), which means:

- Cultivating pipelines before roles open
- Keeping a live skills map tied to business strategy
- Assigning relationship owners for priority talent communities
- Sharing authentic content (leader AMAs, virtual tours, micro-apprenticeships) so prospects experience culture before applying

Think of talent like a sales funnel: if sourcing starts only when a requisition opens, the organization will be late and quality will suffer.



## AI and the Front End of Hiring

AI has reshaped sourcing and screening. Candidates now use algorithms to tailor resumes and cover letters so precisely that many look “too perfect.” And as mentioned above, spamlications (mass AI-assisted submissions) are flooding applicant tracking systems, creating noise and slowing decision-making.

## Demographic Pressures

Shrinking prime-age cohorts and rising retirements make every hire more critical. Employers face both volume overload and fit uncertainty in a market where talent scarcity and candidate expectations collide.

## Implications

- **Noise vs. Signal:** Spamlications obscure genuine fit and consume recruiter time.
- **False Confidence:** Polished AI-generated resumes can mask gaps in capability and culture alignment.
- **Decision Quality Must Rise:** AI widens the funnel, but fairness and rigor must keep pace.
- **Candidate Experience Is a Trust Builder:** Transparency and clarity matter more than ever.
- **Demographics Raise the Stakes:** Mis-hires cost more when talent pools are thin.

To succeed in a rapidly changing environment, organizations need agility not only in sourcing external talent but also in deploying internal talent more intelligently. By combining skills-based hiring with an internal talent marketplace, companies gain visibility into existing skills, identify gaps, and support proactive workforce planning.

Skills-based hiring remains the most widely adopted emerging trend year after year. When paired with a robust internal talent marketplace, it enables organizations to match people to opportunities based on capability (not just title or tenure) making it easier to respond to shifting business needs and drive growth from within.

## What to Do Next

### 1. Adopt ABR (Always Be Recruiting)

- Maintain a **live skills map** linked to business strategy
- Assign **relationship owners** for priority talent communities
- Share authentic content (leader AMAs, tours, micro-apprenticeships) to build trust before application



- Offer flexible paths: job sharing, seasonal ramps, skills-based entry

## 2. Use AI Wisely

- Apply AI to **widen sourcing** and surface nontraditional candidates
- Anchor shortlisting decisions to **explicit, documented criteria** for fairness
- Keep **human-in-the-loop checks** for all external-facing deliverables

## 3. Shift Screening Beyond Documents

- **Skills-Based Screening First:** Use structured questions, short work samples, or scenario prompts
- **Contextual Prompts:** Tie questions to real team challenges – copy-paste answers are easy to spot
- **Signal Authenticity:** Require a brief “how I approached this” note with work samples

## 4. Assess for Fit with Objective Tools

- Include at least one validated **cognitive measure** and one **personality or EQ tool** for leadership, sales, client service, and safety-sensitive roles
- Explain assessments respectfully and provide onboarding-oriented feedback so data becomes a development plan, not a disappearing score

## 5. Elevate Candidate Experience

- State steps, assessments, decision meetings, and anticipated dates upfront
- Use channels candidates actually read (text and email)
- Publish service levels for response times and maintain a single source of truth for each requisition

## 6. Measure What Matters

- Track **time to qualified slate**, not just time to offer
- Monitor **assessment completion rates** and predictive validity against 90-day outcomes
- Watch candidate communication service levels and shortlist diversity relative to labor market availability



## Bottom Line

**Recruiting in 2026 is always-on, AI-assisted, and assessment-anchored. ABR fills the pipeline before you need it, AI widens the funnel without diluting standards, and validated psychometrics improve signal quality and speed confident decisions.**

**Combine these with transparency and candidate experience, and you'll build trust while hiring for impact – not just appearance.**



# HR COMPLIANCE COMPLEXITY

## Background

Ontario's HR landscape is in the midst of a major transformation. Ahria's recent [HR webinar](#) highlighted the 2025 “shake-up” – rising minimum wage, wage compression, pay transparency, and the growing role of AI in recruitment. These themes have now been codified in law: new *Employment Standards Act, 2000* amendments in Ontario require salary ranges in job postings, mandatory AI disclosure, vacancy status, and a ban on Canadian experience requirements. Employers must also provide key employment information to new hires and notify interviewed candidates of outcomes within 45 days.

## Implications

- **Compliance is now strategic:** What was once best practice (compensation reviews, transparent communication, and ethical AI use) is now required by law. Employers must update job posting templates, recruitment workflows, and recordkeeping practices.
- **Candidate experience is regulated:** The need to keep candidates “warm” and informed is no longer optional; timely interview follow-up is mandated.
- **AI governance is essential:** Organizations must disclose AI use in hiring and ensure human oversight, addressing both ethical and legal risks.
- **Pay equity and wage compression:** Minimum wage hikes and pay transparency rules will intensify employee questions about fairness, internal equity, and career progression.
- **Administrative complexity:** Larger organizations face new reporting and documentation burdens, while small businesses (<25 employees) are exempt from some requirements.

## What's Next

1. **Align HR Strategy with Legislation:**
  - Conduct regular compensation reviews and address wage compression.
  - Update job postings to meet new transparency and AI disclosure requirements.
  - Train HR teams on compliance steps and recordkeeping.



## **2. Strengthen Candidate Experience:**

- Develop clear communication scripts, videos, and touchpoints.
- Automate candidate updates and plan communications for unsuccessful applicants.
- Monitor retention, morale, and turnover metrics.

## **3. Implement AI Governance:**

- Document and disclose AI use in recruitment.
- Maintain human oversight and prepare FAQs for candidates.
- Review ethical, legal, and privacy implications of recruitment technology.

## **4. Ensure Timely Interview Follow-Up:**

- Set up systems to notify candidates of outcomes within 45 days.
- Retain records for three years as required.

## **5. Leverage HR Solutions:**

- Use self-serve tools for pay equity and compensation frameworks, or opt for managed HR support to navigate legislative changes.

# **Bottom Line**

**Ontario's 2025 HR shake-up is now the law. Employers who proactively align their practices with these new requirements (embracing transparency, governing AI use, and prioritizing candidate experience) will not only reduce compliance risk but also build trust and engagement with their workforce.**



# ORGANIZATIONAL CULTURE

## Background

Organizational culture in 2025 is defined by adaptability, transparency, and trust. As strategy shifts, culture must keep pace. The most successful organizations actively align their values with mission and strategy – especially during times of change. Values aren't just words on a wall; they're the compass guiding daily decisions and behaviors. When values and strategy are truly aligned, organizations are twice as likely to excel at innovation and adaptability.

But alignment doesn't happen by accident. HR must ensure that values are regularly revisited, reinforced, and reflected in how leaders make decisions. This builds trust and resilience throughout change. The missing link is leadership accountability: only half of organizations hold leaders accountable for living their values, but when they do, culture strengthens and outcomes improve. HR's role is to embed accountability into processes so that values aren't optional – they become the standard for how work gets done.

In a world of constant change, organizations that anchor strategy in lived values and leadership accountability build the trust, agility, and resilience needed to thrive. When change is constant, leaders may feel pressured to deliver quick results. In that urgency, decisions can stray from core values, and employees notice the disconnect – leading them to question the “why” behind decisions. Anchoring decisions in values provides clarity, trust, and direction, fueling resilience. When leaders consistently exemplify values, they give people certainty: “I can weather this change because I know my leader has my back.”

## Implications

- **Culture as a Competitive Advantage:** Organizations with strong, adaptive cultures will be better equipped to navigate ongoing disruption, attract top talent, and retain high performers.
- **Leadership Accountability:** Employees will increasingly expect leaders to model values and communicate with clarity and empathy, especially during change.
- **Continuous Learning:** A culture that supports ongoing development will be essential for agility and innovation.
- **Well-being and Inclusion:** Companies must address mental health, work-life balance, and inclusivity to maintain engagement and performance.



- **AI and Digital Integration:** As AI automates more processes, organizations must ensure technology supports, not erodes, human connection and trust.

## Next Steps

1. **Revisit and Reinforce Values:** Regularly review organizational values and ensure they are reflected in decision-making and daily behaviors.
2. **Embed Accountability:** Hold leaders accountable for living the values and communicating transparently.
3. **Invest in Learning:** Make continuous development accessible and expected at all levels.
4. **Prioritize Well-being:** Align benefits, job design, and support systems to address holistic wellness.
5. **Monitor and Adapt:** Use employee feedback and culture metrics to identify gaps and adjust practices.
6. **Humanize Technology:** Ensure digital tools and AI enhance collaboration, inclusion, and trust – not just efficiency.

## Bottom Line

**In 2026, organizations that treat culture as a living system (anchored in values, accountability, and human connection) will be best positioned to thrive, adapt, and grow through whatever comes next.**



# LEADERSHIP CAPACITY & DEVELOPMENT

## Background

Leadership capacity is under pressure as organizational change and demographic shifts accelerate. In 2025, 40% of leaders considered leaving their roles to protect their well-being, and 21% of high-potential talent are close to “revenge quitting.” Leaders openly admit their biggest skill gaps are in strategy setting and managing change, while promotions have outpaced preparation – leaving many new leaders ill-equipped for what’s next.

The people leader’s role has expanded dramatically, spanning strategic, operational, and emotional responsibilities. In 2025, people leaders were 1.4 times more likely than individual contributors to report higher job-related stress (Harvard Business Publishing). Excelling at the human side of leadership (coaching, feedback, decision communication, and managing difficult conversations) requires empathy, emotional intelligence, and trust. These are complex skills that demand ongoing development, not quick fixes.

Despite these risks, investment in leadership development remains below pre-pandemic levels, causing instability and chaos. With up to 70% of leaders planning to retire in the next three to five years, organizations face a severe loss of institutional knowledge.

AI is accelerating the shift: as entry-level roles disappear, organizations risk a gap in their leadership pipeline. Flatter structures mean fewer layers between frontline employees and senior leaders, but most organizations are not prepared – only 10% have enabled their teams to adapt. To stay ahead, HR must rethink talent development, succession planning, and pathways for future leaders.

Continuous learning must become a core part of the culture – making development non-negotiable, equipping leaders with practical tools, and ensuring learning happens in the flow of work. Delegation and accountability are essential: leaders should share responsibility and actively own their growth. Early investment yields outsized benefits: when employees are identified for growth and receive coaching and stretch assignments early, engagement, morale, and loyalty rise – and future leaders begin operating at the next level before promotion.

Leadership in 2026 is about readiness for complexity, cross-functional decision-making, and transformation at scale. The most competitive organizations are shifting from episodic workshops to systematic leadership pipelines, supported by practical routines, trust-building communication, and holistic wellness strategies.



## Implications

- **Leadership Pipeline Risk:** High stress, burnout, and retirement intent threaten continuity and institutional knowledge.
- **Skill Gaps:** Many leaders lack readiness for strategic change and complex decision-making.
- **Promotion vs. Preparation:** Rapid promotions without adequate training undermine team performance and morale.
- **Trust and Engagement:** Employees stay when they trust management and see change handled well; gaps between intent and perception erode commitment.
- **Wellness and Work Design:** Mental, financial, and social wellness are now core to retention and performance.
- **Digital Burnout:** Overuse of technology and poor boundaries increase fatigue and disengagement.
- **AI in Leadership:** AI can augment coaching and development but cannot replace empathy, judgment, or context.

## Next Steps

### 1. Diagnose and Map Leadership Needs

- Map current and near-term vacancies, retirements, and critical roles.
- Assess leaders against four must-haves: strategy setting, change navigation, people leadership, and business fundamentals.

### 2. Build and Sustain a Tiered Leadership Pipeline

- **Emerging Leaders:** Focus on role clarity, feedback, coaching basics, and project leadership.
- **Mid-Level Leaders:** Develop cross-functional problem solving, stakeholder mapping, and scenario planning.
- **Senior Leaders:** Emphasize strategy creation, change architecture, and culture shaping.

### 3. Capture and Transfer Knowledge

- Pair at-risk roles with successors and define handover plans.
- Run record-and-transfer sessions and create living playbooks for critical processes.



#### **4. Shift from Events to Routines**

- Hold monthly leadership huddles and quarterly simulations.
- Implement manager micro-learning: 15 minutes a week on one skill, one tool, one application.

#### **5. Center Change Navigation**

- Require a one-page change plan for any project affecting people, budget, or process.
- Use a message map: what's changing, why it matters, what people will feel in the next 30 days, and where to get help.

#### **6. Build Trust with Communication and Routines**

- Equip managers for clear, compassionate conversations about pay, scheduling, and support.
- Publish HR service levels and pair announcements with proof (e.g., show real savings from new benefits).
- Practice decision hygiene: clarify who is affected, what they'll feel, what managers need to do, and how success will be measured.

#### **7. Support Holistic Wellness**

- Align job design, skills, supports, and purpose.
- Invest in mental, financial, physical, and social wellness.
- Link personal values to organizational purpose for stronger engagement.

#### **8. Reduce Digital Burnout**

- Discourage device use during meetings and encourage regular breaks.
- Set clear boundaries for work hours and model healthy disconnection.

#### **9. Use AI Thoughtfully**

- Augment coaching and career development with skills mapping and personalized learning paths.
- Keep empathy and judgment human; AI can suggest the “what” and “when,” but leaders own the “how”.



## Bottom Line

**Trust grows when leaders communicate clearly, managers are equipped to act, and employees feel the impact of decisions in their daily work. Early, systematic investment in leadership development (paired with practical routines and holistic wellness) will steady organizations through demographic shifts and ongoing change.**

**Reduce fear, raise confidence, and performance will follow.**

