
Driving HR strategy for a future-ready business

How to work smarter,
stay compliant and win
the war for talent



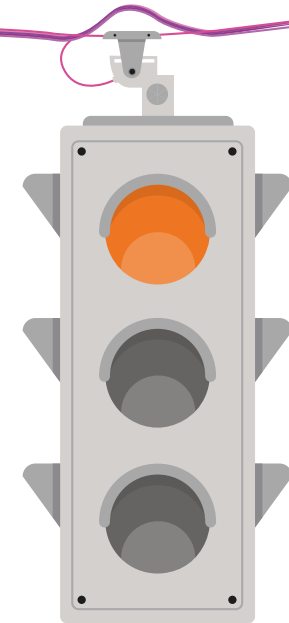
A more human resource.™

HCM is at a crossroads

Human Capital Management is on the brink of huge change, and if you're a business owner or executive, you want to make sure you're on the right side of it.

The cause of this change? An unprecedented combination of factors that have created a perfect storm for employers:

Business is changing rapidly as the digital revolution picks up pace. 25% of the economy is predicted to be digital by 2020, encouraged by ubiquitous and mobile internet! But growth is still sluggish and there's huge regulatory uncertainty. Meanwhile, the rapidly expanding freelance economy is changing workforce dynamics. And entry-level talent is not only less loyal – they also think business success should be measured by more than financial performance.



Labor markets have tightened with job openings at an all-time high and an unemployment rate at pre-recession levels. 10,000 baby boomers are retiring every day, and an hourglass population pyramid means there aren't enough 35-54 year-olds to replace them. Millennials can make up the numbers, but they bring with them different expectations and perspectives on culture.

The global war for talent is expanding.

The war for talent starts at hire, but that's only the beginning. With the freelance economy heating up, your hourly workforce may have other income opportunities so retaining and engaging employees is even more difficult. And people aren't only moving for higher wages. They are considering other factors – flexibility, meaning in their work, philanthropy etc. It's become even more important to focus on building an attractive culture.

Key facts

The US has added 8 million new jobs to pre-recession levels, and unemployment has dropped from 10% to 5% in five years. There are now just 1.3 unemployed persons per job opening - the lowest number since 2001.

There are now 53.7 million freelance workers in the United States – a third of the nation's workforce².

² Global Workplace Analytics

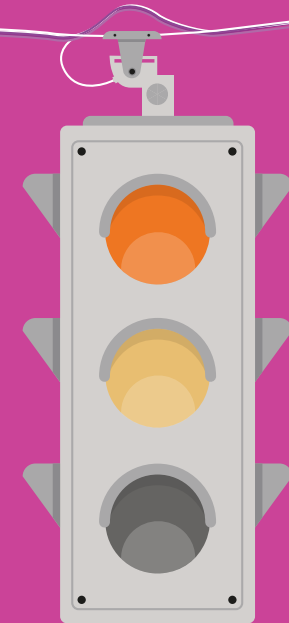
A time for action

This combination of factors is a serious impediment to organic growth. C-suite executives are fully aware of the scale of the problem, though they don't yet know how to solve it.

But it's serious, and it's too big to ignore.

What they do know is that they need to get ahead of the curve now or pay the price later. And the result is that everyone is focusing on attracting and retaining increasingly scarce talent.

But to do that, they need to rethink their approach to HR.





The talent challenge

Talent poaching is becoming more common, and companies are spending more on retraining existing staff to cover positions they can't fill.

The hiring and firing processes are both being hindered by the tightness of the labor market, so companies are becoming less agile.

Wage inflation is on the rise, currently running at 3.5%, though there's speculation that the number is understated, and could be as much as 4.5%.

So what's stopping them?

Key fact

Over 50% of CEOs report skills gaps in key business functions. And with 96% of CEOs planning to increase headcount over the next three years, the challenge is set to increase³.

³ KPMG 2016 Global Outlook



HR compliance and admin: A constant challenge

For most businesses, just getting the basics right has become more and more complicated over the last few years.

We've seen constant change in regulations (e.g. ACA, FLSA, pay equity) and this increasing uncertainty makes compliance a big challenge, as companies chase a moving target.

The result is that administering payroll, taxes and benefits has become a full-time job for your HR people. Which means they never get out of 'doing' mode.

So you're stuck being tactical – just at the time when you need to plan.



But here's the problem: **all of the detail-focused, repetitive, complicated admin and compliance work matters.** Get that wrong and you're facing potential penalties or even legal action.

So somebody has to do it. The question many organizations are asking is whether that somebody has to be them.

And they're wondering what life might look like if they were able to rise above the detail and see the big picture.

Key facts

48% of midmarket business owners say they're 'very concerned' or 'extremely concerned' by the level and volume of government regulations.

Only 46% say they're confident their organization is compliant with payroll tax laws and regulations, down from 57% just four years ago⁴.

⁴ ADP: 2016 Midsized Business Owner Study

From tactical to strategic

Getting strategic means focusing your HR function less on where you are now, and more on where you want to be.

Where you are	Where you want to be (and should be)
Finding it challenging to stay compliant with ever changing legislation.	Fully compliant with all current legislation by default, no matter how often it changes.
Struggling to attract and retain talent in a tight labor market.	Meeting the radically different needs and expectations of each generation in the workforce. Building a culture that embraces familiar technology to empower people (e.g. mobile). Adapting to shifting workforce patterns and improving retention rates through constant engagement.
Internal HR is a necessity/cost center.	Internal HR is supporting business objectives and delivering ROI.
Internal HR is process-focused, reactive.	Internal HR is focused on strategy, proactive.

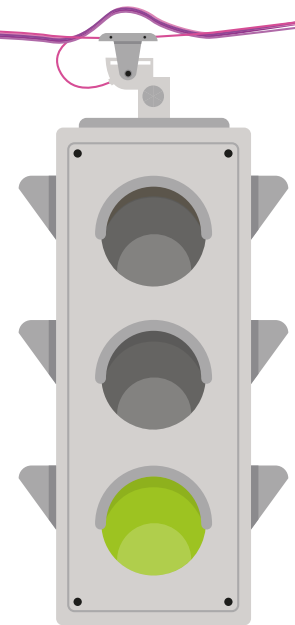
Making the shift

So companies are faced with a choice: Keep doing what they have been doing, or start working smarter.

Somebody needs to take care of the basics. But that somebody doesn't have to be you.

On their own, your internal HR can't be (and shouldn't be) expected to know as much about compliance as field experts. The ever-changing landscape of state and federal laws requires constant vigilance to manage the complexity.

So your HR people are running just to stand still.



What they really should be doing is designing a people strategy around a changing workforce, engineering organizational change, improving engagement and increasing employee retention, all while ensuring HR supports business objectives and delivers real value.

To make that shift, more and more organizations are offloading the HR admin, compliance and generalist activities that are repetitive and hugely timeconsuming.

They're harnessing the power of a **comprehensive outsourcing solution** that combines two key elements: **Technology** and **expertise**.

"Companies that are stronger in people management have a correspondingly higher financial performance⁵"

Boston Consulting Group



⁵ Boston Consulting Group: Creating People Advantage 2014-2015: How to Set Up Great HR Functions

Cutting-edge technology

Outsourcing provides companies with a complete solution, including HR, payroll, talent, time, tax and benefits administration.

This comprehensive technology gives them:

- **An end-to-end system**, with increased control, visibility and productivity – far beyond even best-of-breed HR platforms that are separate.
- **Integration with finance**, which will become more important as HR becomes more pivotal in an organization.
- **Advanced HR analytics**, to extract insight from data and use it to inform critical business decisions.
- **A user-friendly employee self-service portal** to reduce time-consuming, repetitive queries.

And with the basics under control, HR people can finally get out of ‘doing’ mode and think more strategically.

Key fact

74% of executives identify digital HR as a top priority, and 77% say that people analytics is now a key focus⁶

⁶ Deloitte: [Global Human Capital Trends 2016](#)

Expertise: Beyond the technology

Outsourcing the administrative burden of HR is only half the story. With the right partner in place, you'll not only get access to the latest tools, resources and industry best practices, but you'll have experts on hand to offer best practices on regulatory compliance, and provide strategic HR support on employee relations, process re-engineering and technology optimization.

You and your HR partner can design a plan that responds to shifting economic conditions, the digital revolution, the freelance economy, and changing talent demands.



So what would 'strategic' actually look like? Freed from the burden of administration, HR could focus on:

- **Improving engagement**, which is the key to retention in a tight labor market.
- **Shaping culture**, in a world where company values, meaningful work and a clear career path are becoming as important as compensation and benefits.
- **Redesigning your organization**, adapting to the new reality of the 'liquid workforce' focused around projects, not roles.
- **Harnessing the power of big data**, using 'people analytics' to gain insights and make informed business decisions.

- **Embracing the digital revolution**, deploying integrated HR solutions that cover the career spectrum, from recruitment to retirement.
- **Making people change-ready and adaptable** through a program of ongoing training.
- **Building an HCM strategy** that's aligned with business goals and flexible enough to adapt to a fast-changing market.

You could finally turn HR into a strategic function, moving from where you are to where you want to be.

Key fact

Millennials value flexibility (33%) and company culture (23%) far higher than Generation Xers and Baby Boomers⁷.

⁷ ADP Evolution of Work

Comprehensive outsourcing: Now is the time

Human Capital Management is at a crossroads, and choosing the right direction is critical.

On the brink of huge change, adaptability is the key to success. But an organization's ability to adapt depends on its people, and a strategically focused HR department is what makes those people change-ready.

A people-focused HR organization is free from the burden of the process-focused, admin heavy, resource-intensive operations of HR – and that's exactly what a comprehensive outsourcing solution delivers.

Its unrivalled combination of **cutting-edge technology** and **expert practitioners** will help your HR finally get out of 'doing' mode. They'll be able to focus instead on strategic long-term goals by:

- **Increasing employee retention** through engagement, using advanced (and increasingly predictive) analytics to gain insights about who, where and when to engage.
- **Ensuring your company is change-ready and adaptable** in a world of work that's being transformed beyond recognition.
- **Focusing on your greatest asset** – your people – so you can gain a competitive edge in the global war for talent.

Talk to us today about our comprehensive outsourcing solution. To learn more, visit adp.com/outsourcing or contact 1-800-CALL-ADP

