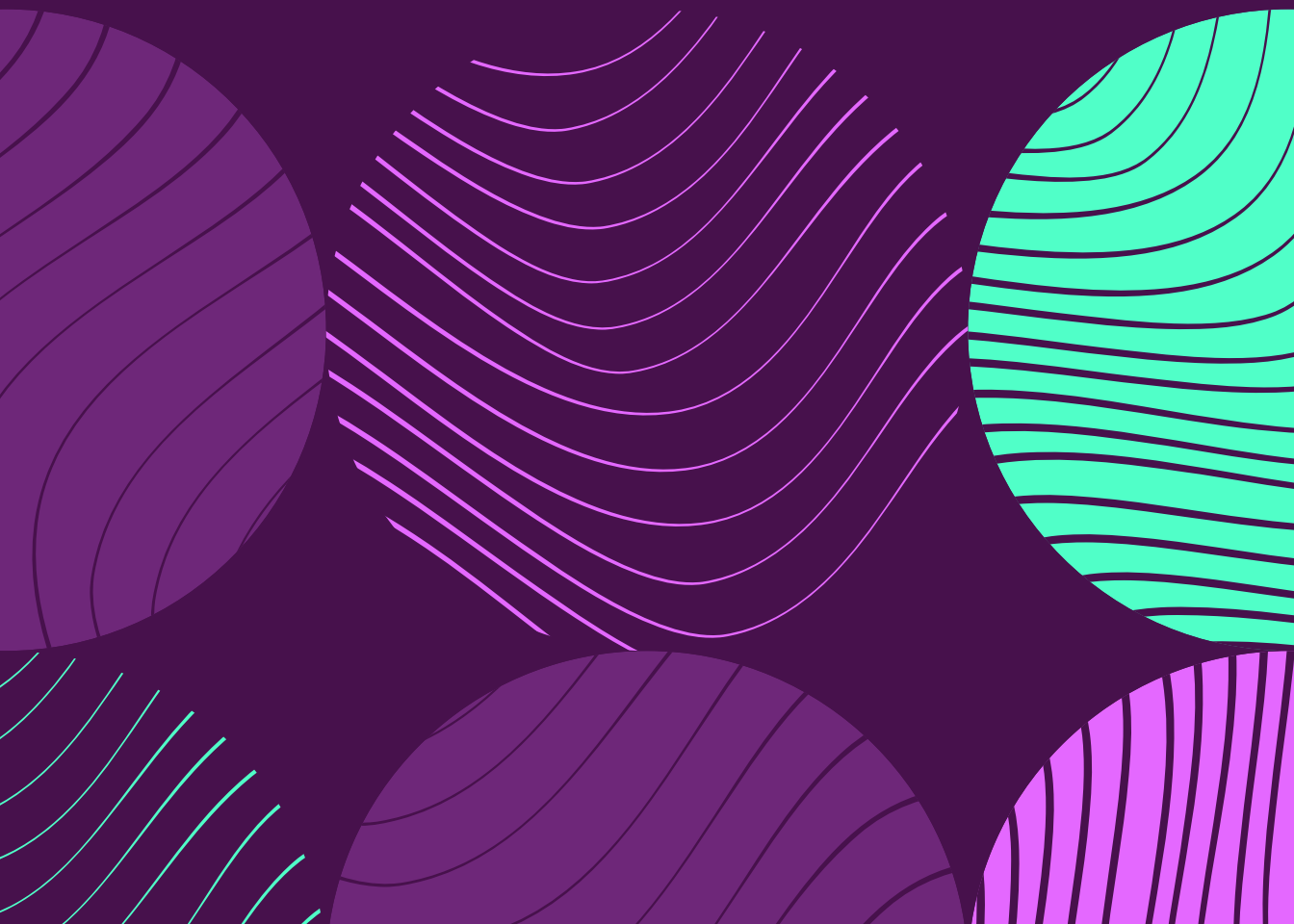
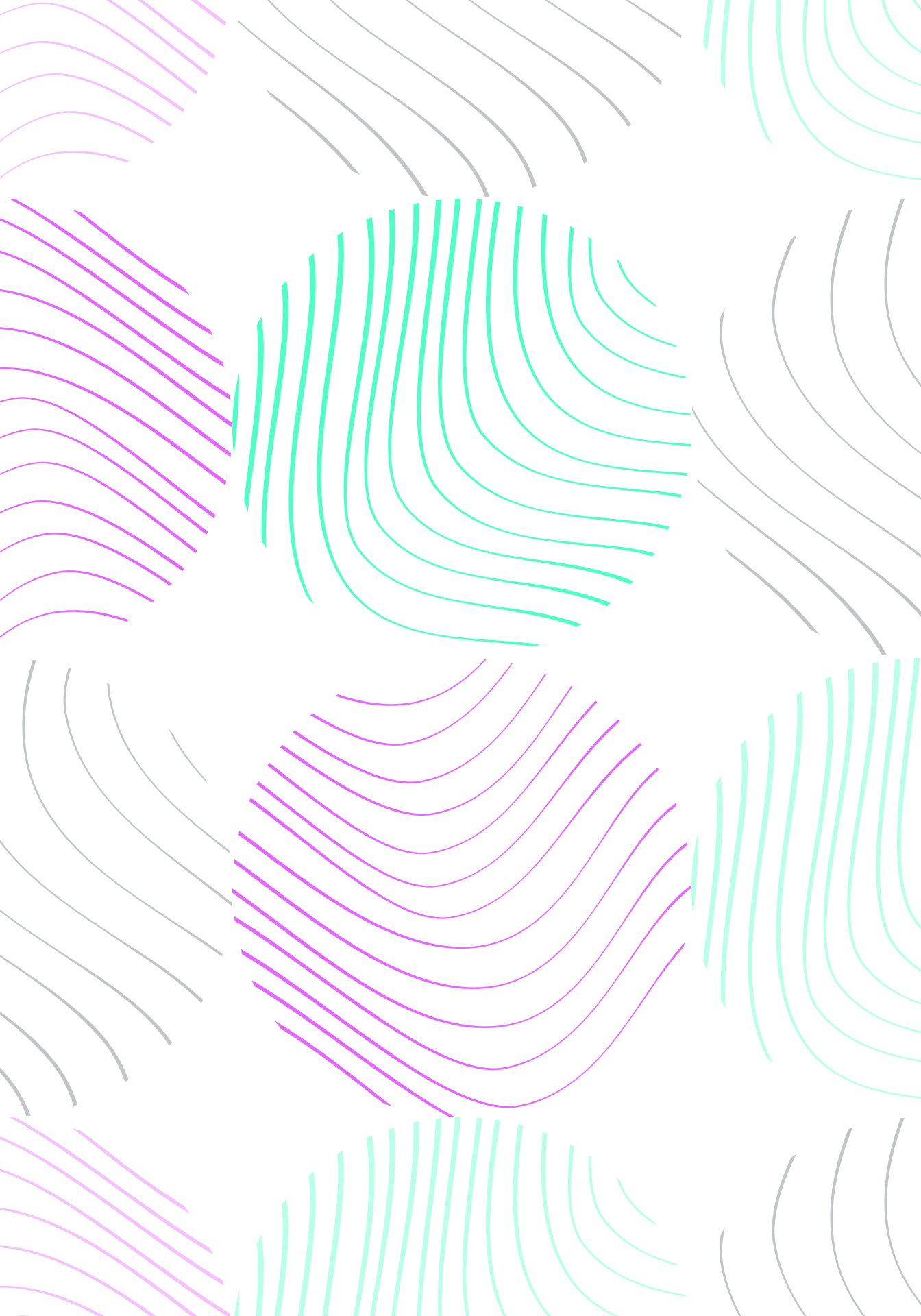


2025 State of the **Workforce**

Four Trends to Guide 2026 HR Strategy





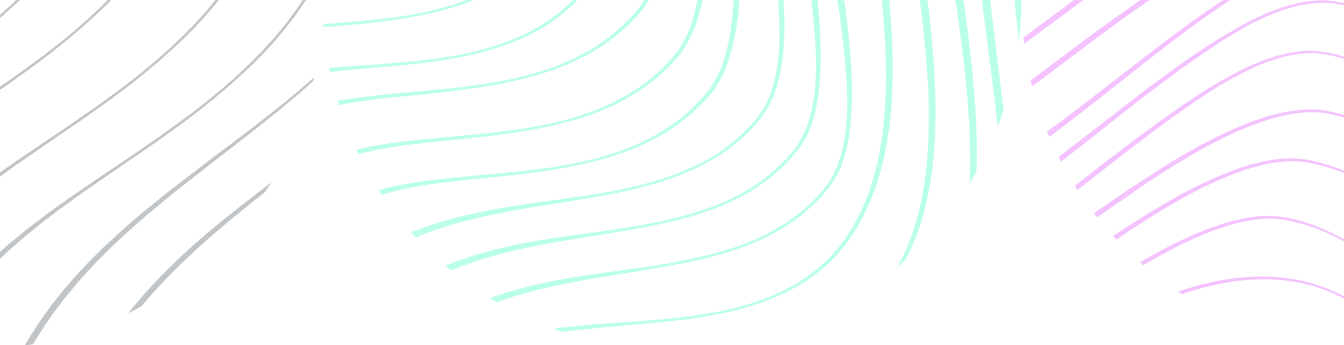


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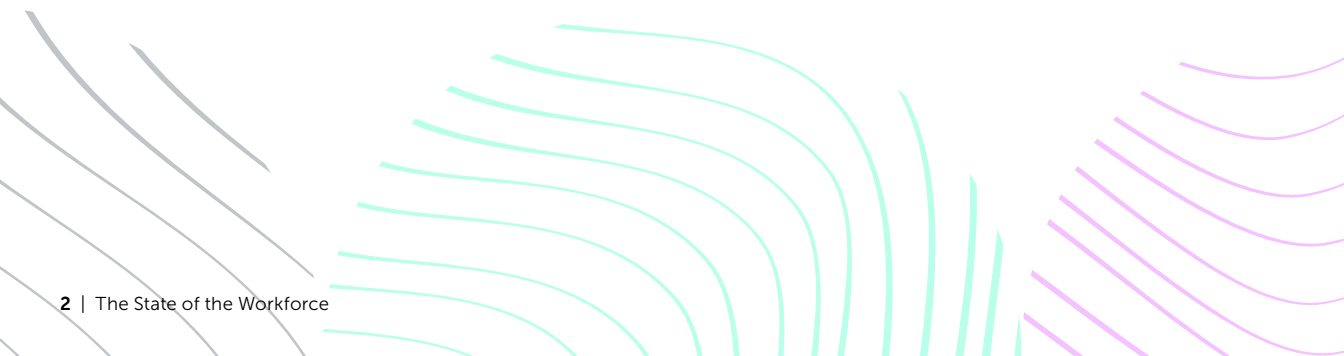
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The State of the Workforce

For most of human history, we lived in small groups hunting and foraging. For the last 1,000 years, most people farmed, and their only coworkers were family members. Leaving home, to go to a different building, to work with non-relatives became the norm only a few hundred years ago.

The five-day work week is only about 100 years old. Henry Ford was the first to formally adopt it in 1926, but it wasn't codified in law until 1938. Before Ford, six- or even seven-day workweeks were the norm.

Norms change. And the workforce might already be facing another inflection point. Amid AI advancements, transitions to hybrid work, the gig economy, and a changing of the guard between generations of workers, many aspects of work that we considered immutable laws of nature—where, when, and how work gets done—are coming into question.

At the same time, companies are setting ever-higher strategic ambitions as they set a course for the second half of the decade. How they address four specific issues will determine their ability to thrive:

- 1** Advancements in GenAI
- 2** Hybrid and Flexible Work
- 3** Employee Mental Health
- 4** The Evolving Employee-Employer Compact

Read on to learn more about how these issues are defining the workforce today and how to navigate their complexities.

1

Advancements in GenAI

Separating Hype from Reality

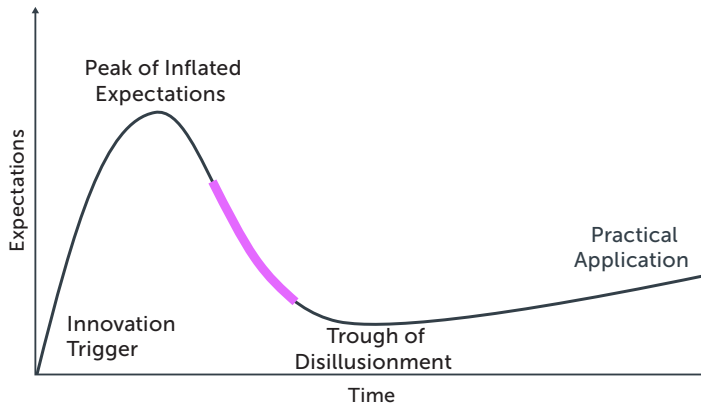
The AI transformation is well underway, but excitement peaked in 2023, with headlines declaring the technology would revolutionize business and replace many, if not most, human workers. In just a year, however, sentiment shifted. Commentators started to question the value of AI altogether. In 2023, nearly half of U.S. employees believed their job would be eliminated by AI. By late 2024, that share had dropped meaningfully to about a third. So what happened?

A likely explanation is that the productivity gains from GenAI have been highly variable. Some research suggests that AI increases productivity up to 33%. But other studies show AI is net negative, adding extra steps and complications to workflows.

This swing in sentiment is part of an established pattern: the Hype Cycle. New technologies spark early excitement, and expectations balloon. That soon crashes against the reality of how quickly change can and can't happen, causing an overcorrection. Eventually, the technology makes progress toward greater practical application.

While every new technology goes through this cycle, GenAI's experience feels novel because it is rarely as public. Most tech changes are localized to a specific industry or application. The last one that played out this publicly was the Internet, peaking in 2001 and followed by the dot com bubble. Today, the Internet is doing fine, and GenAI is headed in that direction, with early pilots succeeding and becoming bigger investments.

Traditional Hype Cycle



Evidence GenAI Approaching the “Trough of Disillusionment”

42%

of companies are abandoning their AI initiatives, up from 17% last year

69%

of job seekers doubt AI's ability to boost their work performance

82%

of scientists in an R&D lab who used an AI tool reported reduced job satisfaction

“

There are no skills, literally zero, where GenAI is very likely to replace a human.”

*Svenja Gudell
Chief Economist, Indeed*

GenAI isn't a single technology with a single adoption curve. Instead, it's a series of technologies, just as there wasn't a single rollout of the Internet. We should expect multiple AI hype cycles with each new advance. This is likely the best argument against a wait-and-see approach. There's not a single cycle to wait out. You could be waiting a long time. But on the positive side, each new hype cycle also offers a new opportunity to enter the market.

Where Should CHROs Focus During Hype Cycle Whipsaws?

During this period, CHROs should prepare for AI’s impact on several levels. The first is application to the HR team. Second, CHROs need to ensure their workforce is AI-ready. Third, CHROs must monitor the impact of AI on the labor market writ large.

1. Unit-Level AI Application

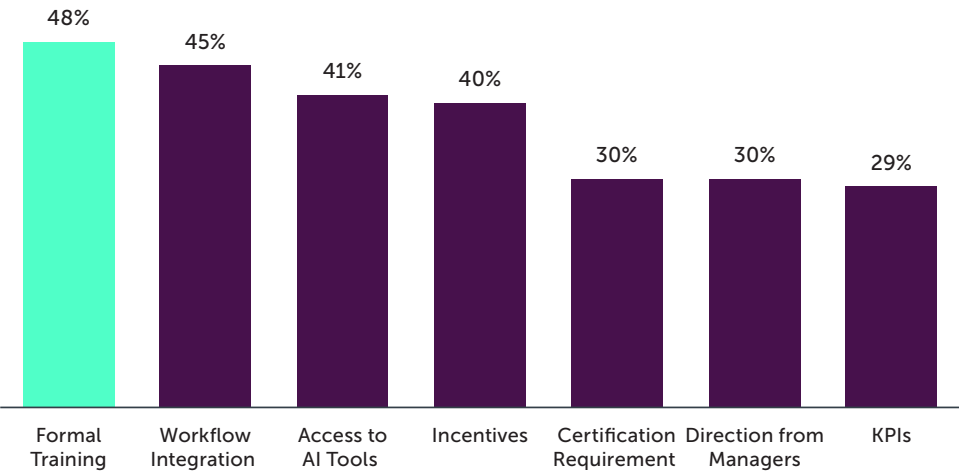
From talent acquisition to performance reviews, the HR function itself holds multiple use cases.

Use Case	Example	Implementation Details
Talent Acquisition	 <i>McDonald’s & Paradox</i> Hiring platform automates parts of the recruiting process, such as scheduling interviews	Time between application and interview scheduled reduced from three days to three minutes
Onboarding	 <i>Döhler & SAP’s “Joule”</i> An AI copilot embedded in the employee portal simplifies policies and transactions	Expedited and simplified common but more complicated transactions such as transfer requests and changing locations
Benefits	 <i>IBM’s “AskHR”</i> Virtual assistant responds to benefits questions with answers customized to individual staff (e.g., PTO)	Responds to more than 500K employee questions and conversations per year
Employee Feedback	 <i>Accenture’s “Feedback Coach”</i> The tool drafts written feedback based on post-project assessments	Embedded in Microsoft Teams and Workday, it’s been used by staff more than 3 million times and increased feedback by 89%
Internal Mobility	 <i>Delta Air Lines & SAP</i> An AI-enabled skills marketplace that helps employees create career pathways	More than 25% of management positions were filled with existing frontline staff after implementation

2. Organization-Wide AI Readiness

While IT units and tech champions will drive AI pilots, it is HR’s responsibility to ensure the workforce is AI-ready. Currently, few employees feel they have the skills needed to incorporate AI into their workflows. Fortunately, employees are clear about what they want. Asked what would increase AI utilization, “formal training” was the consensus answer.

Percentage of Employees Agreeing a Company Initiative Would Increase AI Use



Case in Brief

Hearst's Function-Specific GenAI Training Program

► The Problem

AI applications are not one-size-fits-all across company practices. Training that works for one unit may not be as impactful for others.

► The Solution

Hearst developed customized training programs to help employees learn how they could use these tools to best support their specific work based on their functional area.

► The Results

Employees at Hearst increased their GenAI usage by 174%, while visits to the internal GenAI intranet page increased 84%.

Customized Content Emphasizes Group-Specific Use Cases, Drives Adoption

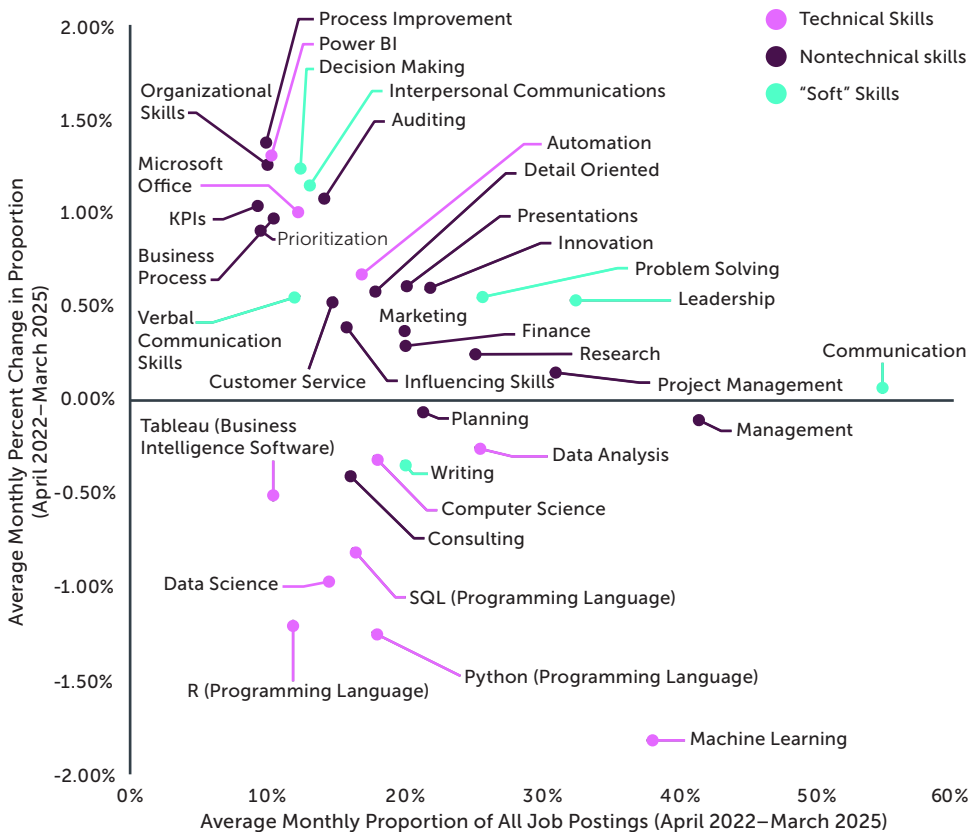


3. Macro Labor Market Changes

The last area CHROs need to focus on is the labor market writ large, in particular, AI’s impact on skill demand and jobs. While AI won’t replace everyone, as people feared in 2023, it will disrupt and displace many jobs. That will require mass reskilling for workers who will need to consider industries with more resilient or new AI-driven jobs. Unsurprisingly, demand for AI-skilled talent will continue to rise, but a larger reshuffling of skill demand is likely. As currently in-demand technical skills get automated away by AI, so-called soft skills, such as leadership and problem-solving, will see a rise in importance as the truly non-automatable skills.

Prevalence of and Change in Skills Mentioned in Job Postings

Lightcast, April 2022–March 2025, United States



The chart above shows the prevalence and change of the top 50 skills for general business roles in the U.S. job market that request AI or related skills. The analysis includes more than 188,000 job postings between April 2022 and March 2025. The horizontal axis represents the average monthly prevalence of each skill in job postings. The vertical axis shows the average monthly percentage of change in how often each skill appears. The farther to the right a skill is, the more common it is in postings. The farther up it is, the more it’s growing in prevalence over time. The chart shows that as technical skills decline in demand, less-technical and soft skills are increasingly sought after.

2

Hybrid and Flex Work

Balancing Business Outcomes, Hiring, Competitiveness, and Employee Engagement

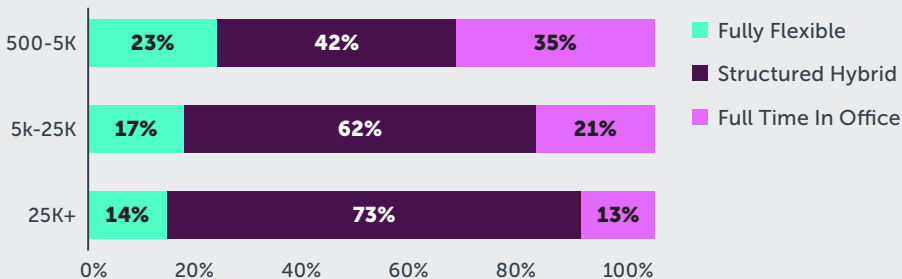
Hybrid Reaches Steady State, but Debate Roars On

Few workforce conversations are as charged as a conversation about hybrid work. The topic conjures strong emotions across frontline workers, management, senior leadership, and even boards and CEOs, with clear opposing sides. On the one hand, surveys show most CEOs believe a full RTO is inevitable. On the other hand, an outright majority of employees believe hybrid is the new norm.

There is a lot of debate about hybrid work; however, the data paints a clearer picture. The prevalence of hybrid and remote jobs clearly rose during the pandemic, hitting a peak in 2022. Unsurprisingly, prevalence trended down slightly as lockdowns ended. However, growth has been mostly steady for two years now.

Hybrid Reaches Steady State

Prevalence of Flexibility Arrangements by Company Size



89%

of structured hybrid companies require 2-3 days per week in office

2.76

Average days per week in office for structured hybrid companies

Concerns About Downstream Impact Remain

Still, many organizations worry about hybrid work's impact on a host of important measures: financial performance, productivity, innovation, culture, community, isolation and loneliness, early-career learning, and career progression. Flexible work decisions affect almost every corner of the company, so boards and C-suites want to get it right. While the "right" answer will be organization-specific, it is important for each workplace to operate from a single set of facts.

What the Data Definitively Shows About Hybrid Work

Hybrid the No. 1 Impact on Hiring

#1

Flexibility is the top factor when choosing a job, above compensation

Hybrid a Significant Retention Driver

#2

Flexibility is the second most important reason why employees stay in a job

Employees Willing to Trade Compensation for Flexibility

8%

The average pay decrease employees are willing to take for flexible work arrangements

Organizations Report Minimal Impact on Equity

57%

of non-remote-capable employees say they are "not at all" bothered that other workers are allowed to work from home some days

Hybrid Shown to Boost Productivity

8%

One study found employees were 8% more efficient working from home in 2021 compared to working from the office before COVID. Another study found hybrid workers are equally or 1% more effective than their in-office peers.

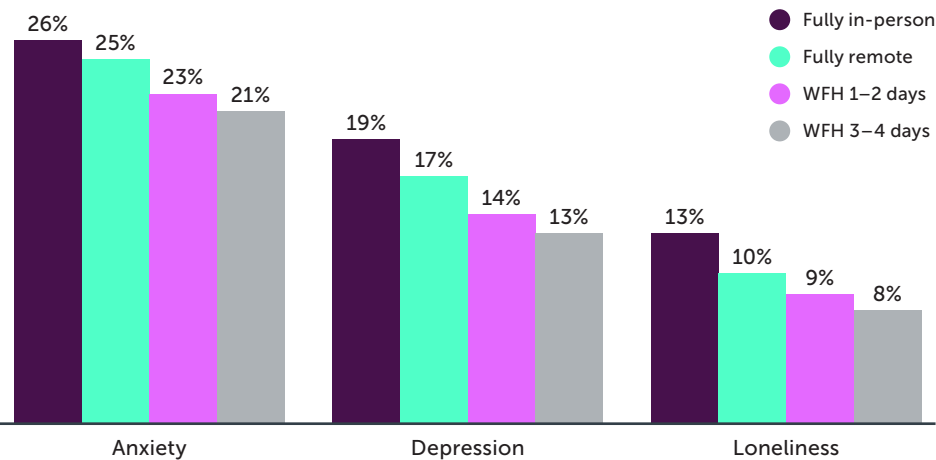
No Connection Between Hybrid and Company Financial Performance

Ø

Return-to-office mandates had no statistical impact on financial performance or stock prices of S&P 500 companies

Staff Mental Health Far More Impacted by Interactions than Work Arrangements

Prevalence of Loneliness and Risk for Anxiety, Depression by Work Arrangement, 2024



A 2024 survey found that fully in-person staff had the highest incidences of anxiety, depression, and loneliness, with fully remote staff experiencing the second-highest incidences. Hybrid staff experienced comparatively lower rates.

Making Hybrid Work for You

With hybrid emerging as the leading model, there are certain strategies companies should consider to make it as effective as possible.

► **Strategy #1: Training for Effective Hybrid Teams**

KPMG organizes training into distinct pathways for working and leading in a hybrid environment, focusing on hybrid feedback, upward management, communication channels, and etiquette.

► **Strategy #2: Getting Early Career Staff to the Office**

Cox attracts younger employees to the office with optional “Moments that Matter,” experiences that aim to build a foundation that equips early-career professionals to thrive. Programming includes learning and development opportunities; networking with peers, colleagues, and executives; and formal mentoring

► **Strategy #3: Intentional Hybrid Workplace Experience**

CSAA employs a full-time People and Culture Specialist to oversee their flexible work strategy. Dynatrace has a formal Workplace Experience Team accountable for ensuring the use of space makes hybrid and distributed work as effective as possible.

► **Strategy #4: Designated In-Office Days**

Research from Stanford University shows a so-called “anchor day” approach, with guidelines on which days or times are designated for on-site work, achieves benefits of both hybrid and in-person work and leads to a 3%–5% productivity boost.

3

Mental Health

Quantifying the Challenge and Prioritizing Strategies

Mental Health a Clear and Growing Challenge

Employee mental health is a growing challenge and a clear concern for senior people leaders. While a web of complex societal factors, such as geopolitical unrest and political polarization, play a role, work-based stress is a major contributor. Not only does this affect employee well-being, but it also impacts the bottom line.

Quantifying the Link from Mental Health to Productivity, Cost, and Turnover

Primary Employer Mental Health Costs

Productivity

- 37%** of staff feel so overwhelmed that it hinders their job performance
- 4.6** more sick days taken each year by employees with anxiety or depression

Benefit Costs

Employees with anxiety and depression have higher comorbidity rates, like musculoskeletal conditions (46%) and obesity (39%)

Turnover

- 70%** of employees have experienced burnout during the past year and are looking for other jobs
- 90%** of employees got so stressed at work in the last six months they "rage applied" elsewhere

Estimated Annual Employer Cost of Staff Burnout

\$5.04M

Estimated annual cost to employers per 1K employees

\$20,683

Per executive

\$10,824

Per manager

\$4,257

Per salaried non-manager

\$3,999

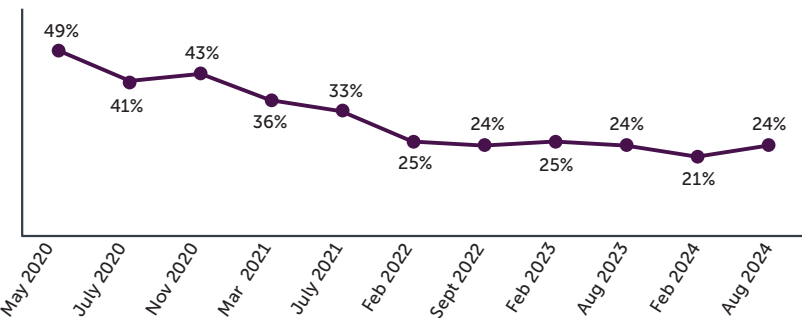
Per hourly non-manager

Employers Are Ramping Up Investments but Not Always Seeing the Desired Impact

Companies have invested a lot in mental health support, a testament to how seriously they are taking this challenge. But they are far from being out of the woods.

For starters, companies aren't necessarily seeing the desired results. The share of employees who strongly agree their organization cares about their well-being has fallen steadily since 2020. At the same time, some employees remain unaware of their mental health benefits while others avoid them entirely due to cost and time.

Percentage of Employees Strongly Agreeing with "My Organization Cares About My Overall Well-Being"



Some Employees Unaware of, Others Avoid Mental Health Benefits

47%

of employees do not know how to access their employer-sponsored mental health benefits

45%

of employees avoid using benefits because they don't have time

25%

of employees do not know if their employer offers mental health-related benefits

22%

of employees avoid using benefits because of the cost

When companies made bigger and bigger investments in physical wellness programs a couple of decades ago, much of early spending similarly did not generate ROI or better health outcomes. That improved with time and experimentation, but it is a mistake to avoid in this ramp-up, because when mental health programs work, they pay massive dividends. For example, employees who agree their company cares about their well-being are 4.4 times more likely to be engaged and 53% less likely to be watching for or actively seeking a new job.

Proven Well-Being Strategies to Prioritize

While employee well-being strategies are not “one size fits all,” these six approaches—on top of counseling within the existing benefits plan—consistently provide outsized returns with relatively modest costs.

Strategies	Capsule Description	Implementation Detail
Communication and Destigmatizing	Internal communication strategies normalize mental health discussions, reduce stigma, and promote resources	Proactive and consistent dialogue about mental health at convenings such as town halls and among executives accelerates destigmatization
EAP Reevaluation	Comprehensive review of Employee Assistance Program services to ensure they meet current workforce needs	EAPs that offer telehealth or virtual counseling lower the barrier to mental health support
Financial Wellness Programs	Training, resources to help employees improve finances, reduce financial-related stress	Surveys of employees show they want help growing their savings (47%), managing debt (21%), and managing student loans (11%)
Sleep Support	Programs that educate employees about sleep hygiene and provide resources or incentives to improve sleep quality	A health economic evaluation showed Sleepio lowered health care costs by \$1,677 per employee
Volunteer Initiatives	Structured opportunities for employees to engage in community service, improve self-esteem	79% of employees in their company’s volunteer program are satisfied with their jobs vs. 55% who didn’t partake
Resiliency Training	Cognitive behavioral therapy interventions that give individuals tools to manage their mental health and develop self-coping skills	A strategy stemming from universities to bolster student success, including at University of Texas-Austin and Pepperdine University

Case in Brief

Abbott's Freedom 2 Save Program

► The Problem

Many staff experience financial stress from difficult trade-offs. In this case, should they invest in their 401(k) to get the match or pay down their student loans?

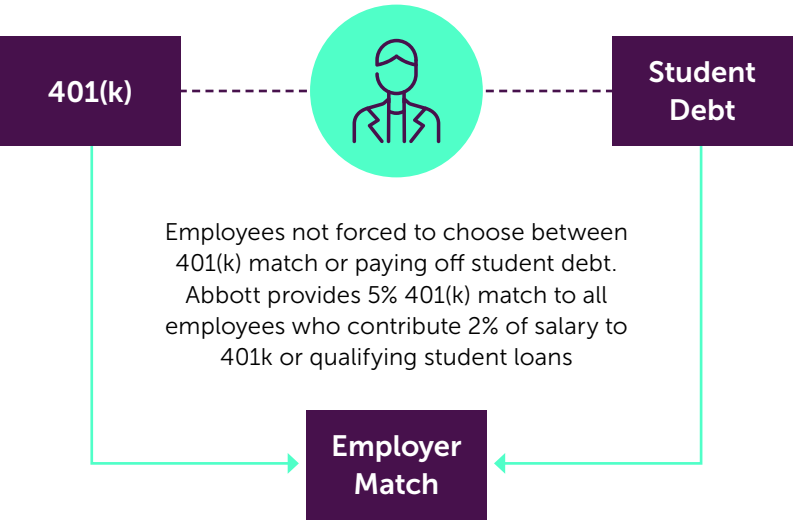
► The Solution

Abbott removes the stress of the trade-off by enabling employees to direct their 2% minimum 401(k) contribution to their student loan payments while still getting a 5% match contribution toward their 401(k).

► The Results

More than 3,400 employees have participated. In total, Abbott has contributed over \$7.7 million to participants' 401(k)s.

Customized Content Emphasizes Group-Specific Use Cases, Drives Adoption



“

Those who participate in Freedom 2 Save are 19% more likely to stay with us.”

Mary Moreland,
EVP of HR, Abbott

4

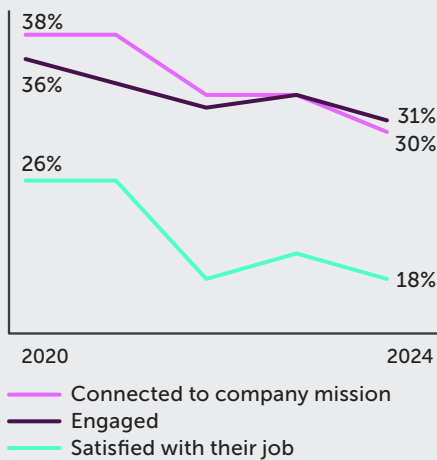
The Evolving Employee-Employer Compact

Culture, Loyalty, Generations, and the Gig Economy

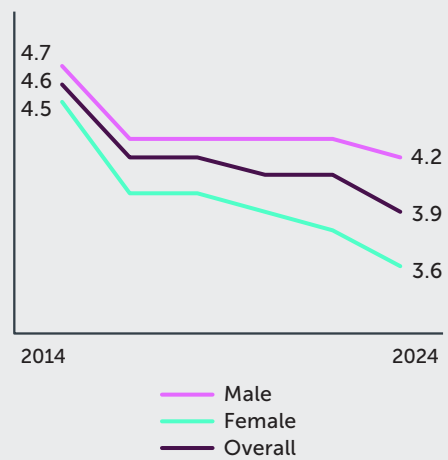
Do We Have a Culture Problem?

In the United States, all-industry engagement, satisfaction, and connection to mission have all trended down to 10-year lows or worse. Likewise, average employee tenure has been trending down for over a decade, signaling decreasing employee loyalty.

Percentage of Employees Engaged, Satisfied, Connected to Mission
2020–2024



Median Tenure in Years with Current Employer, Male, Female, and Overall
2014–2024



Organizational culture is a complex issue, and one or two factors cannot fully explain these shifts. Mental health challenges, AI, and changing hybrid work arrangements represent portions of the complexity, along with an increasing pace of change, rising customer expectations, restructuring, M&A, and changing demographics. That said, a small handful of changes can have an outsized impact and are worthy of immediate CHRO attention:

- Factor #1: Current Economic Conditions
- Factor #2: Delayed Life Milestones
- Factor #3: Widespread Remote Work
- Factor #4: The Gig Economy
- Factor #5: Five Generations in the Workforce

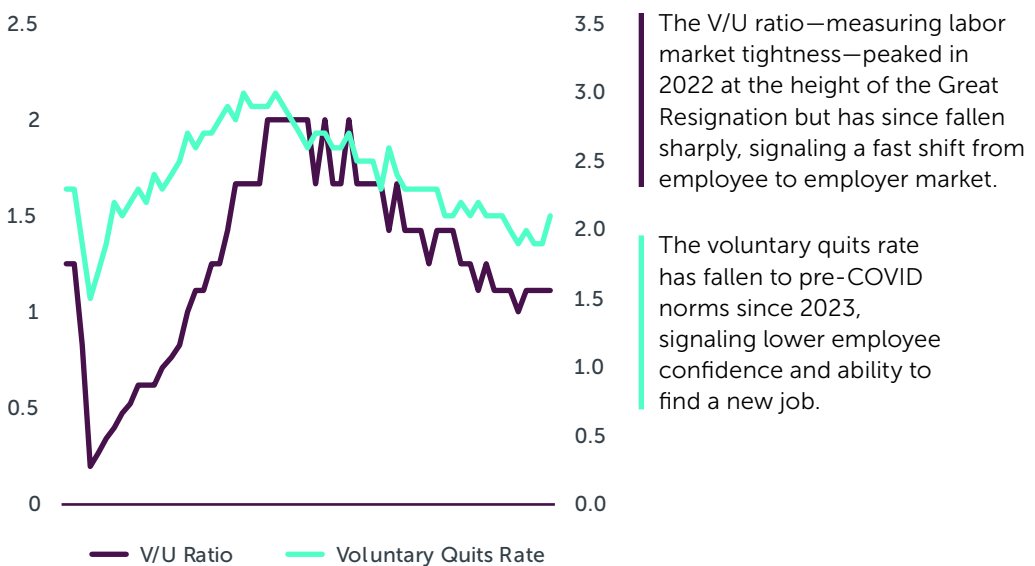
Factor #1:

The Pendulum Swings from Employee to Employer Market

The labor market shift between 2022 and 2025 has undoubtedly played a large role. Employees quickly moved from a period of employment freedom—with the ability to find work and often earn a pay raise in the process—to suddenly feeling stuck. While these shifts are normal and predictable, this one was especially sharp and fast, giving employees a sense of whiplash.

This fast shift caused a dynamic some are calling “The Great Detachment”: Employees remain in their current roles because of lack of options, artificially keeping turnover low. However, they are listless, disengaged, underproductive, and actively looking for other work.

Change in Vacancy-to-Unemployment (V/U) Ratio Compared to Voluntary Quits Rate 2020–2024



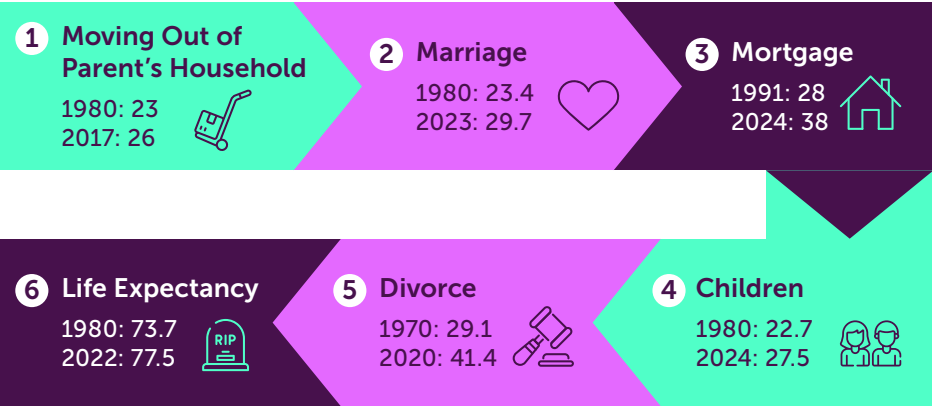
The graph above shows the ratio of job openings to unemployed (often called the V/U ratio) and the voluntary quits rate. The V/U ratio—measuring labor market tightness—peaked in 2022 at the height of the Great Resignation but has since fallen sharply, signaling a fast shift from an employee to employer market. Meanwhile, the voluntary quits rate has fallen to pre-COVID norms since 2023, signaling lower employee confidence and ability to find a new job.

Factor #2:

With Fewer Attachments Outside of Work, Younger Staff Feel Less “Tied Down”

The average age for nearly every key life milestone has been trending back: dating, marriage, children, purchasing a home. The reasons for these changes are varied and complex, but the changes are happening, and outside life impacts the employee-employer relationship. If employees have fewer life commitments outside of work, on average, they may feel less committed to their job.

Past and Current Average Age at Key Life Milestones



Factor #3:

No Longer Limited to a Geographic Area, Employees Can Apply to Any Job Anywhere

Beyond its impact on how work gets done and employee interaction, the dramatic jump in work-from-home has opened up employee choice by orders of magnitude. In the past, workers could either consider alternative work in their geographical area or relocate. Now, they can evaluate and apply to companies all over the country and anywhere in the world.

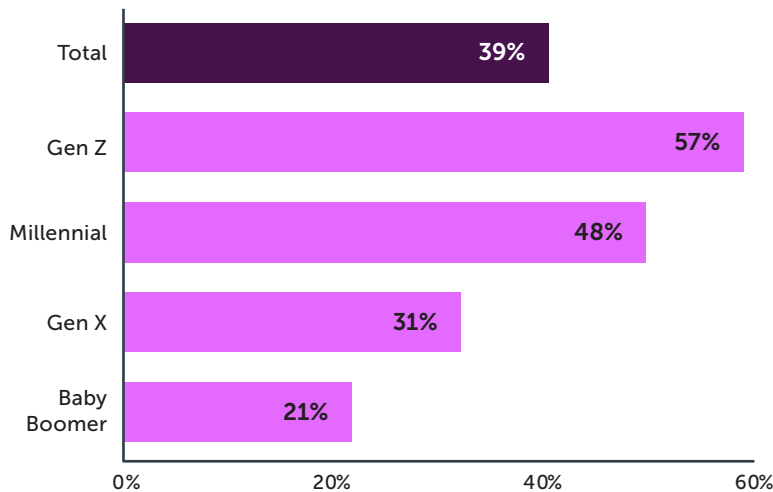
	2020	2023
Average distance between home and work	10 miles	25 miles
Percentage of employees living 50+ miles from their company's office	0.8%	5.4%

Factor #4:

Participation in the Gig Economy Reaches New Highs

Growth of the gig economy has similarly increased employee opportunities and freedom. Staff need not wait to find another full-time job if they can easily gig for several months in between. In fact, some may choose a portfolio of gigs over having a full-time job altogether. Interestingly, many are turning to gigs not just for money but skill-building as well, viewing gigs as a better and faster way to gain specific experiences than formal training.

Percentage of Working-Age Population Participating in a Gig, by Generation 2024



Types of Gig Work

▶ Side Gig

Provides supplemental income on top of full-time employment

▶ Transition Gig

Serves as temporary bridge between jobs, careers

▶ Portfolio of Gigs

Multiple, simultaneous gigs replace full-time work entirely

▶ Skill-Building Gig

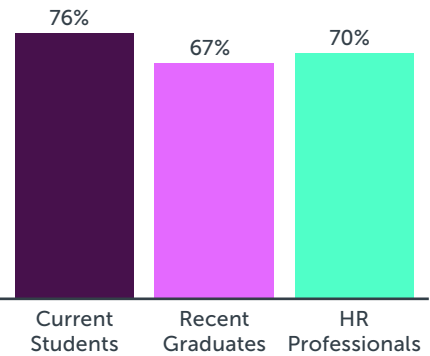
Provides experience, skills that enhance chosen career

Factor #5:

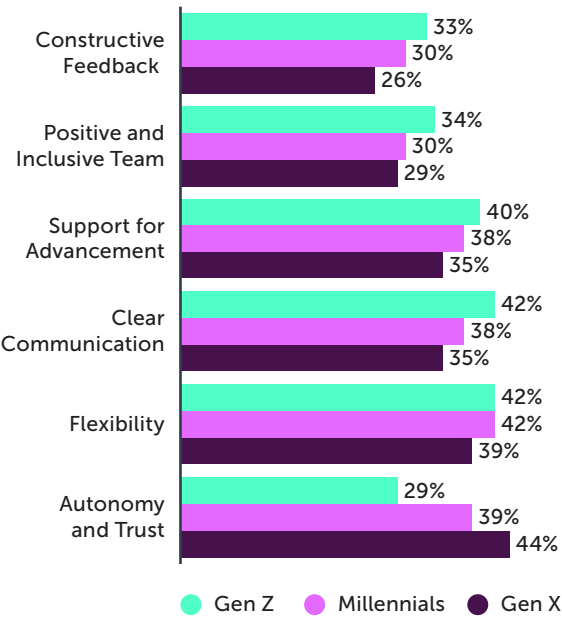
Bias Against Younger Workers Impacts Hiring, Manager Relationships

Finally, there is growing evidence of strife among the five generations now in the workplace, particularly involving the youngest staff. While criticisms don't stand up to scrutiny, many leaders and hiring managers still believe them. For example, almost a third of managers avoid hiring Gen Z because of perceived lack of work ethic and motivation. In reality, younger generations are prepared for work, and all generations represented in the workforce are more similar than most realize.

Percentage Agreeing That Emerging Professionals Have the Skills They Need to Succeed in the Workforce



Qualities Employees Most Value in a Manager, by Generation



“Each group is a product of their professional upbringing, and unfortunately, Gen Zs had to experience their early career in a completely upside-down experience of work.”

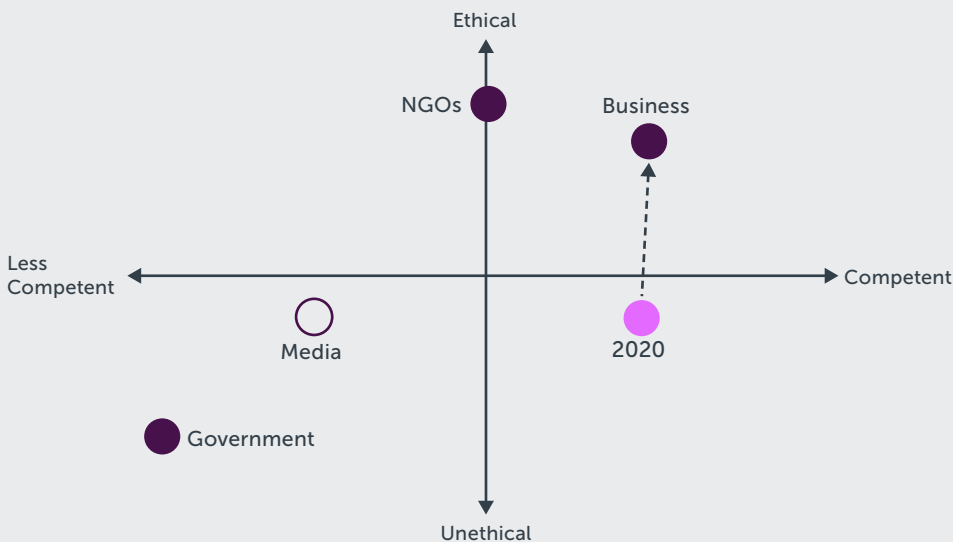
Jennifer Moss,
Workplace Strategist

A Clarion Call for Companies? As Trust in Employers Continues to Grow, Expectations Will Rise in Tandem

Despite all the challenges—AI disruption, debate over hybrid, mental health issues, cultural alignment—there is a clear, positive long-term trend of growing trust in businesses and employers. This trend existed before 2020, but it was strengthened as employees saw how quickly and effectively companies responded to COVID and the unrest surrounding George Floyd’s murder.

Despite Challenges, Trust in Employers Continues to Grow

Edelman Trust Barometer, 2025



Overall, though, staff have observed that their organizations are responsive and can make improvements, so they ask more of them. That is a positive sign of a growing and evolving relationship. As companies set ever-higher strategic ambitions in the years ahead and face ever-higher challenges, C-suites should expect employee expectations to rise in tandem.

As companies navigate the evolving landscape, Seramount will continue to assess potential threats while providing best practices and ongoing support to build a competitive, high-performance organization.

Empowering CHROs to Lead Through Today's Most Complex Workforce Challenges

**Designed By You and Created for You—
Why CHROs Choose HR Executive Board:**



Strategic Research

- Best Practice Studies and Briefings
- Implementation Toolkits



Consultation & Change Management

- Expert Advisor Consultations
- Taskforce Working Sessions



Global Peer Community

- Executive Roundtables
- Facilitated Peer-to-Peer Interactions
- Peer Insights



Ready-Made Communication Resources

- Executive slides for Board presentations
- Passthrough reports for C-suite
- Passdown reports with step-by-step guidance

► **Connect with a trusted network of peers and gain the strategic research and support you need to lead effectively.**

[**seramount.com/contact-us**](https://seramount.com/contact-us)

Seramount's Research Methodology

Across 2024 and into 2025, Seramount interviewed 100 chief human resource officers, representing different size organizations and every sector of the economy. This report explores the big trends and promising strategies uncovered during the interviews.

Our Bar for Recommending an Idea, Practice, or Strategy



Does It Drive Impact?

Strategy has demonstrated clear results



Is It Innovative?

Strategy represents a new approach



Is It Replicable?

Successful implementation not dependent on unique circumstances

1

Literature Review and Expert Interviews

Deep understanding of problem, assesses its root causes and evaluates current approaches to solve it.

2

Exhaustive Screening for Breakthrough Ideas

Extensive interviews with executives across industries to **identify innovative strategies** with demonstrable results.

3

In-Depth Case Study Research

Multiday interviews with exemplary companies to **explore their approach** and "lessons learned" in detail.

4

Final Analysis and Recommendations

Detailed recommendations to **guide partners** through decision-making, planning and implementation.

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Project Director

Joe Infantino

Contributing Consultants

Grace Lickso

Paul-Anne Robb

Caroline Rock

Managing Director

John Workman, PhD

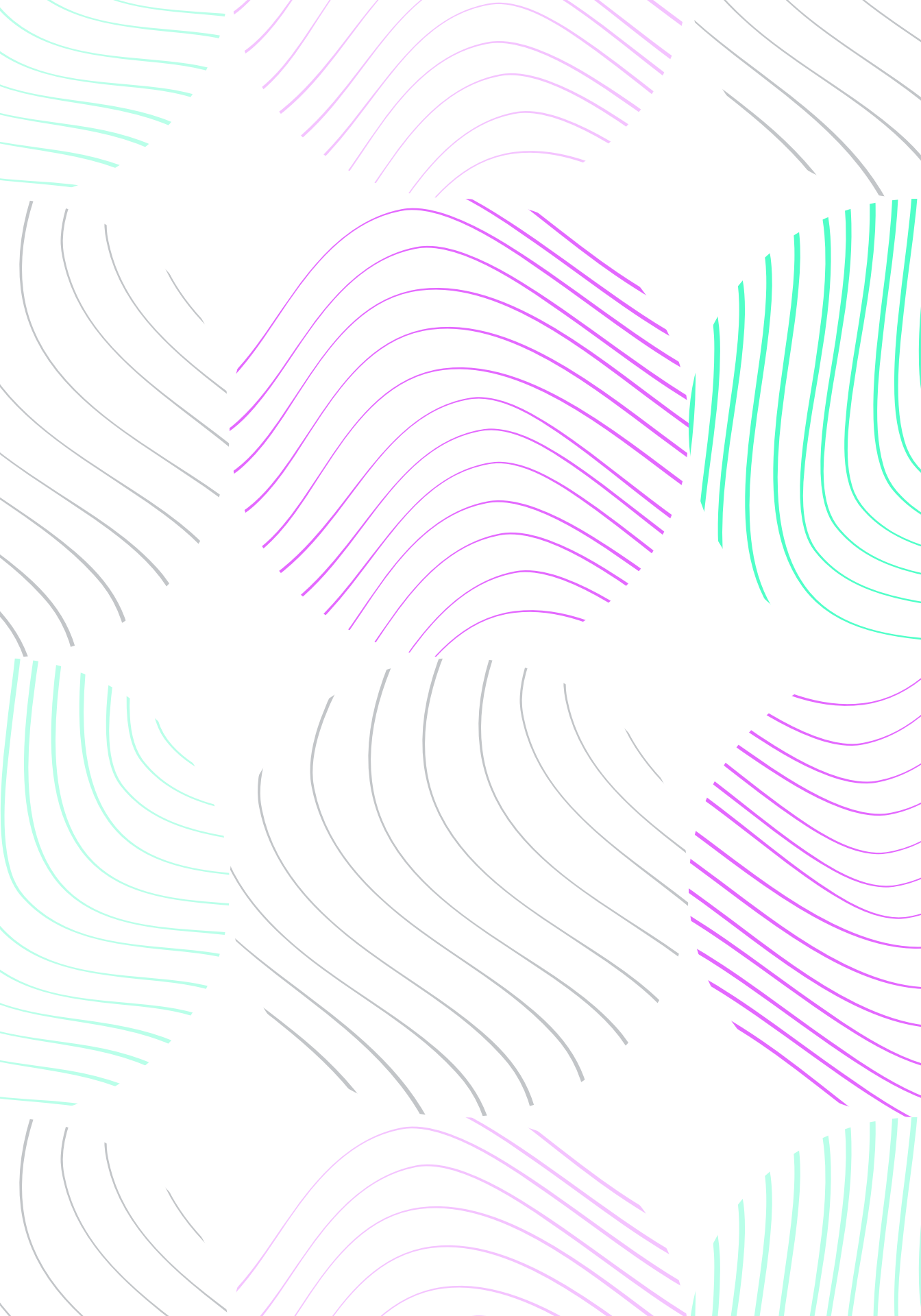
Designer

Lauren Davis

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