



2026 Future of Work Trends

Making People Decisions Smarter, Faster, and Fairer

February 2026

The Hiring Landscape Has Changed

In 2025, a trucking company faced a crisis familiar to thousands of employers across America: they were losing drivers within the first 90 days at alarming rates. Each departure cost more than \$15,000 in recruiting expenses, training investments, and lost productivity. The traditional hiring playbook—reviewing resumes for relevant experience, conducting behavioral interviews, calling references—wasn't predicting who would actually stay and succeed in the role.

Their talent acquisition team had tried everything conventional wisdom suggested. They tightened job requirements. They added more interview rounds. They offered signing bonuses. Nothing moved the needle on retention. The problem wasn't finding candidates—applications were plentiful. The problem was identifying which candidates would thrive once hired.

Then they tried a fundamentally different approach: measuring potential rather than pedigree.

Instead of filtering for years of experience or specific credentials, they assessed each candidate's Career Quotient (CQ)—a science-backed score from 1-100 that predicts post-hire success based on cognitive ability, learning potential, and role fit. The transformation was dramatic. Within months, they achieved a **47% reduction in 90-day attrition.**

This trucking company's story is not unique—it's a preview of a larger shift reshaping how organizations find, assess, and retain talent. The old rules of hiring are breaking down. Resume keywords can be gamed. Interview performance doesn't predict job performance. AI tools promise efficiency but often deliver bias and candidate distrust.



This report examines five interconnected trends that will define talent acquisition in 2026 and beyond

Each trend represents both a challenge and an opportunity. Organizations that understand these shifts—and adapt their hiring practices accordingly—will build stronger, more diverse, higher-performing teams. Those that don't will find themselves caught in an ever-more-expensive cycle of mis-hires and turnover.

- 1. The Compliance Reckoning** - AI hiring vendors are facing their tobacco moment.
- 2. The Trust Gap** - Companies deploy AI at scale while employees & candidates remain skeptical.
- 3. Potential Over Pedigree** - Instead of enhancing hiring, AI created a "Doom Loop" between Candidates and Recruiters
- 4. The Mid-Market Moment** - Focused on Productivity, the Mid Market is actively seeking best-of-breed solutions.
- 5. The Frontline Crisis** - Globally, frontline workers represent 2.7 billion people – they also have the highest turnover at 41%.



The Compliance Reckoning

AI hiring vendors are facing their tobacco moment.



The warning signs came first as headlines. When Workday faced a federal lawsuit in 2024, court documents revealed something staggering: the company's AI-powered screening tools had been used to process and reject more than 1.1 billion job applications. That number alone should give every HR leader pause. But Workday wasn't an isolated case.

HireVue, once the darling of AI-powered video interviewing, quietly halted its facial analysis features after the Electronic Privacy Information Center filed an FTC complaint alleging the technology was biased and deceptive.

iTutorGroup, an online education company, agreed to pay \$365,000 to settle EEOC charges after its AI recruiting software was found to automatically reject female applicants over 55 and male applicants over 60. These cases aren't anomalies—they're harbingers of what's coming for every organization that uses AI in employment decisions.

The question for employers is no longer whether AI hiring tools will face accountability. The question is whether your organization is prepared when that accountability arrives at your door.

€35M

Maximum penalty under EU AI Act

For employment AI violations—or 7% of global annual turnover, whichever is higher

The Regulatory Reality

Regulation is no longer a distant possibility—it's here, and it's expanding rapidly. New York City led the charge with Local Law 144, which took effect in 2023. The law requires any employer using automated employment decision tools (AEDTs) to conduct annual bias audits by independent auditors and publicly disclose the results.

Penalties start at \$500 per violation—and critically, each candidate affected counts as a separate violation. For a company that screens thousands of applicants, fines can accumulate quickly into the millions.

The European Union has gone further with its comprehensive AI Act, which classifies AI systems used in employment, worker management, and access to self-employment as "high-risk."⁴ This classification triggers stringent requirements: mandatory conformity assessments, detailed technical documentation, human oversight provisions, and transparency obligations. For non-compliance with high-risk AI rules, organizations face fines up to €35 million or 7% of global annual turnover. The employment-specific provisions take effect in August 2026.⁴

In the United States, Colorado's AI Act (SB24-205) requires deployers of high-risk AI systems to complete impact assessments that evaluate the system's purpose, intended benefits, potential risks of algorithmic discrimination, and the categories of data processed.⁶ These assessments must be updated annually and provided to the Attorney General upon request. The law takes effect in June 2026, and other states are watching closely.

Perhaps most significantly, the EEOC has made clear that existing civil rights laws already apply to AI hiring tools. In its 2023 technical guidance, the agency stated: "An employer can be held responsible under Title VII for selection procedures that use an algorithmic decision-making tool if the procedure discriminates on a basis prohibited by Title VII, even if the tool is designed or administered by another entity, such as a software vendor."⁷

The implications are profound: employers cannot outsource legal liability to their technology vendors. If your AI screening tool discriminates—even unintentionally, even if you didn't build it—your organization bears the legal responsibility.

CATALYZR APPROACH: Career Quotient assessments are built audit-ready from day one.

Every decision is explainable in plain language. Every algorithm is validated against adverse impact before deployment and monitored continuously afterward. Compliance documentation—including the bias audits required by NYC Local Law 144 and the impact assessments mandated by Colorado's AI Act—is generated automatically. When regulators come calling, you have answers ready.

The Trust Gap



A dangerous disconnect is forming in the world of hiring. On one side, companies are deploying AI at unprecedented scale, convinced that algorithms can make faster, better, more consistent decisions than humans alone. On the other side, employees and job seekers are watching these developments with growing unease—and in many cases, active distrust.

The gap between these two perspectives has become a chasm. Pew Research Center found that 52% of U.S. workers say they are more worried than hopeful about the increased use of AI in the workplace.⁸ A Wiley survey painted an even more concerning picture: 75% of employees don't feel confident using AI at work, suggesting that widespread deployment has outpaced workforce readiness and comfort.⁹

70%

Hiring managers trust AI for faster, better decisions

vs. 8%

Job seekers who call it fair¹⁰

This isn't technophobia or irrational fear. It's a measured response to real experiences with opaque systems making consequential decisions about careers and livelihoods. When a candidate applies for a job and receives an automated rejection within hours—sometimes within minutes—they have no way of knowing why. Was it their resume format? A missing keyword? An algorithm that penalized their zip code or graduation year? The black box stays closed, and trust erodes.

The AI Arms Race Backfires

The trust gap is widening precisely because AI hasn't delivered on its early promises of fairer, more efficient hiring. Instead, it has sparked an arms race that benefits no one. Job seekers, knowing that AI tools scan their applications for keywords, have turned to AI tools of their own to optimize their resumes and cover letters. The result? A flood of polished but often misleading applications.



A November 2025 Greenhouse survey found that 91% of recruiters have spotted candidate deception in AI-optimized applications.¹⁰ Meanwhile, 34% of recruiters report spending up to half their working week filtering through spam and junk applications—time that should be spent building relationships with qualified candidates.¹⁰

Fortune magazine dubbed this phenomenon the "AI doom loop": job seekers use AI to apply to hundreds of positions with minimal effort, employers respond by deploying more aggressive AI filters, candidates counter with more sophisticated optimization tools, and the cycle accelerates.¹¹ Everyone works harder. No one hires better.

Breaking this cycle requires a fundamentally different approach—one built on transparency rather than opacity, on measuring actual potential rather than gaming keyword matches, and on keeping humans appropriately in control of consequential decisions.



CATALYZR APPROACH: CQ delivers AI that candidates and employees can trust because they can understand it.

Every assessment generates a plain-language explanation of how scores were calculated and what factors contributed to the result. Humans remain in control of final hiring decisions—the AI informs and augments human judgment rather than replacing it. From initial screening to final offer, transparency is built into every step of the process. Trust isn't a feature to be added later; it's the foundation everything else is built upon.

Potential Over Pedigree



The traditional hiring funnel is collapsing—and early-career candidates are bearing the brunt of the damage. As AI tools have made it trivially easy to apply to jobs in bulk, application volumes have surged. Employers, overwhelmed by the flood, have responded by tightening requirements and leaning more heavily on automated screening. The result is a paradox: more applications than ever, but fewer opportunities for those just starting their careers.

73%

Decline in early career hiring

Compared to all job levels (which fell just 7%)¹²

The numbers tell a stark story. According to Ravigo's analysis, early career hiring dropped 73% in 2024—compared to just 7% for all job levels combined.¹² Revelio Labs found that US entry-level tech job postings fell 67% between 2023 and 2024.¹³ Recent college graduates now represent only 7% of new hires, down from 11% just two years earlier.¹⁴

Meanwhile, application volumes have surged 33% in just six months—with much of the increase coming from unqualified applicants gaming AI systems with keyword-stuffed resumes.¹⁵ The doom loop has trapped early-career talent most severely: without existing experience to point to, they're filtered out by algorithms that can't see potential, only keywords.

The Science Points to a Better Way

The good news is that decades of industrial-organizational psychology research have identified what predicts job success—and it's not resume keywords or years of experience. The landmark Schmidt & Hunter meta-analysis, which synthesized 85 years of research across thousands of studies, found that general mental ability (GMA) is among the strongest predictors of job performance across virtually all occupations.¹⁶

According to a meta-analysis spanning 100 years of research (Schmidt, Oh, & Shaffer, 2016), a well-designed problem-solving test – what researchers call a General Mental Ability (GMA) assessment – is the single most accurate predictor of job performance, scoring .65 out of a possible 1.0. That makes it roughly 4 times more predictive than years of experience (.16) and 2.5 times more predictive than reference checks (.26).¹⁶ Even unstructured interviews, while better than most methods at .58, still fall short—and their accuracy varies wildly depending on the interviewer. When you pair a GMA test with a structured interview, predictive accuracy climbs to .76, the highest of any combination studied.¹⁶ The takeaway: if you want to reliably predict who will succeed in a role, measure how well they think and learn—not how long they've been doing the job or what their former boss is willing to say about them.

Critically, cognitive potential cannot be gamed the way resumes can. A candidate can use AI to pepper their application with industry buzzwords, but they cannot use AI to perform better on a well-designed cognitive assessment. This creates a level playing field where early-career candidates, career changers, and non-traditional talent can demonstrate their actual potential to succeed.

 **CATALYZR APPROACH: Career Quotient measures what resumes cannot: a candidate's true potential to succeed in a specific role.**

CQ assessments evaluate trainability, learning ability, problem-solving capacity, and role fit—identifying high-potential talent that keyword-matching algorithms would overlook entirely. The result is a three-part capability: PROFILE your top performers to understand what success looks like, IDENTIFY high-potential candidates who match that profile, and ACCELERATE their development once hired.

The Mid-Market Moment



The numbers reveal the extent of consolidation at the enterprise level. The top five HCM vendors—SAP SuccessFactors, Oracle HCM Cloud, Microsoft Dynamics 365, Workday, and ADP—now control between 40% and 55% of the market depending on how it's measured.¹⁷ Once an enterprise signs with one of these platforms, switching costs are enormous: data migration, integration rebuilding, user retraining, and months of parallel operation. Innovation happens at the vendor's pace, not the customer's.

But mid-market companies—those with roughly \$10 million to \$1 billion in revenue—are writing a different story. Freed from the legacy commitments and internal politics that often drive enterprise purchasing decisions, mid-market HR leaders are increasingly choosing agility over all-in-one convenience.

6-10

Specialized HR tools

The typical mid-market company runs, integrated via APIs and middleware¹⁸

According to Outsail's analysis of mid-market HR technology stacks, these companies typically run between 6 and 10 specialized tools: a core HRIS for employee records, a dedicated ATS for recruiting, specialized solutions for payroll, benefits administration, learning management, and increasingly, AI-powered tools for specific high-value use cases like candidate assessment.¹⁸



This best-of-breed approach makes particular sense given current budget realities. Gartner's 2025 analysis found that 65% of HR leaders anticipate flat or decreased budgets this year, with just 8.4% of total HR budget allocated to technology.¹⁹ Every tool must prove its value independently—there's no budget for shelfware. As Deloitte's HR Technology Marketplace report notes, the trend toward modular, API-connected solutions allows mid-market companies to achieve enterprise-grade capabilities without enterprise-grade complexity or cost.²⁰

CATALYZR APPROACH: **Enterprise-grade AI hiring intelligence, built for mid-market speed and budget reality.**

CQ integrates with your existing ATS and HRIS stack in days, not months—we work alongside your current tools rather than replacing them. There's no rip-and-replace required, no vendor lock-in to worry about, and no multi-year implementation timeline. You get measurable improvements in hiring quality and retention starting immediately, with clear ROI you can demonstrate to leadership.

The Frontline Crisis



The statistics are staggering: frontline workers—the retail associates, warehouse workers, healthcare aides, food service employees, and delivery drivers who keep the economy running—represent between 70% and 80% of the global workforce. That's roughly 2.7 billion people worldwide.²¹ They're also the hardest workers to hire and the hardest to retain.

Broadleaf Results found that 41% of frontline workers changed jobs within the past year alone.²² For employers, this churn represents an enormous ongoing cost: recruiting, onboarding, and training each new frontline hire, only to repeat the process a few months later when they leave for a competitor offering slightly better pay or a shorter commute.

Generation Z is accelerating this churn cycle. Born between 1997 and 2012, Gen Z workers are now flooding into frontline roles as their first or second jobs—and bringing very different expectations than their predecessors.

60 Days

The window in which 80% of Gen Z workers decide whether they'll stay long-term²³

Randstad's 2025 Gen Z Workplace Blueprint reveals the scope of the challenge. Average tenure for Gen Z in their first job is just 1.1 years, compared to 1.8 years for Millennials at the same career stage.²³ Even more critically, 80% of Gen Z workers decide within their first 60 days whether they plan to stay with an employer long-term. If they don't feel engaged, challenged, and valued within those first two months, they're already mentally out the door. And 70% expect a promotion within their first 18 months—an expectation that many employers are simply not structured to meet.²³

Skills Over Credentials: The Market Shifts

One bright spot in the frontline hiring landscape is a growing recognition that traditional credentials—four-year degrees, years of industry experience—are poor predictors of frontline success. The market is shifting decisively toward skills-based hiring.

Course Report's 2024 employer survey found that 86% of employers are now confident hiring bootcamp graduates, and 93% of tech hiring professionals trust bootcamp alumni to perform as well as or better than candidates with traditional computer science degrees.²⁴ Perhaps most tellingly, 60% of employers planned to implement bootcamp-specific interview processes by 2025—a tacit acknowledgment that traditional hiring methods weren't evaluating these non-traditional candidates fairly.²⁴

This shift toward skills-based hiring creates both an opportunity and a challenge. The opportunity: access to a much larger, more diverse talent pool that includes career changers, self-taught professionals, and candidates from non-traditional backgrounds. The challenge: traditional resume screening can't evaluate skills that aren't represented by familiar credentials, and skill matching tools are fooled by AI optimized resumes. You need assessment tools that can see potential where resumes show only gaps.

CATALYZR APPROACH: High-volume screening that predicts retention, not just keyword matches.

CQ enables fair, validated assessment of non-traditional talent—bootcamp graduates, career changers, candidates from underrepresented backgrounds—by measuring their actual potential to succeed rather than their credential pedigree. The 47% reduction in 90-day attrition achieved at Trucking Edge demonstrates what's possible when you screen for fit rather than filtering for keywords.



The Path Forward

These five trends are not isolated phenomena—they're deeply interconnected, each one amplifying and being amplified by the others. Understanding these connections is essential for any organization seeking to navigate the changing talent landscape.

Compliance requirements are driving demand for transparency.

You cannot demonstrate to regulators that your AI hiring tools are fair if you cannot explain how they make decisions. The organizations that proactively build explainability into their systems will find compliance straightforward; those that treat it as an afterthought will face expensive remediation or legal exposure.

Transparency, in turn, builds trust.

When candidates understand how they're being evaluated—and believe the evaluation is fair—they engage authentically rather than gaming the system. The arms race that has degraded hiring quality for everyone begins to wind down.

Trust enables organizations to embrace potential-based assessment.

When candidates believe they're being evaluated fairly, they're willing to invest time in meaningful assessments rather than spray-and-pray applications. Employers separate the signal from the noise; candidates get genuine consideration.

Potential-based assessments work across market segments and job types.

Mid-market companies gain access to enterprise-grade talent intelligence without the complexity of an enterprise. Frontline employers can finally predict who will stay, not just who applied. Early-career candidates get the opportunity to demonstrate capabilities that their thin resumes cannot convey.

Ready to make smarter people decisions?

The organizations that thrive in 2026 and beyond will be those that make people decisions **smarter, faster, and fairer**. They will move beyond resume matching to assess true potential. They will build AI systems that earn trust by being transparent. They will prepare for regulatory scrutiny before it arrives, rather than scrambling after enforcement begins.

The Career Quotient (CQ) was designed for this moment. One science-backed score that predicts post-hire success. Three integrated capabilities—PROFILE, IDENTIFY, ACCELERATE—that transform how you hire, promote, and develop talent. Audit-ready compliance built in from day one, and a 47% reduction in early attrition that proves the approach works in the real world, not just in theory.

[Contact Us](#)

References

- [1] Law and the Workplace. "AI Bias Lawsuit Against Workday Reaches Next Stage: Court Holds That Workday May Have Acted as an 'Agent' of Employers." June 2025. <https://www.lawandtheworkplace.com/2024/06/ai-bias-lawsuit-against-workday-reaches-next-stage/>
- [2] Electronic Privacy Information Center (EPIC). "HireVue, Facing FTC Complaint from EPIC, Halts Use of Facial Recognition." January 2021. <https://epic.org/hirevue-facing-ftc-complaint-from-epic-halts-use-of-facial-recognition/>
- [3] U.S. Equal Employment Opportunity Commission. "iTutorGroup to Pay \$365,000 to Settle EEOC Discriminatory Hiring Suit." August 2023. <https://www.eeoc.gov/newsroom/itutorgroup-pay-365000-settle-eeoc-discriminatory-hiring-suit>
- [4] European Union. "Artificial Intelligence Act, Article 99: Penalties." Official Journal of the European Union. June 2024.
- [5] NYC Department of Consumer and Worker Protection. "Automated Employment Decision Tools (Local Law 144)." 2023. <https://www.nyc.gov/site/dca/about/automated-employment-decision-tools.page>
- [6] Colorado General Assembly. "SB24-205: Concerning Consumer Protections for Artificial Intelligence (Colorado AI Act)." 2024. <https://leg.colorado.gov/bills/sb24-205>
- [7] Law and the Workplace. "EEOC Releases Technical Document on AI and Title VII." May 2023. <https://www.lawandtheworkplace.com/2023/05/eeoc-releases-technical-document-on-ai-and-title-vii/>
- [8] Pew Research Center. "U.S. Workers Are More Worried Than Hopeful About the Increased Use of AI in the Workplace." February 2025. <https://www.pewresearch.org/>
- [9] Wiley. "Workers Seek Training, Guidance on Integrating AI in Their Work." November 2024. <https://newsroom.wiley.com/>
- [10] Greenhouse. "An AI Trust Crisis: Hiring Teams Trust AI More Than Job Seekers Do." November 2025. <https://www.greenhouse.com/blog/ai-trust-crisis>
- [11] Fortune. "The AI 'Doom Loop' Is Making Hiring Worse for Everyone." November 2025. <https://fortune.com/>
- [12] Ravio. "Early Career Hiring Is Down 73% – Here's What's Really Going On." 2025. <https://ravio.com/>
- [13] Revelio Labs. "Is AI Responsible for the Rise in Entry-Level Unemployment?" 2024-2025. <https://www.reveliolabs.com/>
- [14] Rezi AI. "The Crisis of Entry-Level Labor in the Age of AI." January 2026. <https://www.rezi.ai/>
- [15] ERE.net. "Drowning In and Drowned Out: The Application Volume Conundrum." October 2024. <https://www.ere.net/>
- [16] Schmidt, F.L. & Hunter, J.E. "The Validity and Utility of Selection Methods in Personnel Psychology: Practical and Theoretical Implications of 85 Years of Research Findings." Psychological Bulletin, Vol. 124, No. 2, 262-274. 1998.
- [17] Avasant. "Cloud HCM Suites 2024-2025 RadarView: Market Insights and Vendor Landscape." 2024.
- [18] Outsail. "The Mid-Market HR Tech Audit Guide: Building a Best-of-Breed Stack." 2024-2025. <https://www.outsail.co/>
- [19] Gartner. "2025 HR Investments & Budget Insights for CHROs." 2025. <https://www.gartner.com/>
- [20] Deloitte. "HR Technology Marketplace Trends: From Suites to Solutions." 2025. <https://www2.deloitte.com/>
- [21] Beekeeper. "Frontline Statistics 2024: Understanding the Deskless Workforce." 2024. <https://www.beekeeper.io/>
- [22] Broadleaf Results. "Frontline Worker Trends in 2024: Turnover, Engagement, and Retention." 2024. <https://broadleafresults.com/>
- [23] Randstad. "2025 Gen Z Workplace Blueprint: Expectations, Tenure, and Career Development." 2025. <https://www.randstad.com/>
- [24] Course Report. "Are Employers Hiring Bootcamp Grads in 2024? Outcomes & Hiring Trends." 2024. <https://www.coursereport.com/>