THE SELF-RENEWING WORKFORCE

A NEW
PERFORMANCE MANAGEMENT APPROACH
FOR THE AI ERA

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HR practices have gone in and out of vogue over time. Titles have changed and gurus have come and gone. Nonetheless, over the last 50 years, the business imperative of increasing year-over-year productivity has allowed one of HR's less popular capabilities to continue—workforce restructuring.

This model will not carry the next wave of change. AI-driven gains demand a different approach. The disposable, replaceable workforce must give way to a self-renewing one, where output depends less on repeated reductions in force and more on the flexibility and adaptability of current employees.

Today's workforce planning is a demand-driven, externally focused talent model: how many people are needed and where, when, and how they will be found.

- **These assumptions turn restructuring into an external exercise:** old employees out, new employees in.
- **What is missing is a strong supply-side view:** an internal approach that assesses the current workforce less by its past performance and more by its ability to upskill for the future.

In this guide, we provide the top five challenges for CHROs on the future of restructuring, along with potential considerations for solving them—plus a detailed framework for a future model that is AI-proof and focused on a renewable workforce.

The Future of Restructuring: Five Challenges for CHROs

1 The Nature of Restructuring Is Changing.

In the near term, many organizations will still rely on outsourcing, offshoring, and closing surplus capacity. But over time, workforce change will become more selective, continuous, and internally focused.

Considerations:

- Traditional severance and social plan-based solutions still work for major projects over a specific time frame with limited employee selection. Examples are offshoring, outsourcing, site closures, and taking out surplus capacity.
- Where change is incremental and involves skills- or competency-based employee selection, a new approach is needed.

> "The focus must shift from one-off projects to incremental change at scale."

2 Unionized or European Works-Council Environments Need Framework Agreements, Not Serial Projects.

The focus must shift from one-off projects to incremental change at scale, governed by longer-term agreements that allow movement **without repeat consultation on** every program.

Considerations:

- Meet with unions or works councils regularly, not only during layoffs; create clear rules for reskilling, redeployment, job changes, and exits.
- Use one agreed process instead of renegotiating every restructuring.
- Educate your employee representatives ... don't expect them to agree to things they don't understand.
- Be transparent on the transition support employees will receive.

3 Internal, Supply-Side Renewal Only Works if HR Works Together and Finance Is Fully Engaged.

Win finance as a co-owner by agreeing on shared metrics that fund internal renewal as an investment in future capability, rather than scrutinizing it as a cost line. Performance management needs to assess fit-for-future skills, so organizations address poor performance head-on. These new programs need to be financed with a return on investment similar to traditional restructuring programs.

Considerations:

- Treat workforce renewal as an investment, not just an HR cost.
- Track savings from redeployment and review progress every quarter.
- Create a dedicated budget for reskilling and workforce transition.

4 Non-Regretted Leavers and Poor Performers Should Be Managed Throughout the Year, Not Left to the Next Major Restructuring Program.

That means setting targets, tracking cases centrally, and using a simple gearbox to monitor progress, leadership interventions, and outcomes over time.

Considerations:

- Track who is future-ready, who needs a transition plan, and who is underperforming. Give each group a clear action plan and review progress monthly.
- Track reskilling, redeployment, voluntary exits, and performance actions.
- Escalate when managers delay tough decisions.

5 Line Managers Can Make or Break This Model.

To succeed, they need to be engaged early and trained to assess future fit and to manage transitions; being supported through a change will materially alter how they lead and shape the workforce.

Considerations:

- Make future workforce planning part of every manager's job. This will help create a shift from a layoff-first model to a renewal-first model: reskill where possible, redeploy where practical, and manage poor performance year round.
- Measure managers on how well they develop and move talent; reward those who help strong employees grow into new roles.
- Give managers tools and HR support to handle poor performance year-round. Make it easy to make good decisions and difficult to make easy ones.

The Current Restructuring Model: Rooted in Offshoring

Cost-cutting in the 1970s gave way to outsourcing noncore activities (such as cafeterias, security, cleaning, and transportation) in the 1980s and 1990s. The turn of the century brought in offshoring, with services moving to India, manufacturing to China, and work shifting from Western to Eastern Europe as the Soviet Union collapsed and the European Union expanded.

Between 2001 and 2024:

- The U.S. lost 3.82 million manufacturing jobs to China.
- U.S. businesses have outsourced 14.3 million jobs worldwide—mostly to India, China, and Malaysia—and the U.S. now accounts for 62% of India's IT outsourcing revenue.
- A large share of EU automotive restructuring is shifting from Western to Eastern Europe with offshoring displacing 5,358 jobs from their home countries.

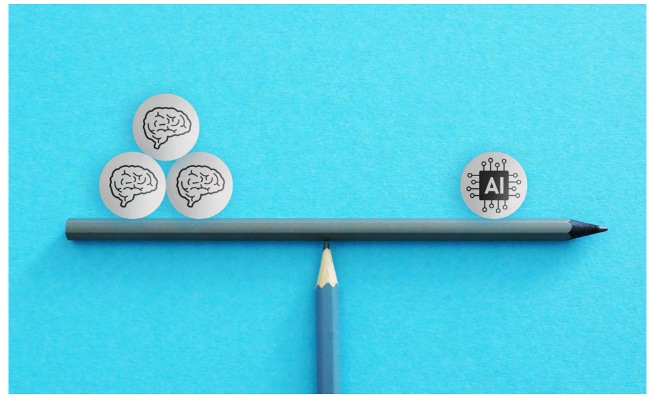
Restructuring based on outsourcing or offshoring typically involves large, defined projects that include site closures or the transfer of whole business activities.

- These programs may be difficult to deliver in employee relations terms, but they are operationally straightforward.
- Jobs are eliminated in one place to be carried out by different companies in another location.
- Projects have a clear start and end date. Success depends on tight project management and world-class employee relations.

More recent restructuring activity has included smaller-scale, across-the-board headcount reductions rather than mass layoffs or transfers, which exposed how difficult selective reduction can be. In Europe and in unionized parts of the United States, the management of works councils and trade unions is critical for success.

- In this type of restructuring, the key partnership is often between employee relations specialists and finance leaders focused on delivering exits quickly enough to minimize payback periods.
- Few people recognize that the real issue is not negotiating cheaper separation agreements but accelerating departures.
- If the consultation period for a large-scale redundancy program in France or Germany is reduced from nine months to three months, that is where major savings are found.
- Employee relations leaders with these skills are highly sought-after employees and consultants.

A Future Restructuring Model with Renewal and Supply-Side Management



The next major wave of productivity gains will be driven by artificial intelligence. Unlike offshoring, its effects will be broader, reaching jobs that have seen little restructuring and countries with recent histories of sustained job growth, such as India.

Change is coming ... for some, it is already here.

As previously detailed, current large-scale restructuring today depends on project-based negotiation and execution, managed from the demand side with an external solution in mind. The key questions up until now have been:

- Where will the work be done?
- How many people will be needed?
- What skills will be required?
- Where will the new talent come from?
- And who will be let go?

Those capabilities will still matter where sites close or work is outsourced or offshored. They are not enough for exponential AI-driven productivity and change at scale.

The new workforce environment is continuous, incremental, and skills based.

- **That shifts the center of gravity from one-off exit programs to ongoing internal renewal**, requiring performance management, internal selection, learning, employee relations, and finance to work as one integrated system.
- **The future role of employee relations will expand**—not only running individual projects but building the framework agreements and governance that make continuous restructuring possible without repeated negotiation.

The way forward is to manage the supply side of the workforce with the same discipline companies already apply to demand planning. That means assessing current employees not only on current performance but on fit-for-future skill relevance, learning agility, and how sustainable the role will be in the future.

In practice, this means segmenting the workforce into three groups:

1. Employees who have, or can develop, skills that will matter in an AI-enabled operating model.
2. Employees who remain valuable in the current business, but whose roles or skill sets are likely to have limited medium-term demand.
3. Poor performers in their current role.

Determining Which Employees Are "Fit for Future"

An employee who is "fit for future" has the ability to learn adjacent skills, work effectively with technology, adapt to redesigned processes, and move into roles that will grow rather than shrink.

Most performance systems are still built to assess what an employee delivered last year. That still matters, but it is no longer enough. The more relevant question is whether an employee has the skills, aptitude, and mobility to stay valuable as work changes.

To ensure that performance systems measure future capability, concentrate first on learning investment, career opportunities, and retention efforts for employees with a credible future in the business. This takes more than offering training courses. It means identifying future-critical roles and skill pools and prioritizing who should be developed.

The catch: the people most needed tomorrow are often too useful today to be released for development. A renewable workforce model must make sure that high performers are not trapped in current work simply because they are good at it.

Employees With Limited Runway in Current Roles

Companies must deal fairly and deliberately with employees who are needed today but have limited long-term runway in their current role. Instead of allowing those employees to remain in place until their skills are redundant and they are selected for the next annual restructuring cycle, organizations should give them time, information, and practical support to plan their next move. This means career advice, targeted reskilling where feasible, internal redeployment, outplacement, and modest voluntary exit incentives.

The goal is to replace passive drift toward a future redundancy program with an active transition process that is cheaper, clearer, and more humane.

This is not a model owned by employee relations or finance alone. It depends on learning, performance management, line management, compensation and benefits, employee relations, and finance working in tandem.

"In well-run major restructuring programs, a central process measures progress against a target."

Addressing Poor Performers

In many organizations, weak performers remain in place because managers expect a future restructuring program to remove them at lower perceived risk. Call it the "valuable poor performer" problem: managers hoard poor performers for the next restructuring program to avoid selecting better employees when new targets are set.

In the renewable workforce model, that escape valve disappears. Poor performance must be addressed directly through supported, well-managed processes with clear ownership, named cases, regular progress reviews, and dedicated HR support. The practical goal is simple: make it easier for managers to act on sustained poor performance rather than hoping for a future package-driven exit.

Establishing a Central Control Tower

In well-run major restructuring programs, a central process measures progress against a target, including the stage of employee consultation and the flags that identify emerging blockages. Cadence meetings run monthly, or weekly when targets slip.

In the renewable workforce model, a central control tower does the same job on a continual basis. Renewals occur for one employee at a time, but the same rigor applies across the fit-for-future, limited-runway, and poor-performer categories. The system offers guidance and advice to line managers and also accounts financially for outcomes.

The central control tower tracks:

- Who has been identified as future-fit.
- Who is in transition.
- Poor performers.
- What interventions are being used.
- What outcomes are being achieved.

In practice that means:

- A regular review cadence.
- Named populations.
- Clear decision rules.
- Redeployment rates, employees unskilled, voluntary exits, progress on poor performers, and cost savings relative to traditional restructuring.

As the drivers of productivity change, the system that ensures a workforce in the right place, at the right time, and with the right skills must also evolve.

The scale and pace of AI demand a workforce renewal rather than replacement: a shift away from a purely demand-side model toward one that values and maximizes the potential of the current workforce and offers employees choices in their development.

About the Author

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