win with
empathy

Global Talent Trends
2020–2021

New realities, new momentum

With a global pandemic as this decade's kickoff event, 2021 has started off with fevered discussion about not only our collective futures but the impact of decisions on our health, jobs and financial well-being. New technologies have been rapidly onboarded, and the adoption of older ones has accelerated. Many have been forced to embrace remote working and reconsider the safety of onsite and frontline working. COVID-19 didn't just invade bodies, it exposed the cracks in our existing structures and accelerated change toward what was previously termed the "future of work" on a seismic scale.

Mercer's *2020–2021 Global Talent Trends Study* reveals that COVID-19 and unresolved debates continue to weigh us down. Concern about the human and economic fallout of the pandemic is palpable, exacerbating worries around protectionism and weakened societal cohesion. Longstanding metrics such as gross domestic product feel past their prime, as do the many traditional institutions that underwrote decades of progress. And it is not just the pandemic risks that concern executives, according to the *Global Risks Report 2021*.[1] The likelihood and impact of other risks — most notably climate change, concentration of next-generation technologies, digital divides and cybersecurity — are all on the agenda too. A new social and economic order is taking shape, and progress will demand greater collective responsibility.

As such, 2021 begs for a more expansive view of organizational success — one that puts purpose and good outcomes for all at the heart of the transformation agenda. This year's findings highlight the need to plan workforce transformation with care. Digital transformation divided companies in their ability to weather the current storm — just given two in five said they were truly digital pre-COVID-19. Yet managing people risk effectively has proved equally critical. ***Two in three employees already felt at risk of burnout before the pandemic began,*** so it is no surprise that, in 2021, ***leaders are most concerned about delivering against transformation goals in the face of widespread stress and fatigue.***

Heading into 2020, almost all executives (98%) had planned to redesign their organizations to make them fit for tomorrow. These drivers are influencing HR's intended investments for 2021, with ***restructuring (45%), upskilling/reskilling (34%)*** and ***reinventing flexibility (29%)*** topping the list (see Figure 1). Consumer behavior in 2020 initially changed out of necessity, but online shopping, telemedicine and fitness-on-demand have now become second nature. In other words, how value is created in businesses and at work has evolved. In this new economic order, companies are rethinking both how to design for agility and how to better flow talent to work.

As we live through the turmoil and are tested in terms of both business continuity and the world's uneven response, it is clear we need to focus at once on the near- and long-term. We must stop and ask: Is today's approach to work and workforce transformation sustainable? How will we reinvigorate our businesses? How do we heal our workforce and rebuild energy? How can we ensure our employee value proposition meets rising concerns over health, skills and financial security? Are existing practices agile enough to withstand future unpredictable events?

Figure 1. 2021 People investment priorities by industry

Restructuring
- All industry sectors ranked this as a #1 or #2 priority for 2021

Upskilling/ reskilling
- Life sciences
- Technology

Energizing the employee experience
- Insurance
- Internet services

Diversity, equity and inclusion (DEI)
- Healthcare
- Nonprofit

Reinventing flexibility
- Healthcare
- Logistics

[1] World Economic Forum. *The Global Risks Report 2021,* available at: https://www.weforum.org/reports/the-global-risks-report-2021.

Disruption drives reinvention

Necessity breeds innovation and we are creating new ways of working, living and caring. We're being challenged to rethink our collective and individual responsibilities to each other, to the institutions we work for, and to the societies and environments we live in (see Figure 2). This renewed mission for life is the tonic people have been thirsty for.

Executives correctly predicted that if economic conditions turned unfavorable in 2020, they would double down on **strategic partnerships (40%)**, **use more variable talent pools (39%)** and **invest in automation (34%)** (see Figure 3). These strategies were indeed what we saw in 2020, with 43% of businesses indicating that they are set to reduce their workforces by 2025 due to technology integration, according to the World Economic Forum.[2]

Between 2017 and 2020, concern over **talent migration** rose tenfold, and concern over **immigration** rose threefold. Today, by contrast, with the option to work digitally and the extra complexity of border controls, talent is less footloose. The challenge for HR is this: When the dust settles, what work/living arrangements will attract the best talent? And what are the implications for pay and location strategies? (See Figure 4.)

Figure 2. Executives' top workforce concerns pre-pandemic

	2019	2020
Supporting employees' health and well-being	-	**48%**
Employees' expectations of a consumer-grade digital experience at work	48%	↓**47%**
Automation at work	42%	↑**44%**
Gig economy	42%	**42%**
Increasingly diverse talent pool	46%	↓**39%**

Figure 4. Priorities for the HR function in 2021

1 Accelerating programs and policies that enable employees to adapt to new ways of working (24%)

2 Transforming the HR operating model to be more agile (19%)

3 Accelerating HR digital transformation (17%)

4 Redesigning HR processes for a remote/blended work experience (14%)

5 Hardwiring culture into workforce transformation plans (10%)

Figure 3: Which strategies are you most likely to adopt or accelerate to mitigate the impact of an economic downturn?

Increase strategic partnerships	**40%**
Better leverage a variable staffing model	**39%**
Increase our use of AI and automation	**34%**
Move operations to avoid trade tariffs	**33%**
Reduce bonus pools but continue with major investments	**33%**
Diversify our portfolio	**31%**
Divest businesses that are underperforming	**31%**
Reduce headcount	**30%**
Reconsider our location(s) given talent availability/cost	**30%**
Pull back on digital transformation	**29%**
Pull back L&D/reskilling initiatives	**28%**

Empathy sits at the heart of a new mandate

With so many unknowns, how can companies, individuals and societes win? By combining left-brain understanding of commercial realities and their knock-on effects with right-brain skills such as intuition and creativity. Only then can we turn our insight and intelligence into inclusive prosperity. **Thriving employees are twice as likely to work for an organization that effectively balances EQ and IQ in decision-making — something fewer than half of companies typically get right.[3]** Moving the needle on this agenda means putting human and economic metrics side by side, placing responsibility for long-term futures above short-term gains and encouraging employees to bring their whole selves to work. This is empathy, and it is needed to win in an evolving world.

[2] World Economic Forum. *The Future of Jobs Report 2020,* available at https://www.weforum.org/reports/the-future-of-jobs-report-2020.

[3] Thriving employees are: Employees who self-report that they are prospering in terms of their health, wealth and career prospects.

2020–2021 Global Talent Trends

focus on
futures

Work together to ensure people thrive now and in the future

Siri, will I have a brighter future than my parents?

Focusing on futures, especially given how volatile tomorrow may be, calls on us to think anew about our responsibilities — to our people, our shareholders and our communities. It means prioritizing delivering on environmental and social commitments and examining how we can better support how people work at different life stages. It requires caring about employees' well-being from the day they start to the day they retire and extending this attitude to those working within their ecosystem. Delivering on these expectations ensures brighter futures for all.

Build sustainable futures

Companies are rebooting to balance purpose and profit

Spurred by younger generations' concerns, government directives, investor requirements and business leadership, the new decade started with a refreshed mandate (see Figure 5). In 2019, the American Business Roundtable redefined the purpose of an organization — extending it beyond shareholder primacy to include multiple stakeholders, including customers, employees, suppliers and communities.[4] *Executives (50%) confirmed that aligning business practices to a multi-stakeholder success model is key*. Although some plans were paused in 2020, today *one in four HR leaders plans to intentionally invest time in building back sustainably,* and *one in five will step up the pace in implementing a business approach focused on environmental, social and governance (ESG) goals.* The question is how to drive this mandate from both the top down and the bottom up (see Figure 6).

This new agenda is inspiring institutional investors, consumers and employees to use the collective power of the purse, social platforms and even their feet to drive more ethical business practices. *Executives' concern around consumer demand for ethical products has risen 40% in two years (from 25% in 2018 to 35% in 2020)*. The notion of organizations being responsible and being held accountable for actions and carbon footprints is being interwoven into the fabric of business today. In 2021, *Europe leads the way on focusing on this agenda (71%), followed by Asia-Pacific (67%) and North America (61%).* The US is just starting out on this agenda, with *one in three US HR leaders reporting that ESG is not a focus* in the year ahead.

1 in 3
employees would prefer to work for an organization that shows responsibility toward all stakeholders

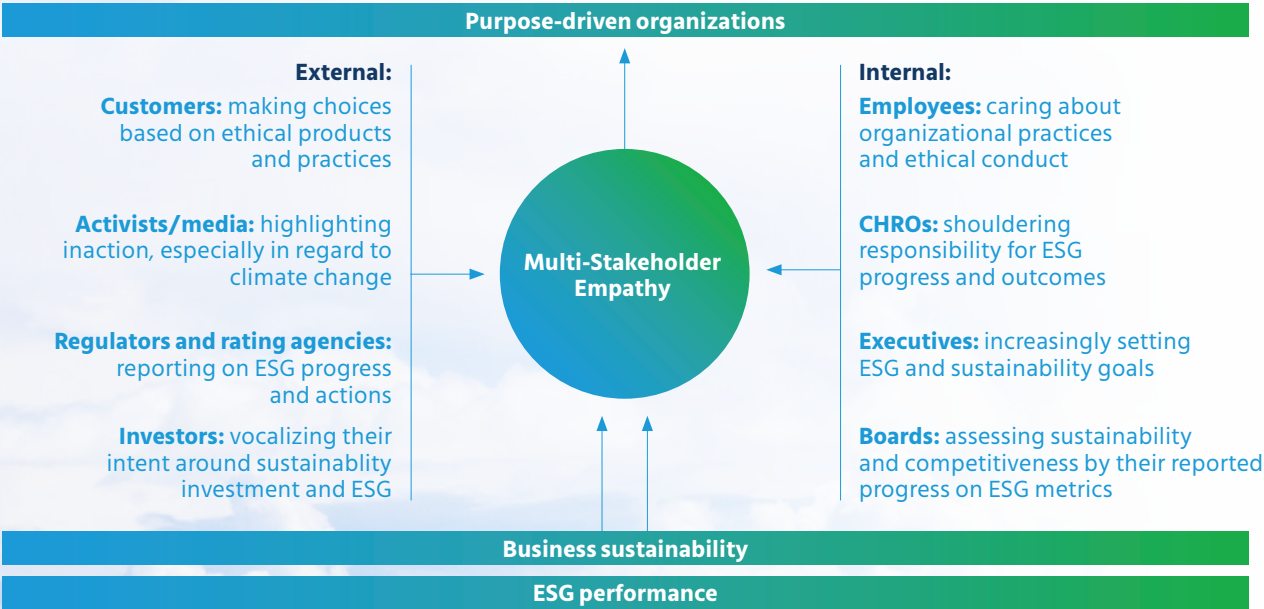**Figure 5. Aligning business practice to a multi-stakeholder model (2020)**

85% of business leaders agree an organization's purpose should extend beyond shareholder primacy

50% of business leaders plan to focus on driving better outcomes for multiple stakeholders

35% of business leaders already align their business practices to a multi-stakeholder model

[4] Business Roundtable. "Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans,'" August 19, 2019, available at https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans.

Figure 6. Delivering on a multi-stakeholder model

Purpose-driven organizations

External:

Customers: making choices based on ethical products and practices

Activists/media: highlighting inaction, especially in regard to climate change

Regulators and rating agencies: reporting on ESG progress and actions

Investors: vocalizing their intent around sustainablity investment and ESG

Multi-Stakeholder Empathy

Internal:

Employees: caring about organizational practices and ethical conduct

CHROs: shouldering responsibility for ESG progress and outcomes

Executives: increasingly setting ESG and sustainability goals

Boards: assessing sustainability and competitiveness by their reported progress on ESG metrics

Business sustainability

ESG performance

CEOs that have ESG metrics on their dashboards tend to be from higher-revenue-growth companies: *75% report revenue growth rates of more than 6%,* whereas only 35% of companies that have not assigned ESG metrics to their CEOs reported the same growth. Further, *72% of CEOs with ESG responsibility believe their organizations are change-agile*. And while ESG-related metrics are still not commonly adopted in executive incentive plans (which may not be right for all organizations), companies that have taken a compensation-based approach see 27% higher ESG scores than those that have not.[5]

Sustainable businesses have sustainable goals

Empathizing and delivering on the needs of a broader range of stakeholders requires an approach that starts with purpose, is driven through the culture and is kept in check by metrics (see Figure 7). Leading companies are focusing their attention on three interlinked areas: environmental sustainability, people sustainability and corporate social responsibility. But being a responsible organization extends beyond metrics and measurement to focus on purpose and progress.

Figure 7. Purpose-Culture-Metrics Model

Climate Risk
Green Economy
Carbon Footprint
Product Use
Supply Chain
Facilities

Purpose Culture Metrics

People Sustainability

Workforce Health
Responsible Rewards
Employee Value Proposition
Future of Work Skills
Talent Pipeline Health
Diversity, Equity and Inclusion

Environmental Sustainability

Stakeholder Engagement
Social Activities
Social Footprint
Philanthropy
Financial Emancipation
Cross-Industry Redeployment

Corporate Social Responsibility

[5] Bailey R, Yeo J, Jiang L and Ferguson A. "ESG as a Workforce Strategy," 2020, available at https://www.mmc.com/insights/publications/2020/may/esg-as-a-workforce-strategy.html.

1 in 2

employees (50%) want to work for an organization that offers responsible rewards, 49% prefer an organization that protects employees' health and financial well-being, 37% are motivated by strong corporate values, mission and purpose, and 36% favor companies that focus on social equity and environmental protection.

One way companies are addressing this broader mandate is by making progress on the United Nations' 17 Sustainable Development Goals or the 22 ESG metrics.[6] About a quarter of CEOs/COOs have ESG metrics on their scorecard, whereas this rises to nearly half for CHROs.

In 2020, executives were vocal on the need to make better progress on ESG (68%), but boards were slow to mandate targets (a practice typically applied to fewer than a third of the C-suite). The first step in driving integration of goals into actions is prioritization. In 2021, *62% of companies are tying ESG goals to their purpose,* but *only 31% are embedding select ESG metrics related to goals into executive scorecards.* Sustainability metrics are not a homogenous group and certainly are not universally measured. The most common metrics on executives' scorecards are *community and social engagement* (48%), *gender parity* (25%) and *environmental goals* (23%). The imperative to make progress is spurring many companies to assess their sustainability maturity and uncover ways to improve.

The second step is cascading responsibility through the culture and performance system. But with responsibility for many ESG metrics and culture change sitting primarily with HR *(in 2020, 71% of CHROs shouldered the responsibility for culture change outcomes, compared to between 16% and 29% of other executives)*, more shared responsibility is needed to drive greater progress.

DEI has the C-suite's attention, but actions lag intent

The carrots and sticks of sustainable investing[8] offered by the likes of BlackRock and Neuberger Berman,[9] are driving environmental, social and governance awareness, but solving the challenges goes deeper. Social justice movements such as Black Lives Matter, ripped the band-aid off the already widening gap between different population segments. COVID-19

> We need more sustainable capitalism ... CEOs who do not take [a multi-stakeholder approach] are at risk and extremely vulnerable, especially during economic times that are particularly turbulent.
>
> Mark Benioff, Chair and CEO, Salesforce[7]

exacerbated these gaps, revealing a yawning chasm in realities in everything from internet access and vital schooling, to the rising cost of healthcare. Against this backdrop, diversity, equity and inclusion (DEI) must be a focus for every firm in 2021.

With *63% of CEOs/COOs being accountable for DEI metrics,* it is one of the more mature sustainability indices. Still, there is a need to create opportunities for women, who *lag behind men in asking for promotions (60% compared to 73%)* and *receiving requested promotions and pay increases (48% compared to 62%)*. These disparities have a disproportionate impact on perceptions of thriving: *44% of men — but only 23% of women — who were denied a promotion reported that they are still thriving*. In 2021, *only 23% of organizations say they will be investing in DEI analytics and insights.* This is disappointing, given that research attests to the impact of analytics in making DEI progress and the disproportionate toll COVID-19 has taken on women.

[6] World Economic Forum. *Toward Common Metrics and Consistent Reporting of Sustainable Value Creation,* 2020, available at http://www3.weforum.org/docs/WEF_IBC_Metrics_Discussion_Paper.pdf.

[7] Benioff M., "Squawk on the Street" interview, October 16, 2019, available at https://www.youtube.com/watch?v=g7FaL4OaViQ.

[8] Mercer. "Responsible Investing," available at https://www.mercer.com/our-thinking/wealth/responsible-investment.html.

[9] "US Investment Manager Neuberger Berman Promised Cheaper Financing For Companies That Hit ESG Targets," *Financial Times,* [date], available at https://www.ft.com/content/dbda1474-493b-11ea-aeb3-955839e06441 (subscription required).

Equity really does matter.[10] **Thriving employees** — defined as prospering in terms of health, wealth and career — **are four times more likely to work for a company that pushes for equity in pay/promotion decisions**. **Last year saw a fivefold increase in companies measuring pay inequity** over 2019 levels. Still, 2020 laid bare just how pernicious underlying health and wealth gaps are. Consequently, in 2021, **60% of HR leaders are seeking to improve pay equity analytics** to drive transparency and action. Systemic change is needed to ensure women thrive and come back to the workforce (which did not happen after the last economic crisis).[11] Before the pandemic, women had unique financial challenges. Post-pandemic, they have been disadvantaged by benefits that are based on earnings, overrepresentation in the industries most ravaged by COVID-19 and the burden of increased caregiving responsibilities.[12] If left unaddressed, the fallout can have profound and disproportionate impacts on women's longevity.[13]

From pandemic to permanence

Companies committed to turning the vision of stakeholder-led business practices into reality think holistically about welfare and benefits, such as benefits for nonmarried partners or global paternity provisions. Employee benefits are one way in which companies can demonstrate responsibility: **77% of companies believe their benefits loudly reflect brand values**. Yet there is a need to think anew about companies' responsibility toward workers, particularly as access to traditional health and welfare protections became so dependent on lockdowns and people's digital fluency.

Just a quarter (26%) of organizations subsidize benefits programs for their most vulnerable populations, and **only 22% offer personalized well-being programs**. Employee well-being is critical to an energizing experience, but COVID-19 led to a significant decrease in preventive care. The good news is that **almost half (47%) of organizations intend to add benefits to address emotional health in 2021, and a third (36%) will enable remote/digital health-check services** to reengage employees in their long-term health.

Given the impact of 2020 on wealth disparities, companies in **Turkey (34%), Spain (30%) and Taiwan (26%) are proposing to implement living wage initiatives for their employees in 2021 (compared to 13% globally).** Global brands are also leading the way. Facebook's focus on ensuring that contractor wages deliver a living wage[14] and Amazon's efforts to raise the minimum wage for gig workers regardless of their location — and leading the way with employee bonuses during COVID-19 — are examples of how companies are using fresh thinking about protecting all workers' well-being.[15]

[10] Mercer. *When Women Thrive 2020 Global Report,* available https://www.mercer.com/our-thinking/next-generation-global-research-when-women-thrive-2020.html.

[11] Mercer. *Inside Employees' Minds: Examining the Diversity of Financial Well-Being, 2018,* https://www.mercer.com/our-thinking/wealth/inside-employees-minds-women-and-wealth.html?_ga=2.132058636.2066894895.1583803761-53319321.1583803761.

[12] Mercer. *Creative Ideas to Support Working Parents During the Caregiver Crisis* available at https://www.mercer.us/our-thinking/healthcare/creative-ideas-to-support-working-parents-during-the-caregiver-crisis.html.

[13] Lewer D, MSc, et al. "Premature Mortality Attributable to Socioeconomic Inequality in England Between 2003 and 2018: An Observational Study," December 9, 2019, available at https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667(19)30219-1/fulltext.

[14] Facebook, 2020, "An Update on Compensating and Supporting Facebook's Contractors," May 13, 2019, available at https://about.fb.com/news/2019/05/compensating-and-supporting-contractors/.

[15] Captain S. "The Fight for $15 (per Hour) Comes to the Gig Economy," *Fast Company,* February 14, 2019, available at https://www.fastcompany.com/90307420/the-fight-for-15-per-hour-comes-to-the-gig-economy.

Remake opportunity

Figure 8: Employees know what's important to their futures — are employers listening?

78% want long-term financial planning (e.g., retirement path, earnings at retirement)

… but only
23% of companies say they provide financial education for employees today

65% of employees want financial wellness education targeted to different groups

and just
19% offer more financial education than they did before the pandemic

71% of employees want a midlife checkup for health, wealth and career

… but only
31% of organizations offer support to managers to have career conversations with people across all life stages

Staging an intervention: Employees want a path to financial security

Ensuring employees' bright futures means taking a holistic view of people, including their wealth and well-being. But wages and productivity are not budging in many parts of the world.[16] With **only 19% of organizations not financially impacted by the pandemic and 15% seeing YOY revenue declines of 30% or more,** pressure on wages will continue into 2021 and beyond.

For individuals, it's the practical help that matters, such as paying down student debt or covering unexpected medical bills. Employees' number one financial worry in 2020 was **saving enough for retirement** (a chief concern of Baby Boomers, Gen X and Gen Y), while Gen Y and Gen Z were also feeling the burden of **just keeping up**

with expenses and **saving to buy a home**. Above all, employees seek financial advice, regardless of age: **68% want financial wellness advice and assessments** (see Figure 8). Many also want more flexible ways to get paid and better protection for those that choose gig work. Just Eat pays drivers by the hour, reducing the need to be a slave to the system and promoting flexiblity. This, along with their commitment to electric vehicles, is trailblazing a more sustinable future for all.[17]

The number of employees asking for financial interventions is staggering, particularly among the younger Gen Y and Gen Z cohorts, some of whom are still tending to the financial scars left by growing up during the 2008 recession. Financial support (either materially, or in terms of advice and tools) is one way companies can return a sense of control to employees in turbulent times.

Redesign HR to accelerate progress

1. Revisit HR's ability to drive change

Ensure HR's remit enables them to champion the employee's voice. Why? Employees prefer to work for organizations that have a strong corporate purpose and care about society and the environment.

2. Enable HR to deliver an integrated people strategy

Cascading new success metrics requires HR priorities to be fully integrated with the business agenda. Why? High performing companies are six times more likely to have an integrated people strategy (49% vs 8%).

[16] John M. "Productivity Stagnant Despite Global Stimulus: WEF," October 8, 2019, available at https://www.reuters.com/article/us-economy-competitiveness/productivity-stagnant-despite-global-stimulus-wef-idUSKBN1WN2IN.

[17] Oliver M. "Gig Economy Is En Route to Deliver on Pay," December 9, 2020, available at https://www.thisismoney.co.uk/money/markets/article-9036439.

The career crunch affected everyone in 2020. How will this play out now?

Baby Boomers
are delaying retirement
72% intend to work past retirement age, but only 37% feel adequately supported

Gen X
feels unable to advance
55% say opportunities to progress in their careers are limited because employees are working beyond retirement age

Gen Y
can't step up or sideways
Only 47% feel there is a supportive structure for employees to go through a career change

Gen Z
expects to move quickly
43% want to be eligible for a promotion after being in a given role 12 months or less, and 53% think their company policy reflects this timeline

Real talk creates real opportunities

People who feel well-informed about career paths are more likely to take up reskilling opportunities (83% versus 76%) and stay with the company (54% versus 46%). Effectiveness increases when conversations target at-risk populations or have known outcomes in mind. However, just **15% of companies are directing their reskilling efforts in 2021 toward at-risk populations.** During the pandemic, many companies stepped up to retrain their people for new roles, while others offered outplacement support. Walmart, for example, identified a need for more healthcare workers as the company rolls out primary care clinics. To fill this future demand, it offers associates health-related degrees or diplomas to open pathways to higher-paying careers, such as pharmacy technicians or opticians.[18] This highlights the need to think creatively about non traditional career paths and acceptance of online qualifications (Figure 9).
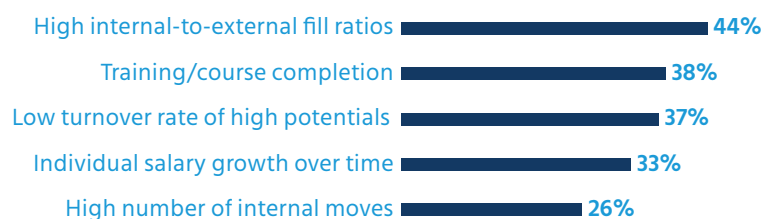
Transparency about what will be valued in the future is essential (Figure 10). People know their skills have a shelf life. But knowing whether it's two years or five contributes, counterintuitively, to well-being. *Employees whose companies are transparent about which jobs will change are most likely to feel as if they are thriving (72% versus 56%).*

During the pandemic, retailers loaned staff to hospitals, and hospitality workers were lent to financial services.[19] These actions helped to not only meet near-term demand but also enabled people to build valuable new skills. Now, companies are exploring whether these reciprocal relationships can be used for continued redeployment efforts, such as talent consortiums and shared learning events. Some companies, out of necessity, worked with direct competitors, heralding growth in "borderless" working.

Figure 9. Are you cultivating a thriving career culture?
What *should* be measured versus what's *getting* measured

HR-recommended indicators and how many are measuring them

Indicator	Value
High internal-to-external fill ratios	44%
Training/course completion	38%
Low turnover rate of high potentials	37%
Individual salary growth over time	33%
High number of internal moves	26%

Most prevalent metrics
- Increased new skill accreditation/certification
- High internal-to-external fill ratios

Least prevalent metrics
- Gender balance by level
- Pipeline flow — no career choke points

[18] Landi H. "Walmart Walmart Announces Plan to Build Healthcare Workforce, Offering Education for $1 a Day," *Fierce Healthcare*, September 24, 2019, available at https://www.fiercehealthcare.com/finance/a-focus-primary-care-clinics-walmart-offering-its-employees-healthcare-workforce-education.

[19] World Economic Forum. *The Future of Jobs Report 2020,* available at https://www.weforum.org/reports/the-future-of-jobs-report-2020.

Figure 10. To what extent do you trust your organization to give you a career at any stage of life?

Thriving employees pre-pandemic are:

8x more likely to work for a company they trust to provide them with a career, even if their job significantly changes or goes away (79% versus 10%)

7x more likely to work for a company they trust to prepare them for the future of work (83% versus 12%)

4x more likely to work for an organization that provides up-to-date information on career paths (77% versus 22%)

4x more likely to work for a company whose culture is supportive of employees who want a change mid-career (74% versus 17%)

2x more likely to work for an organization that is transparent about which jobs will change (52% versus 23%)

Consider the long-term impact of decisions

It's never been more critical to consider the consequences of bot, borrow or boomerang decisions. Cuts into the organization's talent pool need to be coupled with plans to ensure work is not transitioned elsewhere in the system. The good news is that openness to returning workers or boomerang talent has been trending upward (this was a deliberate strategy for 39% of companies in 2020), and the advent of digital and distributed working has further opened up new talent pools. Employers are already casting their nets wider and throwing them back to prior talent pools in the quest to get the right skills into their company at the right place.[20]

Last year's events have only heightened attention to the skills agenda in 2021 — the need to know what skills are critical for success, the imperative to address managers' mindsets around owning talent to deliver work and migrating to skills-based talent practices that deliver agility.

77%
of executives believe freelance and gig workers will substantially replace full-time employees within the next four years.

[20] Mercer. *As Remote Work Takes Root, Do Tech Workers Face Pay Cuts?*, 2020, available at https://www.mercer.com/our-thinking/career/voice-on-talent/as-remote-work-takes-root-do-tech-workers-face-pay-cuts.html.

Reimagine retirement for the new world of work

Longer lives require more flexible and fluid careers — for all generations

Relieving the talent system requires progressive workforce strategies for experienced workers — those aged 50 and older — but these have been a long time coming (see Figure 11). Flexible work arrangements, in the run up to and post-retirement, are obvious opportunities to ease bottlenecks.[21] But *just half (53%) of Baby Boomers trust their organization to let them work flexibly, and only 37% believe career support is available for older workers and those nearing retirement. Moreover, more than half (52%) of Gen Xers believe new, younger talent has the edge in their company.*

Figure 11. Don't miss out on the value of experience

51% of organizations don't offer post-retirement part-time work arrangements

54% aren't building freelancer retiree talent pools

66% don't have an active program to manage workers nearing retirement

28% form multigenerational teams to stimulate knowledge sharing and innovation

14% assign important projects to older workers

Leveraging an experience advantage

Why do so many experienced workers plan to keep working? Primary reasons to stay are varied — *some work to occupy their time (23%), others continue to work out of financial necessity (22%) and still others keep working to stay sharp (16%).*

Understanding colleagues' unique motivations for working beyond retirement is critical, especially when *55% of executives are worried about the turnover of older workers.* Yet *only 7% of organizations use machine learning processes to predict when older workers with critical skills are likely to retire — and only 17% have this on their agenda for 2021.* Leaders could do better, especially when *68% of executives are worried about the financial costs*, such as healthcare and retirement contributions of employees who stay on. Potentially

In light of the pandemic, only 2% of organizations are planning to evolve their retirement plan structure and governance in 2021.

adding to the problem, *high performers are taking early retirement, according to a majority of executives in 2020 (55%).* And *most employees (58%) say they are making retirement plan contributions so they can leave the workforce earlier.* Meanwhile, with COVID-19 interrupting planned retirements, it is a concern that *most (65%) don't offer or plan to offer phased retirement in 2021.* This is a serious miss given the need for both individuals and employers to create more flexible ways to build wealth.

2020 showed us that some industries were better able to work flexibly than others.[22] It also revealed many ways to flex that are not tied to location. Now, companies are racing to put in place the structures and culture that will help sustain some of the productivity gains witnessed during this period and galvanize savings associated with real estate footprints, automation and revisiting their talent sourcing strategies (see Figure 12).

Figure 12: Strategies that make the most difference to successfully delivering flexible working

46% Training for managers in enabling flexible working

46% Visible instances of career progression for flexible workers

42% More trust between the organization and its employees

41% Ability to measure and reward contribution

39% Better technology to enable flexible working

[21] Mercer. *Capturing The Flexibility Quotient in Your Organization,* 2018, available at https://www.uk.mercer.com/content/dam/mercer/attachments/europe/uk/uk-2018-adaptive-working-white-paper.pdf.

[22] Mercer. *How Companies and Employees Can Make Their Best Coronavirus Comeback,* 2020, available at https://www.mercer.com/our-thinking/career/voice-on-talent/how-companies-and-employees-can-make-their-best-coronavirus-comeback.html.

Exploring new frontiers

Having a strong mission has never been a challenge for the European Space Agency (ESA). The agency has benefited from institutionally low turnover, but with shifting demographics and reduced flow of expert talent, an impending talent cliff-edge among its 2,500 staff and 3,100 contingent workers is looming.

With much of its workforce (employees and contractors alike) ready to turn their attention fully back to earth, the agency expects 43% of its workers to retire in the next decade. This has prompted a radical transformation of their talent models.

The mission to pull specialized talent into ESA's orbit has become more challenging. The days of hiring experienced engineers are as old as the Apollo landings. The candidate pool is shrinking as fewer people are studying space engineering and more opportunities exist in the labor market, making competition for talent stiffer. And while previous recruiting drives focused on like-for-like replacements of expert talent today's rising stars of the agency have to shuttle between the hard (technical) and soft (communication and diplomacy) skills required of a multilateral organization.

Hence the mission for ESA's HR function transformation is twofold: To institute a new career model attractive to today's and tomorrow's talent, and to map talent (and talent gaps) against future organizational needs to ensure the future for both valued talent and the agency as a whole.

From Retirees to Rising Stars: A new career model
ESA has adapted toward a build, borrow and buy strategy to fill current skill gaps and prepare for tomorrow. Key is a new career model revolving around a range of career experiences. This model acknowledges that talent today wants a career for life, not a job for life. The new talent management approach focuses on attracting young professionals with some industry experience and supporting them to develop additional skills in-house. This is a far cry from the prior strategy of hiring for expertise, but a necessary departure, in a tightening talent market.

HR advisors assigned to individual staff consult with managers annually or biannually on a specific person's skills and motivations. "We want to identify the sweet spot between people's aspirations and the goals of the organization," says Dagmar Boos, Head of the Competence and Policy Centre in ESA's Human Resources Department. As part of performance management reform as well as an initiative to reinforce workforce planning, the agency aims to match individuals' career aspirations with upcoming positions — what is important is caring about careers and having genuine dialogues about what's important to individuals. In addition, seminars for prospective retirees focus on techniques for knowledge transfer, as well as the practicalities of coping with life after work.

The New Space Race: A workforce for the future
HR has its eyes firmly trained on the horizon, starting with a discussion of the agency's business priorities. Capability studies underway seek to classify the mix of tasks, activities and competencies the agency will require to deliver its business values. These studies are then translated into strategic workforce planning to determine the positions and roles needed in the future: Which skills and capabilities are difficult to fill? Who in ESA can fill these posts, or could with development? Which capabilities are mission-critical and thus require staff personnel versus where does it make sense to borrow? Which capabilities can be delivered through a matrix or by a contractor? Ensuring a value proposition for the stakeholders of ESA is critical, explains Boos: "We're moving from counting numbers to determining which duties and responsibilities we really need and how to excite different people about them."

To incentivize transformation, the agency is implementing merit-based pay. One of the drivers for the change is employees themselves: Staff surveys revealed people felt there could be better rewards for outstanding performers — addressing both the drift of base pay linked to tenure and to attract new talent.

Part of the challenge has been the myriad talent processes — in performance, L&D, workforce planning and succession planning, among others — that have been implemented in recent years. Each offering their own best practice, but not all have readily addressed careers. In the next few years, the aim is to establish a stable constellation of talent systems. "Bringing all we are working on into one cohesive structure," observes Boos. "We in HR are the catalyst of the change … We need a red thread between all our systems to be able to see ahead."

Moving forward

Creating socially responsible workforce models

In an age of pandemics, wealth disparity, and challenges stemming from political upheaval and natural disasters, we must develop more expansive measures of organizational success by investing in people's futures to build brighter careers at all life stages.

Achieving equitable futures for all means radically redefining talent practices to stay in step with changes in the external market and freeing up internal talent flows to enable workers to move into new opportunities with gusto. Those that fail to create fluid talent structures will be left behind as markets settle around a new world order. We need to take collective action on what we know will disrupt us and enable people to thrive today and tomorrow.

Getting started

➡ *Cultivate a climate of trust.* Be transparent about what jobs will change. Be direct with employees on expectations and how they can future-proof themselves: Encourage all to be conversant on disruptors impacting their industry and changing the way the company will need to compete. Challenge people to identify at least one alternative career path if their roles were to be eliminated. Discuss retirement plans early and cultivate a culture that is supportive of flexibility in career paths, working hours and types of work.

➡ *Take on the mantle of environmental sustainability.* Seek to influence/lead required business transformation by increasing collaboration among risk management teams, growth teams, and site, supply chain and operational managers. Business goals, executive plan design and your performance management culture all have roles to play.

➡ *Act on a core number of specific metrics.* You might, for example, focus on human capital threats or ESG metrics/risks that align with corporate values. Consider what your investors, shareholders, employees and customers believe organizations with missions like yours or in similar industries should be making progress on.

Suggestions to accelerate

➡ *Address the optimization of technology and the health, wealth and career challenges of longevity.* Know your pipeline movement and nudge employees toward better health, wealth and career outcomes to help high-potentials, women, older workers and minority groups intentionally build strategies for brighter futures. Focus on specific advice for at-risk populations and those who could contribute more in different roles.

➡ *Enable employees to see shared futures.* Good career management connects the employee's talent plans and the organization's business plans. Careers are a chain of jobs, usually with increasingly levels of complexity. Effective career management practices create options for generating new links on the chain, finding ways to amplify skill adjacencies and share pathways for moving into future roles. Co-creation of careers creates and conveys shared futures.

➡ *Evaluate the maturity of your sustainability practices.* Create plans aligned to actions that reflect your mission and values. Make a plan based on your most immediate needs, and drive this through the organization to ensure you make measurable progress.

Choose your path

Technologies such as 3D printing and robotics have intensively upended the automotive industry. For many car manufacturers, like the BMW Group, such disruption is the driver of transformation. The challenge is to attract, motivate and retain people with competencies different from the traditional mechanical engineer and focus more on employees and candidates who display digital dexterity.

With nontraditional competitors anxious to snap up software engineers, the BMW Group decided to offer compelling careers to attract and keep digital talent. The company developed an additional "expert path," which is more flexible than the traditional disciplinary leadership path. No career track is better than the other, and employees are not bound to one path — based on their qualifications and skills, employees can shift back and forth between the two, creating flexibility for both the employees and the company. Employees can switch gears to focus on current and future competency requirements of the company, such as creative problem-solving skills and a basic understanding of how business needs translate into software solutions.

The BMW Group has created transparency around opportunities, helping employees take more responsibility for their personal development. A career path is available for virtually everyone in the company, not just technical experts. All employees are allocated to a job architecture and, with that, have a career "home base" as well as transparency on their individual career opportunities.

The shift toward a more employee-centric career path was initially met with doubts, as employees feared that not taking a people-leader role would result in a lower-rated career. The company allayed such fears by investing in wide-ranging information and communication campaigns to management and employees. The change has opened an additional perspective into succession planning for the BMW Group: The company is able to plan cross-functionally and enterprise-wide. The BMW Group plans to use the career path's new job architecture as a backbone for all HR core processes — including strategic workforce planning, grading, recruiting, performance management, and learning and development. The company that designed the ultimate driving machine now gives its employees the ultimate career path based on their evolving skills and aspirations.
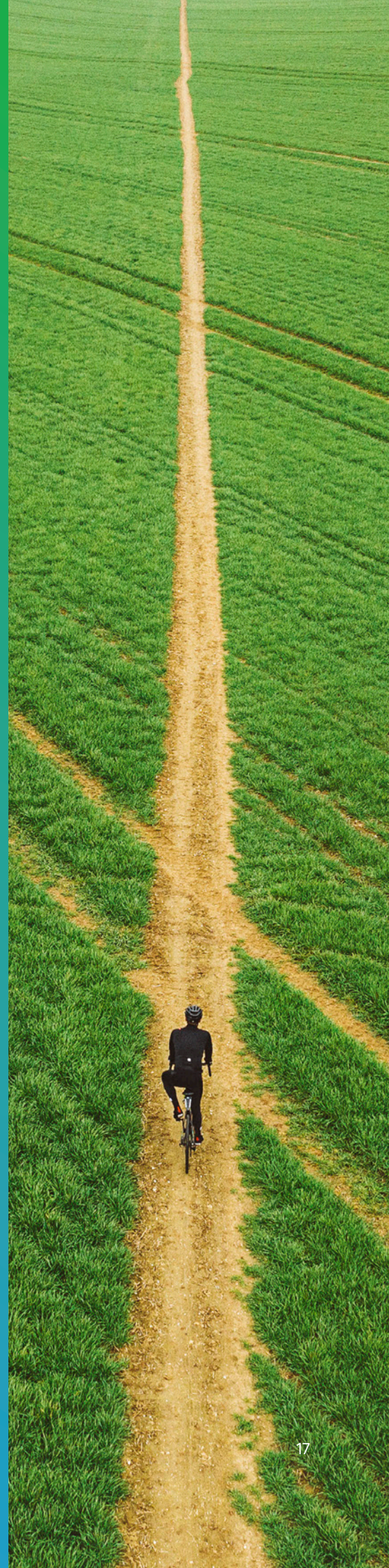
race to
reskill

Transform the workforce by reskilling for a new world economy

● *Siri, what skills will keep me relevant in the future?*

With transformation an everyday reality, reskilling is one of the biggest opportunities of the decade. Without accelerating our progress on the skills agenda, we won't have the talent to take advantage of the new jobs we're creating. This is both a business and an HR challenge, and it therefore demands organization-wide interventions to deliver results. Companies that unlock reskilling at speed and scale will transform at a pace that leaves their competitors behind.

Incentivize transformation

Executives believe reskilling is the talent initiative most likely to deliver an ROI

In 2021, transformation is no longer a buzzword, it's an imperative — regardless of whether an organization suffered or was one of the fortunate few to thrive in the cut throat climate COVID-19 created. A disruption like COVID-19 gives us the impetus to think about how the workforce can be reskilled from one sector to another.

Skills have been high on the business agenda since technology's impact on jobs became apparent. Executives last year stated an urgent and clear mandate for reskilling to drive transformation. The pandemic proved the wisdom of this agenda: Building unprecedented flexibility into business models and people practices is critical to meet new realities and stave off future shocks. Globally, *reskilling is seen as the top talent activity most capable of delivering results in HR's eyes* (meaning HR and executives are on the same page this year) *and reskilling is a big bet for them in 2021* (see Figure 13).
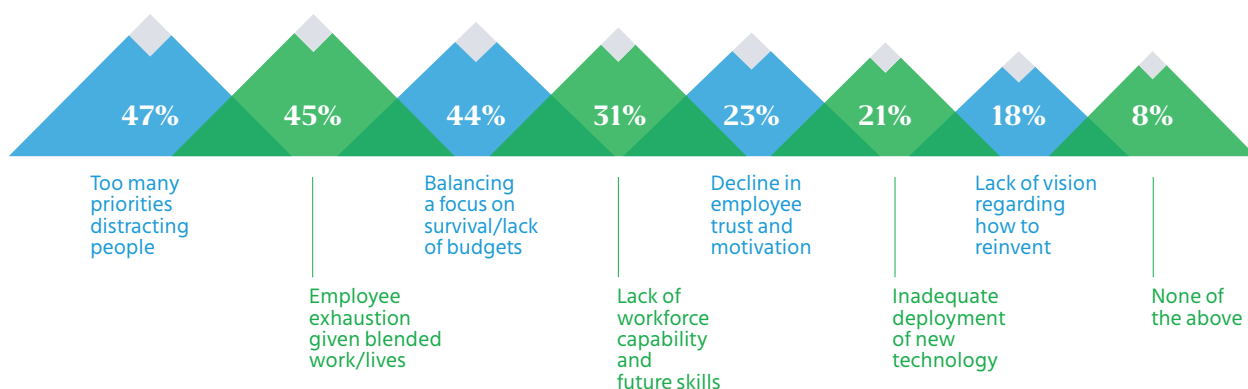
Figure 13. How companies are driving transformation

1. Target upskilling/reskilling toward critical talent pools
2. Reinvent flexibility
3. Expand talent and learning ecosystem
4. Increase spend on workforce upskilling/reskilling

As agility has become the mantra of transformation, reskilling is the practical lens through which to measure progress. When asked what is most important to "being more agile," only 5% of companies said agile work practices (such as iterative product build and prototype testing) and just 15% said agile organization design. Instead, it was *agile teaming — fluid teams that join and disband as needed — and agile workers (30%)* that companies said would make them more agile. Before the pandemic, executives believed only 45% of the workforce could adapt to the new world of work. But as COVID-19 revealed, everyone is capable of adapting — and did adapt — in the face of enormous change. In fact,

employees had already indicated they were hungry to reskill: 78% of employees in 2020 said they were ready to reskill, and many migrated online to do so. So it is no surprise that in 2021, *workforce reskilling* is ranked the #1 or #2 investment priority for HR in most countries (closely followed by *defining the future workforce needs*). Now, companies have to make sure they do not do employees a disservice. The question is not *who can adapt*, but *how best to develop* an adaptable workforce in such a challenging environment (see Figure 14). And with only *15% of companies directing their reskilling efforts to populations most at risk of displacement,* more needs to be done to ensure productive employment mobility.

Figure 14. Transformation challenges

47%	45%	44%	31%	23%	21%	18%	8%
Too many priorities distracting people	Employee exhaustion given blended work/lives	Balancing a focus on survival/lack of budgets	Lack of workforce capability and future skills	Decline in employee trust and motivation	Inadequate deployment of new technology	Lack of vision regarding how to reinvent	None of the above

Learning goals, the new deliverable

People are already (perhaps too) adept at blurring work and life given the experience of 2020, so the next challenge is to appreciate a blended work-learn model. If employees are ready and eager to reskill, what's holding them back? For the majority, it was time. ***Almost all employees (87%) experienced barriers to reskilling prior to COVID-19. And the most commonly cited challenge was time constraints (38%)***, followed by a preference to spend ***spare time in other ways (35%)***. The good news: ***20% of companies plan to reward employee skill adoption in 2021.*** This will certainly help, but it remains a backward-looking solution. To truly value talent, you need to know the value of their skills. By having dynamic data on the value of skills, HR will be in a stronger position not only to incentivize transformation by paying for skills but also to keep pace with changes in the price of skills.

Workloads also need to budget time for learning to help with acceleration.[23] For example, DBS Bank allows employees the opportunity to take paid sabbaticals to develop their skills in areas seen as relevant to the organization.[24] Of those companies that said reskilling is not a focus for them in 2021, lack of budget and learner distraction are certainly top concerns — but they also called out ***not knowing what skills are vital to today's world (15%)*** and ***not being able to pinpoint which populations would benefit most from reskilling (12%)***. Abandoning this zero-sum mindset is key to delivering on shared value creation. ***Thriving employees are four times more likely to say they work in cultures supportive of mid-career moves and four times more likely to experience a culture of learning and growth.***

A number of companies are seeing a strong return from focusing on their culture of learning, over and above the learning curriculum. Several companies are allocating employee-driven skill budgets and have dictated not what people learn — but just that they set aside time to learn. This aligns with the shift away from level-based training, especially for technical skills. Platforms like HowNow, Learnerbly, edX and General Assembly bring learning opportunities into the workplace.

This learning cannot be exclusively digital, however, because different individuals want to learn in different ways. Companies note a need to elevate their "learning through experience" game — particularly as ***24% of employees said short courses or trainings don't help them learn a new skill***. Advice and coaching are key to helping employees navigate change, particularly given that ***one in five Gen Y (23%) and Gen X (21%) employees say they don't know where to go for learning or what they should learn***. Because most people began working remotely in 2020, it was difficult (if not impossible) to engage in face-to-face learning. Some young people long to return to the office for this reason. However, experienced workers are often more inclined to work remotely. Balancing the different desires of employee populations — and being transparent about the learning tradeoffs associated with how the workplace is used — will be critical to reinventing how people grow and learn.

[23]Mercer. "Modern Learning in the Digital Era," October 24, 2018, available at https://www.mercer.com/content/dam/mercer/attachments/global/gl-2018-210208-modern-learning-for-the-digital-era-mercer.pdf.

[24]Mercer. "Making Modern Learning Last," October 24, 2018, available at https://www.mercer.com/our-thinking/career/modern-learning-for-the-digital-era.html.

Time to retire pay-for-performance?

The pay-for-skills approach, to date, has been challenging to master due to a lack of good information on both pay and skills: Despite the energy around pay-for-skills a few years back (32% were trying this in 2019), the return didn't warrant the effort. Finally, as we enter 2021, technology has caught up with HR's ambition, and the data and dashboards are there to enable innovative companies to add a skills dimension to their reward philosophies. It's still early days, but with **14% of companies planning to implement pay-for-skills in 2021,** it's a movement that is set to reshape rewards around future growth and not just historical contributions. Few companies understand how to define and pay for skills at scale today. However, the move toward more variable rewards is priming early adopters for such approaches. For example, Nationwide says it will give higher bonuses to employees who participate in its future-of-work program, a digital literacy and reskilling program that gives every employee a personalized learning curriculum.[25]
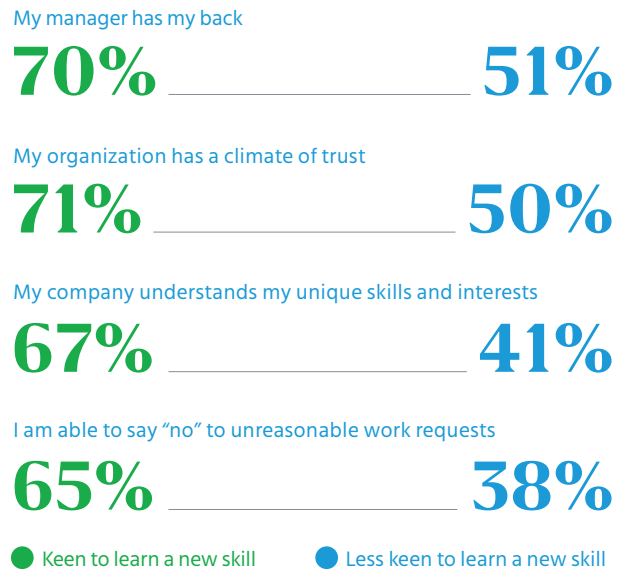
Where does this leave performance management? In 2019, three in four companies reported that merit pay was the primary element of their pay-for-performance approach.[26] With a reduced focus on location and an increased focus on projects and skills, this approach may fall short. Top performers with potential, and employees who actively seek to gain new skills as their roles evolve, will be recognized through promotions or movement, which bring higher base salaries. COVID-19 has created space for organizations to completely rethink their performance management processes, and many are taking the opportunity to simplify.[27]

Determining how much skills are worth can be a great driver for learning as people see even clearer the link to reskilling and their compensation.

Maria Dima, Competency Management VP, Schneider Electric

Figure 15. Creating a culture of lifelong learning

Comparison of employee perceptions:

My manager has my back

70% _____ **51%**

My organization has a climate of trust

71% _____ **50%**

My company understands my unique skills and interests

67% _____ **41%**

I am able to say "no" to unreasonable work requests

65% _____ **38%**

● Keen to learn a new skill ● Less keen to learn a new skill

Work-learn loops in a work-life out of balance

To stay ahead, leading organizations will have to be transparent about the new (higher paying) roles reskilling leads to.[28] The key is giving people a sense of what is coming next and control over how to get there. Sharing AI and automation plans, creating an inventory of critical future-focused skills (even if the inventory is evolving) and concrete learning maps can go a long way in alleviating anxieties.

True transformation requires companies to deconstruct jobs to units of skill and update talent models so that skills are the basis for defining work, deploying talent, managing careers and valuing employees. Success will depend on companies showing that skills are the dominant language of the organization (not jobs or functions) and creating a culture that supports learning.

[25] Mayer K. "Nationwide to Invest $160 Million in Benefits, Training," *Human Resource Executive,* January 24, 2020, available at https://hrexecutive.com/nationwide-to-invest-160-million-in-benefits-training/?oly_enc_id=4802I7424278C8I.

[26] Mercer. "Performance Transformation in the Future of Work: Insights From Mercer's 2019 Global Performance Management Study," July 2019, available at https://www.mercer.com/our-thinking/career/performance-transformation-in-the-future-of-work.html.

[27] Mercer. "Risks and Opportunities in Performance Management Post-COVID-19," 2020, available at https://www.mercer.com/our-thinking/career/voice-on-talent/performance-management-and-coronavirus-outbreak.html.

[28] Mercer. "Are You Ready for the Reality of Pay Transparency?," June 21, 2019, available at https://www.mercer.us/our-thinking/career/the-new-reality-of-pay-transparency.html.

Make reskilling a priority

Reskilling is part of the new work deal

Employees are shifting their perception of reskilling — from a nice-to-have opportunity to a critical step in remaining employable. As organizations adopt new technologies and cope with the aftermath of the pandemic, employees are thinking more and more about their own market value. When asked what helps them thrive, *employees' number one response is recognition for their contributions, alongside opportunities to learn new skills and technologies (43% and 42%, respectively)*.

Furthermore, *63% of employees say they trust their company to invest in their skills* and *55% trust their organization to teach them the new skills they will require should their job change or disappear*. In an era of shifting market needs and uncertain futures, continuous learning, job redefinition and redeployment have to become part of the new work deal. *Half (53%) of organizations plan to prepare for this work deal by identifying new skills/ capabilities needed for post-COVID-19 operations.*
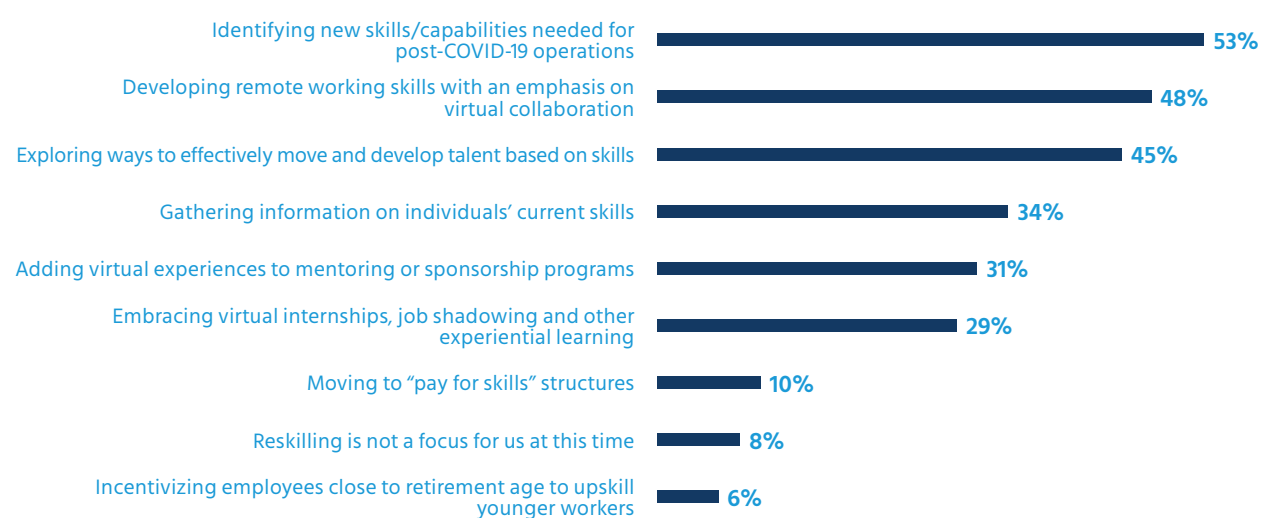
Focus is key to making the most of people's time

But has HR done enough to shift its own mindset? Although reskilling has risen dramatically up on HR leaders' priority list for 2021, *only 14% of organizations plan to develop a skills taxonomy in 2021. And just 31% are expanding virtual mentoring experiences* (see Figure 16). Multiple priorities in 2021 threaten to dilute attention

to the skills imperative and miss the mark on delivering the required transformation. HR leaders who come from a business background are more focused on *building readiness for change, leveraging the broader ecosystem and focusing on the deal,* whereas respondents with functional HR backgrounds are concentrating more on the *employee experience and transforming talent practices.*

As a consequence of more remote and virtual working, HR is placing a premium on *collaboration, adaptability* and *prioritization* as the skills critical for success in 2021 and beyond (see Figure 17). When we look further out, however, there is a difference of opinion between employees and HR about what skills are relevant today and what will be in demand tomorrow. And, *as 28% of businesses flatten organizational structures and/or broaden spans of control*, employees may undervalue some of the skills necessary for the long term, such as being *agile, deploying design thinking* or *being entrepreneurial.* This disconnect highlights the need for more aggressive communication to employees (see Figure 18).

After the preoccupation with acquiring digital skills over the last few years, it is a welcome change to see soft skills also being recognized as critical for preparing people for the future. The greater availability of skills libraries and real-time information on trending skills is helping companies tap into work on new jobs at scale and achieve a skills edge.[29]

Figure 16. How do HR leaders plan to accelerate skill development in 2021?

Category	Percentage
Identifying new skills/capabilities needed for post-COVID-19 operations	53%
Developing remote working skills with an emphasis on virtual collaboration	48%
Exploring ways to effectively move and develop talent based on skills	45%
Gathering information on individuals' current skills	34%
Adding virtual experiences to mentoring or sponsorship programs	31%
Embracing virtual internships, job shadowing and other experiential learning	29%
Moving to "pay for skills" structures	10%
Reskilling is not a focus for us at this time	8%
Incentivizing employees close to retirement age to upskill younger workers	6%

[29] World Economic Forum. *The Future of Jobs Report 2020,* available at https://www.weforum.org/reports/the-future-of-jobs-report-2020.

The upskilling rut is turning into a reskilling chasm

Until recently, most companies focused on upgrading skills for near-term advantage — such as improving digital literacy — often in functional areas such as marketing and IT. In a post-COVID-19 world, these are not the highest priorities. Core operations are being overhauled by AI and automation, requiring investment in the upskilling and reskilling of frontline workers. And with the need for socially distanced working, the spotlight is on HR as companies accelerate their digitization plans.

The race to outpace disruption with capability

Making progress on reskilling requires the cultivation of a learning mindset at both the individual and organizational level. This requires a relook at goals and the setting aside of both time and financial investment for learning. Before the pandemic, just **one in three HR leaders said they were investing in future learning and workforce reskilling** as part of their strategy to prepare for the future of work. This year, this is the biggest area of activity and focus. But exactly how much, do they plan to spend on average? (See Figure 19.)
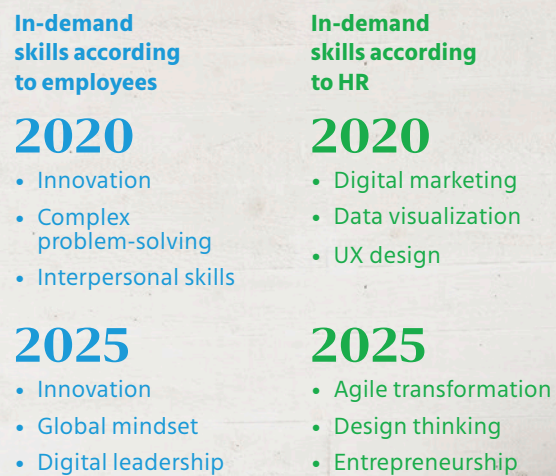
The quantitative cost-benefit analysis for companies considering whether to reskill current workers or fire and hire "different workers" was argued in the World Economic Forum's *Reskilling Revolution* report.[30] If a company chooses to reskill, the cost will include the reskilling itself as well as lost earnings and productivity while the worker retrains. The benefits include post-training gains in productivity.

The report confirms it's in the financial interest of a company to reskill 25% of at-risk employees (over hiring externally). The need for reskilling is also influenced by the People Dependency Index (PDI).[31] Organizations in Asia show a far higher PDI compared to Europe, which may explain the difference in their projected reskilling spending: US $1 million median spend in Europe and US $2 million median spend in Asia — amounts executives said they would protect in the wake of an economic downturn. During COVID-19, operational people dependency has been a positive or negative factor, depending on your ability to operate remotely. Many took the opportunity to upskill and reskill at this time. Now, organizations are focused on harnessing this collective will to reskill to drive transformation plans.

Figure 17. New decade, new skill requirements

Collaboration skills

Adaptability/ growth mindset

Self-management/ prioritization

Figure 18. Most in-demand skills for a post-pandemic world

In-demand skills according to employees

In-demand skills according to HR

2020
- Innovation
- Complex problem-solving
- Interpersonal skills

2020
- Digital marketing
- Data visualization
- UX design

2025
- Innovation
- Global mindset
- Digital leadership

2025
- Agile transformation
- Design thinking
- Entrepreneurship

[30] World Economic Forum. *Towards a Reskilling Revolution: Industry-Led Action for the Future of Work,* January 2019, available at http://www3.weforum.org/docs/WEF_Towards_a_Reskilling_Revolution.pdf.

[31] Organizations with with a high People Dependency Index are people-intensive in nature, regardless of whether they are in a service business.

Figure 19: How much is your future worth?
Up-/reskilling spend per employee (2020 projections in USD), with planned increases in 2021

Canada
$700

United States
$1,200↑

Mexico
$500

Brazil
$900

GLOBAL
$1,200↑

United Kingdom
$1,000↑

France
$1,200

Germany
$1,000↑

Italy
$1,100

Middle East
$1,500↑

India
$600↑

China
$2,000↑

Japan
$1,150↑

Hong Kong
$1,200↑

Singapore
$1,000↑

South Africa
$800

Australia
$1,250↑

↑ YOY increase
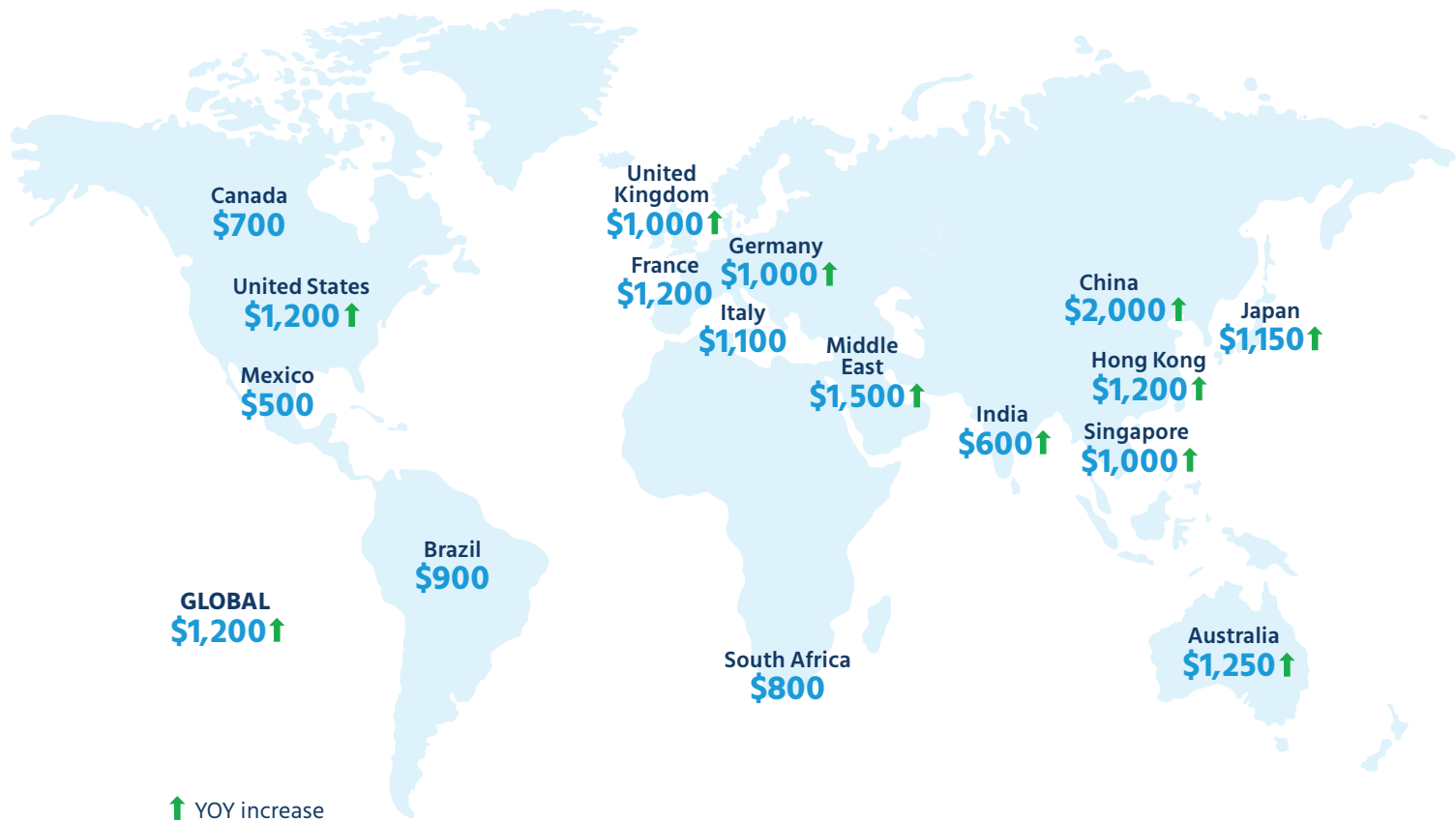
Redesign HR to accelerate progress

1. Reinvent the work and organization of HR

Center HR around business challenges by aligning work teams to future value creation. Explore talent brokerage roles to accelerate staffing, diversity and sourcing.

2. Ensure workforce relevance with skills-based talent practices

To achieve a skills edge, design talent processes that make it easy to connect talent to work, view talent inside and outside the business, and incentivize skills development.

Foresee future needs

As your talent evolves, so must your view of skills

Agility starts with knowing your talent ecosystem — that is, knowing who you have and where. But only **34% of companies are gathering information on individuals' current skills in 2021** — a finding that has remained stubbornly low year over year. Quantifying the skills gap given business objectives has traditionally been seen as a challenge (in 2019, one in three HR leaders said this was an issue). The good news is that skills are on the business agenda. The explosion of new work models that emerged during COVID-19 has put a premium on skills intel, and this has paved the way for soliciting this information as business-as-usual. In addition, significant jumps in data and technology have allowed for practices such as pay-for-skills and skills-to-job matching to leap forward. One obstacle can be traditional HR models, which typically have HR influencing from the sidelines rather than serving as an "up-front" strategic partner. Honestly appraising your workforce's skills today through pulse surveys, job simulations and tech-based hackathons can help set a baseline.

From skills infusion to skills development

Today, the sources of properly skilled talent are dynamic, and they don't stop at corporate walls. Some companies are placing big bets on contingent work of all types — gig, variable staffing, independent contractors and more. The most preferred strategy for HR is still **hiring externally to fill skill gaps (60%), followed by secondments outside the company (59%), employee-directed learning (57%) and leveraging technology to automate all or parts of certain roles (54%).**

Given that for many hiring will be tough in 2021, it's no surprise that efforts this year are focused on defining future skills, moving talent around and understanding what skills companies have on hand. **Forty-four percent of organizations made it easier to share talent internally in 2020, and a further 26% plan to do so in 2021.** This trend is set to stay, as companies that build out their skills-based approaches will find it easier to lean on their internal talent marketplaces in a tighter economic climate. Organizations will need a clear view of the skills in their ecosystems, the existing competencies that overlap with new jobs and the critical experiences (or job hops) that will get people from "at-risk/stagnant" positions to "bright-future" roles.

A system-wide response starts with strategic workforce planning that takes account of both human and digital interactions and demonstrates an understanding of how work and workflows can be redesigned (see Figure 19). Yet **only 29% of HR leaders rate job redesign a priority**.

Are plans to prepare for future jobs taking shape?

Companies that are making inroads are identifying required skill clusters and mapping surplus talent with transferable skills. Verizon, for example, plans to prepare 500,000 individuals for jobs of the future by 2031 through a skills-training and mentorship program aimed at under-resourced communities.[32] Furthermore, building skills on demand — that is, among candidates or displaced workers — is becoming more widespread as companies (such as HCL Technologies in India[33] or Google in the US[34]) ramp up efforts to source, retrain and prepare cohorts of "trained-to-needs" hires.

Figure 20. Skills-based talent practice maturity
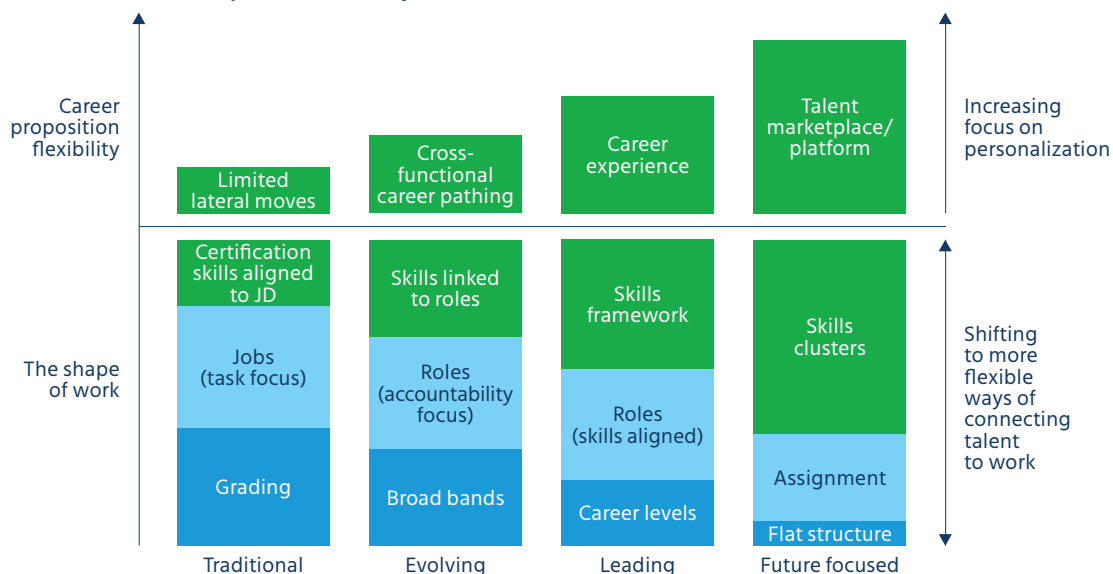
[32] "Introducing Citizen Verizon," July 14, 2020, available at https://www.verizon.com/about/news/introducing-citizen-verizon.

[33] "HCL Will Roll Out 'Tech Bee' Soon to Hire and Train Students for IT Jobs," *Mint,* Jun 13, 2019, available at https://www.livemint.com/companies/news/hcl-will-roll-out-tech-bee-soon-to-hire-and-train-students-for-it-jobs-1560416532873.html.

[34] Coren MJ. "Google's Latest Hiring Tactic Is Training Other Companies' Employees," *Quartz at Work,* January 16, 2018, available at https://qz.com/work/1180907/google-will-pay-to-train-10000-it-specialists-it-may-never-hire/.

Figure 21. Strategic workforce planning 2.0

Today's workforce management practices are interdependent by design. They are based on longer-term strategies that rely on adaptability to mitigate the impact of disruption, ambiguity and innovation. Short-term size and capacity management no longer fits the bill. Similarly, workforce planning can't be just about employee capacity and business unit alignment, it must also recognize employees' potential and engagement and be intertwined with the company's technology roadmap. And this can't be done if HR is managing workforce adjustments inherited by CTOs and leadership. They must co-create plans plans to stay ahead in today's hyper-speed environment.

Workforce needs meet at the intersection of digital strategy and skills strategy

Data aggregators such as Burning Glass and Faethm can help quantify the impact of emerging technologies on existing jobs and matching skills from one job family to another to identify transferable skills. Scraping skills from people's social media profiles or learning about competitors' skills from their job postings are just some of the ways companies are automating part of the process. But success rests on the ability for people plans, digital transformation plans and business plans to come together (see Figure 21). The rise of digital skills assessments onto platforms like Mercer Mettl also attests to the desire for companies to move beyond self-reporting skills systems like those embedded in Workday Learning and other human capital management systems. AI-driven remote proctoring (the ability to assess skills remotely with confidence) is one service that boomed in 2020. The trend for third-party validation or expert accreditation (especially of technical skills) is here to stay.

45%
of organizations plan to restructure in 2021

Still in its infancy is the recognition of skills acquired through online means and/or skills-based hiring. Moving to skill assessments lets HR get more nuanced on who can do what today and who can learn what tomorrow. Further, the use of digital twins (or "mirror worlds") and scenario modeling is on the rise to support workforce strategy design and planning. By visualizing scenarios, companies can bring to life the implications of choices on the bottom line and on the workforce.
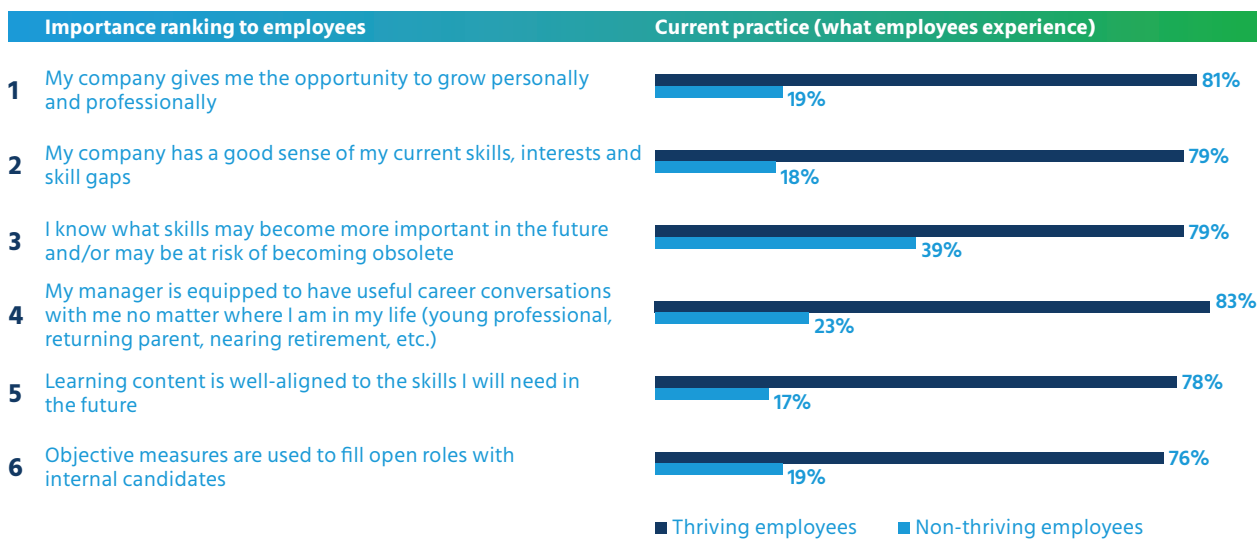
Democratize access to learning

Access, opportunity and encouragement drive change

One positive impact of the pandemic has been a shift to shared responsibility for learning and careers. 2020 brought us new ways to support employees, including dual roles, talent-sharing and skill-building consortia. Yet for many, much work remains to be done, such as freeing people to take up opportunities *(only 54% of employees say it's easy to access internal gigs, and only 26% of companies offer short-term assignments)* as well as changing mindsets around the *value of lateral moves (ranked 19 out of 20 in importance in the eyes of employees)*. Bright careers are tied to access and opportunities, but they require an infrastructure that promotes an open job market and encouragement for people managers to look beyond their own balance sheets when career coaching. A resurgence of interest in the wake of the pandemic in globally managed workpools (agile teams, contingent platforms, active management of the top 10%) has HR playing a pivotal role in talent deployment. These activities were valued in 2020 and are changing the course for HR redesign efforts.

As careers become more fluid, the opportunity for new experiences will be a measure of a company's commitment to its employees. In recognition of this dynamism, companies are increasing efforts to *encourage new jobs at mid-career levels (40%)*, *include lateral moves and rotations in career materials (36%)* and *make salary and bonus ranges visible to internal applicants to support internal mobility (34%)*. Employees are asking for these opportunities, but they're not part of most people's career experiences today (see Figure 22).

Figure 22. What employees want for their career growth versus what they experience

Importance ranking to employees	Current practice (what employees experience)
1 My company gives me the opportunity to grow personally and professionally	81% / 19%
2 My company has a good sense of my current skills, interests and skill gaps	79% / 18%
3 I know what skills may become more important in the future and/or may be at risk of becoming obsolete	79% / 39%
4 My manager is equipped to have useful career conversations with me no matter where I am in my life (young professional, returning parent, nearing retirement, etc.)	83% / 23%
5 Learning content is well-aligned to the skills I will need in the future	78% / 17%
6 Objective measures are used to fill open roles with internal candidates	76% / 19%

■ Thriving employees   ■ Non-thriving employees

During COVID-19, capabilities have become our currency. We are now rapidly building careers around the capabilities we need, through the right architectures for our people to be inspired to grow and develop their careers with us at Pandora.

Michelle Wilkinson, Vice President, Talent, Pandora

Reskilling instead of releasing

Digital innovation is accelerating quickly, particularly for the financial services sector where organizations are competing for world-class talent. KeyBank, a large bank in the United States, recognized that attracting the right talent to achieve strategic business goals would be difficult in an increasingly tight talent market as digital, automation and cognitive technologies intensify.

For the past few years KeyBank has enabled 4,000 colleagues (from an 18,000-person workforce) to start reskilling toward emerging new roles and career paths. First it deployed a "volunteer army" to research the future of work conceptually, while developing practical examples and stories of the learning journey KeyBank colleagues are making to become the "CEOs of their own careers." This work led to a "Future Ready Workforce" program centered on four work streams: defining skills needed now and in the future; creating a "job marketplace"; continual training and learning; and change management and communication. "We captured success stories and have been sharing employee narratives of their learning journeys in order to make this a more personal transformation," says Deb Reddish, KTO Employee Engagement Leader.

The effort moved beyond technology to unite critical skills of the future across digital, business and people. KeyBank benchmarked best practices against several notable companies across numerous industries. They discovered the need to combine digital, business and people skills with an eye toward enabling colleagues to work side-by-side with technology — AI, chatbots, machine learning, and RPA. All while developing new capabilities in supplier management, risk management, storytelling with data, continuous delivery, and user design.

Realizing that they were entering into a partnership with employees, the team supplied managers with tools, frameworks, and guidance on how to coach, deploy emotional intelligence, and engage employees as they navigated the organizational transformation and their own learning journey. "We started with change management and followed that with critical thinking and decision-making," says Dean Kontul, Division CIO, Wealth and Capital Markets and Future-Ready Workforce Leader.

KeyBank's leaders also had open conversations with workers about the most transferrable skills for a future marked by increased use of automation and cognitive technologies. Employees in turn made it clear that applying these new skills would be critical to making them stick. These conversations led to career-mapping and developing an opportunity marketplace, enabled by Fuel50 technology. This provided an opportunity for employees to test their skills, job shadow and deploy new skills through an internal gig economy — in effect providing the skills-based connective tissue for the organization.

In the current climate, "it is better to reskill your people rather than let them go. You can't lose talent just because their jobs have changed," said Kontul, "This allows you to keep people who are familiar with your culture and your business while ensuring you don't have to compete in an ever-tightening talent market."

For KeyBank, the bottom line is that this program will enhance its overall talent strategy. It's proactively working to position the company to evolve and meet changing client needs and business priorities all while managing industry disruptions to the workforce.

"This is a journey," Kontul says. "We're two years into it, and we understand it's going to take us a bit longer to fully build out the domains, the marketplace and the assessments to allow employees to see where jobs are going and how they can reskill and get the training. But we're pleased thus far. The employee reaction overall has been positive."

Moving forward

Cultivating curiosity, lifelong learning and urgency

As business models shift, organizations are becoming more intentional in the way they access talent and capability. That includes forming partnerships, joint ventures, strategic vendor relationships and alliances, and even collaborating with competitors. At an individual level, we see a more nuanced approach to employing talent on a continuum that ranges from permanent and fixed-term employees to contractors, freelance talent and consultants.

Lifelong learning means changing from training, working and rewarding in a linear fashion — with progression pegged to static career levels — to a cyclical model of reinvention. Ultimately, people will stay with companies they feel are making them marketable and leave those that are not. The race to reskill thus has multiple purposes: to meet talent shortages and to ensure livelihoods and sustainability for the entire workforce.

Getting started

➡ *Embrace the experience generation.* Create more fluidity in work structures with internal gigs, mid-career moves and a focus on mobility and by democratizing access to learning experiences through increased transparency of what is on offer and what people can learn.

➡ *Establish clear organizational ownership of skills.* The structural shift in job architecture from traditional rewards to organizational design and development means there can be a lack of clarity on who owns skills. True agility in work between functions, industries and geographies can be achieved through universal skill taxonomies.

➡ *Shift to metrics that focus on human adoption of technology, not technology adoption, when measuring the success of transformation.* In other words, determining who's using the system rather than how many people it's been deployed to is critical for accurately measuring success. Consider what multiple stakeholders (C-suite, finance leaders, employees) believe will lead to optimal performance today and tomorrow. A strong link between skills and transformation helps quantify the reskilling investment and its role in delivering success.

Suggestions to accelerate

➡ *Build skill taxonomies that are broader, more flexible and not beholden to rigid job structures*. Align your jobs and compensation structure to the skills for the future, and look for ways to draw on market data and automate updates. Common global guidelines and industry standards are evolving, which will make talent more fungible.

➡ *Partner with the business on how AI and automation may impact jobs*. Reconsider workflows and who in the ecosystem is best placed to provide skills. Align with external work underway on how developments in your industry will impact job evolution, and engage in strategic workforce planning.

➡ *Build a talent and learning ecosystem.* Identify future jobs and valued skills in your business, function or company, and think broadly about where and how learning occurs. Understand where in your organization these skills are most needed, who has them today and how they are best developed.

Giving pay-for-skills a shot in the arm

Like many companies, Bayer — a German multinational pharmaceutical and life sciences company — experienced significant talent disruption after it underwent a digital transformation. It faced the challenge of determining which digital talent was most important to the business and where it resided in the company — which was less than transparent.

Bayer kicked off its journey to fully understand its workforce by asking different businesses to provide a list of digital jobs that use critical skills for the future. Based on this research, Bayer recognized that junior people at the company possessed the most digital skills, and they needed to come up with a rewards model for this talent segment that allowed for more flexibility and personalization and better reflected current practices in the high-tech environment.

An initial focus on digital transformation morphed into an employee experience initiative that diagnosed the need for a transformation in total rewards and advancing Bayer's Employment Proposition by talent segment. It took an explicitly employee-centered approach, conducting virtual focus groups with employees to understand preferences in terms of culture, career and rewards. Findings were translated into an "experiment" in which employees were further empowered along the lines of autonomy, mastery and purpose to own their own careers. Bayer also incentivized digital skills building by shifting from a hierarchical approach in total rewards to a more egalitarian approach that offered employees flexibility in their short- and long-term compensation packages.

Before employees can decide how much base pay they want versus short- and long-term incentives, managers decide on the total compensation positioning against the market based on the criticality of an employee's skillset. Skills may be rewarded by higher total compensation packages with higher short- and long-term incentives while base pay is positioned around the median. While base pay is predicated upon plus or minus the intended market positioning, short- and long-term variable pay can be adjusted to reflect the demonstration of critical digital skills and the pursuit of new digital capabilities.

Employees may see short- and long-term incentives increasing significantly compared to market percentiles if their skills are critical, driving attraction to the company from the outside and retention on the inside. Thus, employees may see what specific skills they need to develop that they don't currently possess to drive their pay.

sense with
science

See ahead by augmenting AI with human intuition

● *Siri, based on what you know about me, in which company will I thrive?*

With data and digitization transforming businesses, we have plenty of insights at our fingertips to switch up the game. The challenge is how to harness this power to answer the questions that matter to businesses. AI and automation have already done the heavy lifting — indeed, AI is making decisions on its own in many areas. It's essential, therefore, to hone our own market- and people-sensing capabilities to uphold ethical practices and make decisions with empathy. But the real opportunity comes with a lift in people's skill and intuition around data — our ability to see beyond workforce problems and apply a scientific method to uncover actionable intelligence from data.

Embrace workforce science

Data for a talent science revolution

Last year, there were quiet signals that a decade of advances in analytics were about to pay off, offering leaps forward in market-sensing and workforce science capabilities. Yet for all the insights at companies' fingertips, the HR function had yet to truly marry big data with human intuition to enhance talent management decision-making. After a pause, COVID-19 drove a data explosion — with companies collecting highly personal data on remote working (how long people spent online), location (from contact-tracing apps) and health (benefits or vaccine take-up). The challenge is how to use the data, taking account of employees' consent and the data's influence on other talent decisions. Now, organizations are shifting their focus toward forward-looking insights to gain measurable value from the data mountain acquired (see Figure 23).

Organizations have leapfrogged several years' understanding of people in the workplace in a matter of months. Workforce science, which Mercer had been discussing for over a decade,[35] gathered force in 2020 thanks to the data explosion layered over a predictive analytics muscle that companies were able to build and exercise during the pandemic. *HR had moved data up the value chain and quadrupled its use of predictive analytics in the five years to 2020 — from 10% in 2016 to 39% last year.* The number of HR leaders who said they used predictive analytics varied widely by geography, from China (18%), Hong Kong (28%) and India (28%) finding their feet, to more than half of HR leaders in Brazil (52%), Germany (52%) and the US (55%) leveraging it routinely.

61%
of executives say using talent analytics to inform decisions is the HR trend that has delivered the biggest impact

Figure 23. Planned improvements to analytics capabilities in 2021

Learning/skill acquisition	48%
Strategic workforce planning/modeling	45%
Performance data related to flexible working	42%
Pay equity	35%
People analytics integrated with market strategies	34%
Physical well-being and health	31%
Employee financial well-being	25%
Metrics to inform the human adoption of technology	22%
Retirement plan fiduciary management	12%

[35] Nalbantian HR. "The Internal Labor Market Paradigm: A Model for Using Analytics to Evaluate and Interpret Workforce and Business Performance Data" in Berger LA and Berger DR (eds): *The Talent Management Handbook,* 3rd ed (New York: McGraw Hill Education, 2018), pp. 542–555, available at https://bit.ly/33EUo4R.

From scientists to storytellers — How HR analytics is motivating change

In 2020, we saw the closest alignment on priorities between HR and the business. When HR teams work across silos and partner with the business on the strategic agenda, it pays off: In 2020, *more than half of HR leaders were able to answer executives' top talent questions, up from a third in 2019* (see Figure 24).

Executives are taking notice: *Most executives believe HR is an active contributor to strategic business planning (69%) — especially in high People Dependency Index companies* where they are most likely to be seen *as acting fast and formulating future business projections (60%).* This is a sizable accomplishment, especially compared to *just three years ago, when 73% of executives found their HR team unable to provide them with actionable analytics* to improve their decision making.[36]

Figure 24. Analytics the C-suite is asking for versus what HR is providing

Top 10 analytics requests from the C-suite	% of HR providing
1 Why is one team high-performing and another struggling?	**52%**
2 What are the key drivers of engagement in our organization?	**53%**
3 To what extent are there pay inequities by gender and race/ethnicity?	**52%**
4 How do different retirement options impact older workers' behavior?	**40%**
5 How are our total rewards programs being utilized by our employees?	**46%**
6 Who is likely to leave in the next 6–12 months?	**43%**
7 How can data-driven insights help us understand and better manage healthcare spend globally?	**41%**
8 When is our critical talent likely to retire?	**41%**
9 Which profile of candidates tends to stay longer?	**41%**
10 Which populations (e.g., women, minorities) are failing to progress within the organization?	**38%**

Cost control and legislation drive activity, but strategic analytics get short shrift

Before the pandemic, HR was making more headway on operationally oriented analytics (such as data related to recruitment, selection or identifying flight risks) over strategic insights. We saw the strongest analytics growth in operational decisions (such as the impact of varying components of the total rewards package on engagement and productivity), which rely on timely insights (see Figure 26). Although retirement timeliness of critical talent was on the agenda for 2020, some operational analytics have fallen by the wayside for 2021. *Only 23% of organizations use or plan to use analytics to predict when older workers with critical skills are likely to retire.* Analytics on pay inequities had been increasing the most year over year in countries that introduced reporting requirements. *One-quarter of organizations improved their capabilities around pay equity in 2020, with a further one in three intending to improve insights in 2021.* Meanwhile, the use of analytics that relate to total rewards is firmly in focus in 2021 given the climate of cost containment.

Strategic analytics, on the other hand, speak to foundational decisions around workforce management — such as the reliance on homegrown talent versus hiring from outside or valuing career rewards over immediate pay/benefits — where quality and reliability of data are critical. It will require central governance of metrics and messaging. To make progress, companies will need to define quality and timeliness requirements of key data and define a taxonomy of terms for analytics.

Figure 25. Fastest-growing and retreating analytics

Fastest-growing analytics	
Number of companies using them	**Percentage increase from 2019 to 2020**
52% To what extent are there pay inequities by gender and race/ethnicity?	**+373%**
52% Why is one team high performing and another struggling?	**+63%**
46% How are our total rewards programs being utilized by our employees?	**+100%**
41% How can data-driven insights help us understand and better manage healthcare spend globally?	**+78%**
12% How can we correct inequities and prevent them from reemerging (pay modeling)?	**+140%**

Retreating analytics	
34% Which training programs are most effective?	**-6%**
24% Which employees are at risk of burnout?	**-25%**
15% Based on performance outcomes, is it better to build, buy or borrow talent?	**-55%**

Using analytics to determine whether to build, buy or borrow talent fell by half in 2020 (see Figure 25) — a surprise, given the workforce volatility wrought by demographic change (such as aging workforces) and work being substituted, augmented or created by automation. *Insights on training and burnout risk also declined in prevalence,* which raises important questions about where early intervention will have the biggest impact given executives' focus on employee well-being and reskilling this year.

The landscape is changing rapidly, with *44% of companies saying they use organizational network analysis and 38% applying intelligent "nudging" technology* to help employees make better choices. Mercer research shows these two metrics are most often applied by companies that have the most thriving employees.

Despite these substantial benefits, AI must be deployed with proper safeguards in order to avoid risks and limit severe financial and reputational harm. This need has become ever greater, as more companies deployed AI in response to the global pandemic.[37]

Redesign HR to accelerate progress

1. Datafy HR for the business
Integrate analytics teams and align with business priorities. Why? When analytics solve business challenges, they ensure the impact of HR and attract the best analytics talent.

2. Leverage multidisciplinary insights
Build a cross-disciplinary team leveraging the expertise of industrial psychologists, economists, data scientists, machine-learning programmers and employee representatives. Why? Diverse analytics functions are more likely to create strategic insights.

[37] "AI Could Be as Harmful as It Is Helpful — Depending on How You Use It," *BRINK*, January 4, 2021, available at https://www.brinknews.com/ai-could-be-as-harmful-as-it-is-helpful-depending-on-how-you-use-it/.

Ensure ethical analytics

Sherpa no more: AI delivers both insight and action

Today companies face a trilogy of new data, old mindsets and decision-making delegated to remote or distributed teams. Without deliberate intervention from HR, these three factors could combine into a perfect storm for employees. In the rush to harness the data potential unleashed by the pandemic, different teams have been involved in buying listening technology, collecting the data and distributing the insights to managers who might use it. Ethical decisions about how data on employees are collected, used and secured may get lost along the way.
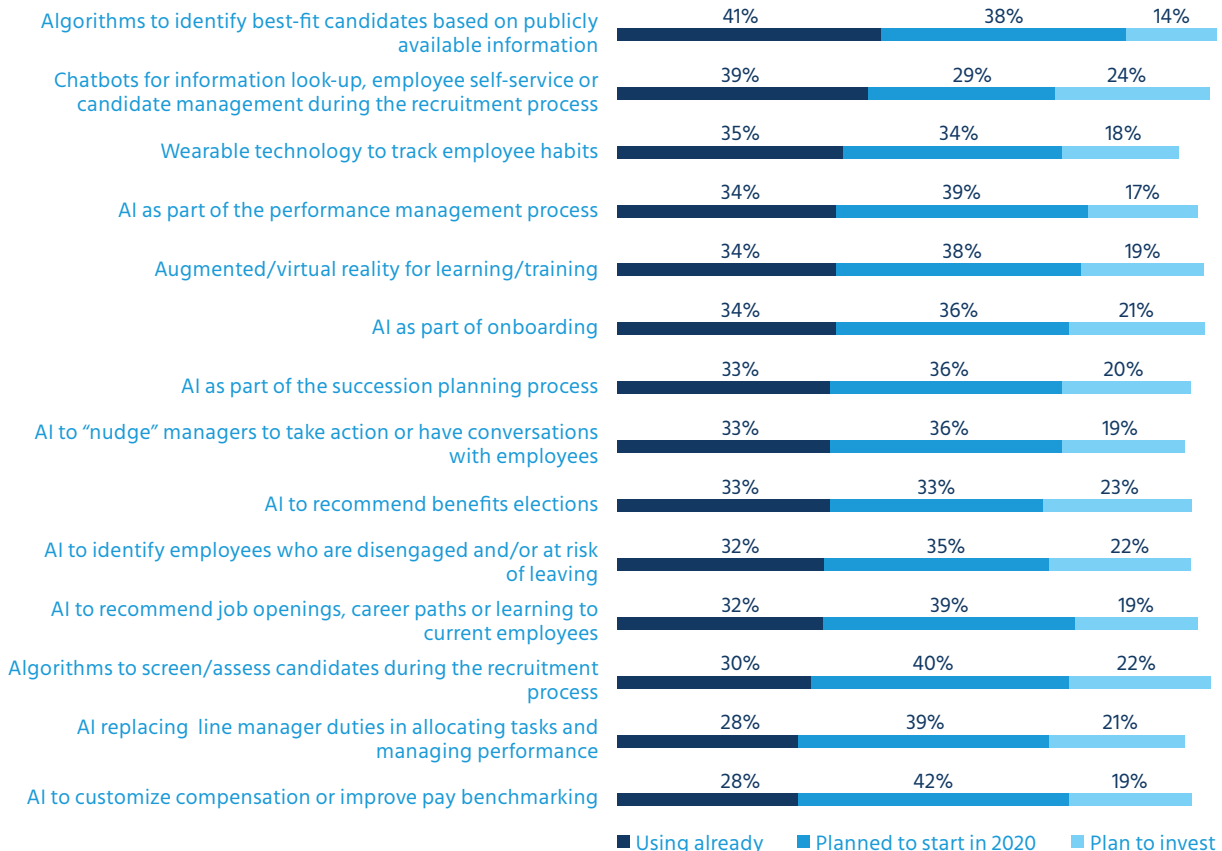
The risk is that companies fail in their duty of care if decisions are based on reductionist interpretations of data that inadvertently bring back unhealthy biases to talent decisions, such as predicting how people will perform *(42% of companies plan to focus on performance data related to flexible working in 2021).* How will organizations ensure data on mental health or burnout potential do not influence promotion decisions?

What will companies do about the intersection of performance data, an employee's caregiving duties and career trajectories? Just like the early days of psychometrics, ensuring ethical analytics requires companies to avoid taking a blunt instrument to talent decisions. With AI now permeating more HR systems and practices, it's even more critical in 2021 for HR to lean into data science and take notice of how it changes decision making (see Figure 26).

Becoming AI's moral compass

COVID-19 has increased the volume and types of employee data collected. With this increase comes greater responsibility to know where data are coming from, to validate AI-driven recommendations and to actively influence decision-making. To date, *more than a quarter (29%) of organizations have taken heed and already revised policies on access to employee data and/ or developed ethical practice guidelines.* The question is, is this enough?

Figure 26. How do you use AI in HR, and where are you investing?

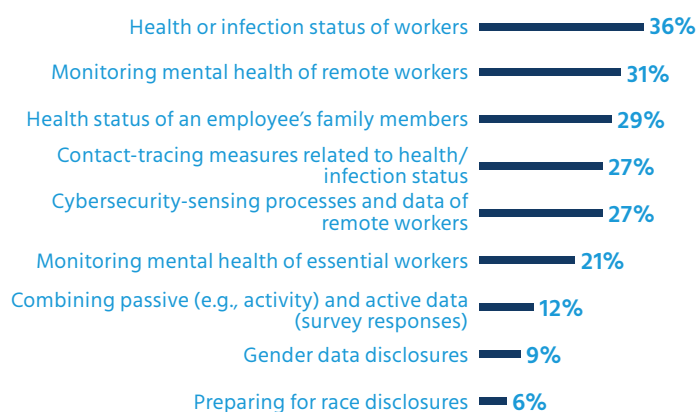|	Using already	Planned to start in 2020	Plan to invest
Algorithms to identify best-fit candidates based on publicly available information	41%	38%	14%
Chatbots for information look-up, employee self-service or candidate management during the recruitment process	39%	29%	24%
Wearable technology to track employee habits	35%	34%	18%
AI as part of the performance management process	34%	39%	17%
Augmented/virtual reality for learning/training	34%	38%	19%
AI as part of onboarding	34%	36%	21%
AI as part of the succession planning process	33%	36%	20%
AI to "nudge" managers to take action or have conversations with employees	33%	36%	19%
AI to recommend benefits elections	33%	33%	23%
AI to identify employees who are disengaged and/or at risk of leaving	32%	35%	22%
AI to recommend job openings, career paths or learning to current employees	32%	39%	19%
Algorithms to screen/assess candidates during the recruitment process	30%	40%	22%
AI replacing line manager duties in allocating tasks and managing performance	28%	39%	21%
AI to customize compensation or improve pay benchmarking	28%	42%	19%

With HR making big investments in AI, it's essential for the function to join discussions on the variables and historical datasets used to construct AI and machine learning algorithms. *Sixty-nine percent of HR leaders report confidence in their ability to intervene when technologies find unethical patterns* or results that go against company standards. And *67% are confident they can ensure that AI and automation are not institutionalizing bias*. Yet these interventions often take place after the fact and, increasingly, by those outside the realm of HR.

Human sensing is paramount to reconciling algorithms' recommendations. If a predictive model, for example, suggests that all workers who have children in college will postpone retirement and recommends displacement, should the company act on this information at scale? Common sense says no. HR needs to thoughtfully define and communicate a code of ethics and conduct for people analytics, just as companies have guidelines around handling customer data or insider information. Despite some cross-industry taskforces advocating a way forward, ethics codes are still in their infancy. As these codes take shape, employee trust will grow.

Data risks: More vigilance is required

As a result of the move to remote and distributed working, employees are putting more data about themselves online, and, potentially, at risk. Greater health and workplace surveillance is an accepted reality for many, with the increased capture of information, from benefits selection to contact tracing details and mental well-being. Yet while data collection is racing ahead, companies today are grappling with safeguards such as cybersecurity, encryption and guidelines around companion apps. More attention in 2021 will be required around employers' duty of care with data: care about where the data comes from (employees) and how to handle it (see Figure 27). *Just 20% of CHROs have accountability for employee data security, which typically rests with the CTO or CIO (81%).* Today, organizations must take action to deserve the trust employees have, so far, been willing to give.

Figure 27. Top concerns with protecting personal information in 2021:

Health or infection status of workers — **36%**
Monitoring mental health of remote workers — **31%**
Health status of an employee's family members — **29%**
Contact-tracing measures related to health/infection status — **27%**
Cybersecurity-sensing processes and data of remote workers — **27%**
Monitoring mental health of essential workers — **21%**
Combining passive (e.g., activity) and active data (survey responses) — **12%**
Gender data disclosures — **9%**
Preparing for race disclosures — **6%**

[38]The Insight222 Ethics Charter, available at https://www.insight222.com/.

Ethical AI

In the absence of global governance on the ethical application of AI, expert peer-to-peer networks are filling the void. These networks are creating their own ethics charters for people analytics based on industry values. FAIR Values is one example:[38]

- **Foster trust**. Our approach and policies are accessible to all. We proceed only when confident we have no biases.

- **Accountable and responsible**. We protect the data and insights we find, operate to the letter of the law and constrain access to those with a need to know.

- **Impact driven**. We use data and statistics to improve decision making and improve the lives of our employees, customers and stakeholders.

- **Rigorous process**. We take a neutral, unbiased approach and adjust our models given new information and input.

Ask yourself:

- Who knows the data sources that feed into our algorithms? Do we have clear design principles?

- How clear is our policy on what data to use and when? What data have we deemed not to use? Do our vendors follow the same approach? Do we need an ethics council?

- Are we consistent in aggregating data? Asking for permission? Sharing pilot outcomes?

- Do we have clarity of purpose in applying AI to solve complex problems? Do we use stage-gates to ensure data-led decisions keep human consequences in mind?

Cultivate a lab mindset

Put work intelligence to work

Innovation, disruption and market shifts are creating new roles and forcing other roles to downsize. Predictive analytics can show companies what is going on in their talent market so they can take early action. Mercer's global research on digital talent shows that only 26% of companies reported that they leverage talent intelligence for supply and demand planning. Yet there is an opportunity to do more: *Just 18% assess the impact of different pay strategies on performance*.

Key to workforce forecasting is an enterprise-wide culture of experimentation, in which people feel comfortable positing hypotheses, analyzing datasets and testing how business strategies (including talent strategies) play out.[39] *Yet just 5% of organizations plan to invest in cultivating a lab mindset in 2021.* To continue adding business value, HR must work closely with executives, finance leaders and data scientists to explore alternative scenarios. For example:

- If we spend 30% more on learning, how much faster could we grow?

- If we include more variable pay as part of total compensation, how would this impact key outcomes such as retention and productivity?

- If we increase pay by 20% for front-line hourly workers, what would be the effect on performance?

- Last year, we lost 15 "key influencers" to retirement — how did that impact our customer relationships and market share?

- When executives with recent expat experience are promoted to top posts, does their team's revenue increase?

Assessments under the microscope: Testing for fairness and relevance

Organizations are increasingly harnessing workforce science for hiring, identifying high potentials and making promotion decisions. *Technical skills assessments are the most prevalent (98% of companies use them)*. Meanwhile, the most useful assessments, according to HR leaders, are *situational judgment tests (75%)*, followed by *roleplay-based assessments (73%)* and *realistic job previews with digital personas (72%)*, which produce a phenomenal set of data points about a person. These tests vary in how they are used: HR leaders tend to use psychometric tests for external hires; culture assessments for internal promotion; and assessment centers, job previews and technical assessments to identify high potentials. However, the influence of talent analytics on

> We've always said this is not about eliminating human decision-making; it is about augmenting the capabilities of our leadership — in HR and beyond. We are not ceding decision-making to the machine but allowing leaders to make more informed decisions with data that is intuitive, timely and absorbable.

Steve Stevenson, Former Vice President, Executive Compensation & HR Analytics, United Technologies

final decision-making has typically lagged intent. Mercer's digital talent report in 2020 showed that companies were still relying heavily on experience (87%), interviews (75%) and education (63%) to hire digital talent — with only 27% using online assessments and just 11% using online simulations.[40] However, the risk is installing barriers to entry that are no longer fit for purpose: The move to more remote hiring (often with blind demographics, and for some, without video interaction) is encouraging an increased use of objective data. 2021 kicked off with a new wave of interest around value assessments and work simulations that allow hiring at scale for those in growth mode. With people risks high on executives' agendas, it is no surprise that 2021 has witnessed an uptick of objective assessments, especially around DEI as part of M&A activity.

As organizations make assessments a more ubiquitous part of the work experience (*79% of employees say they have taken a talent assessment*), making people decisions with more rigor and empathy at the same time has to be a priority. Leaders need a view of people that doesn't overly rely on point-in-time skills' assessments. Job previews and technical assessments, although great at matching to tightly defined roles, are less insightful for roles that demand higher conceptual reasoning in a changing environment. Given the trend to use assessment tools higher up in the organization (*seven in 10 HR leaders report that assessments are very useful in assessing all levels of employees, from entry-level to the C-suite*), there might be reason to update guidelines and checkpoints to ensure that assessments are delivering fair and equitable outcomes.

[39] Mercer. "Cultivate a Lab Mindset: Building the Innovation-Ready Organization," 2018, available at https://www.mercer.com/our-thinking/career/cultivating-lab-mindset.html.

[40] Mercer. *Digital Talent Trends Report — Digital Global Edition Vol. 2,* available at https://www.imercer.com/ecommerce/eu/products/Digital-Talent-Trends-Report.

Talent attraction: Informed by data, augmented by humans

It is hard to imagine the modern world without the semiconductor. From smartphones to solar cells, cars and communications infrastructure, semiconductors help power everyday life. In order to come up with the best possible solutions to serve its markets, Infineon needed to attract the best talent possible.

This was the challenge of global semiconductor company Infineon. Five years ago the company hired around 300 mainly IT and digital talent each year — not nearly enough to grow their market position. HR, in conjunction with Infineon's strategy department, identified the 12 most critical — but hard-to-fill — roles required by the business, such as software engineers, field application engineers and product marketing specialists.

Infineon hypothesized how the recruitment process could be optimized in a competitive market for these positions. The firm realized it could capitalize on its own, as yet untapped, evidence; they delved into their talent analytics to understand the needs, profile and preferences of previously successful hires.

Armed with these insights, the talent acquisition team designed a hypothetical candidate profile (or persona) for each of the 12 critical roles, taking into account the tasks, competencies and personality type uncovered by the data. From this, the HR team was able to identify the attraction drivers for different personas.

The company realized combining the data-driven persona work with human intuition would be the key to success. The latter involved deploying a design thinking approach to create targeted messages, marketing and sourcing activities to attract candidates. Given the scarcity of candidates in the market, the company zeroed in on efforts to cultivate human relationships such as personalized newsletters, using a sales-like CRM system, alumni management, and redefining hiring managers' and recruiters' role to one of selling the company.

There has been significant positive for the business. The data-driven, human-augmented approach reduced headhunter costs by 80%.

Moving forward

Developing ethical workforce intelligence insights

The need for HR to combine business data with human intuition to pinpoint the intersections that solve business problems has never been more important. The challenge will be to measure human contributions and evaluate human performance when it is not tied to hours worked or discrete tasks — and to do so in a world of increased scrutiny over data privacy. Part of HR's responsibility is to ensure that empathy and economic drivers both fuel the agenda and help create people-centric business practices.

Getting started

➡ **Ensure simplicity and the relevance of the message.** Explain to executives (for example, with stories about the financial impact or business risk of inaction) why the data matters and design an engaging platform or reporting structure for sharing results and paths to action. For employees, demonstrate how their personal data are being used to make decisions that impact their wellness and livelihoods.

➡ **Ensure workforce analytics enable business strategy.** Most HR plans are too generic to allow analytics insights to generate impact. Tying analytics to the enterprise's unique business plans and people sets (not to industry norms) is key to gaining traction. In addition, supplying a taxonomy of terms can help HR respond rapidly to new questions as they emerge.

➡ **Check and mitigate for groupthink and confirmation bias.** Engage in robust discussions with finance, HR and local lines of business. Arm stakeholders with data to solve problems, uncover viable strategies to fix them and debunk organizational myths. Regular face-to-face discussions around talent challenges with the CEO, senior executives and other leaders can build a collective view of the future.

➡ **Realize the true value of AI while addressing privacy concerns.** Generating high-quality insights requires significant volumes of quality data. This demands clarity on what data are relevant but often also requires companies to share their data and to address the associated privacy concerns.

Suggestions to accelerate

➡ **Translate analytics into business problems and financial impact.** To secure future funding from the board and expand the analytics function, tell a story with data, explain the benefits of action (and the implications of inaction), and share relevant and business-critical insights.

➡ **Combine datasets for power.** Blend perceptual data from surveys, interviews and focus groups with core archival data from HRIS, finance and other information systems to enable modeling and assessments of what people say and what they do. These two sources provide the most complete workforce intelligence and the granularity required to enable effective action.

➡ **De-risk the potential loss of human sensing.** Train all employees on the basics of data analytics, data storytelling and critical thinking. Offer HR opportunities to develop hands-on experience with data analysis — from old-fashioned spreadsheets to statistical analysis programs and data visualization dashboards. HR needs to be able to discern outliers and comfortably train the machine to align with the company's values.

➡ **Consider a data trust.** A data trust that is set up as a fiduciary for companies providing data can make it much easier to safely share data across entities by instituting a new method of governing the collection, processing, access and utilization of the data.[41]

[41] Zarkadakis G. "'Data Trusts' Could Be the Key to Better AI," November 10, 2020, *Harvard Business Review,* available at https://hbr.org/2020/11/data-trusts-could-be-the-key-to-better-ai

Achieving lift-off with intelligent insights

United Technologies Corporation (UTC), an American aerospace manufacturer, was built by inventors, so it shouldn't be surprising that the company leveraged data science within HR to help the business.

Prior to 2015, UTC's HR capabilities were "complex and highly manual" with myriad systems in different countries, according to Aashish Sharma, HR Analytics Leader at UTC. If HR were to deliver business objectives, the analytics team would have to develop a richer dataset with which to provide intelligent insights. "We were trying to avoid the trap of hiring a few data scientists and saying we did analytics," says Sharma.

After rolling out a global Workday implementation to organize data consistently, UTC's analytics team knew it could finally soar from level one maturity (simply reporting data) to scalable, enterprise-wide analytics. The analytics transformation comprised four critical parts:

- The analytics team invested early in self-service technology segmented by personas and product capabilities, which gave HR better access to critical data.

- Business leaders bought into and invested in the transformation. The team demonstrated their impact by going after incremental, quick wins — focusing on use cases relevant to the business and demonstrating how they could solve "customer" (UTC's) problems.

- The analytics COE deployed dedicated consultant roles to work directly with a business unit. The aim was to get closer to the business: to understand its unique challenges, help with operationalization, and align with future strategy.

- By building a Talent Flow Model[42], the team could test HR hypotheses, such as whether taking a supervisor role was necessary for career progression or which populations were thriving. The model validated business hypotheses and disproved others, which further informed the talent strategy.

The analytics team demonstrated their value to the business by staying close to strategy. When the leader of one site was concerned about hitting delivery targets, the team dove into the data and revealed significant delays in time to fill critical positions — a drag on throughput; a talent pipeline issue that could then be addressed to deliver business impact. The team also helped bust some common myths. For example, data showed high turnover was driven by early-tenure departures across all age groups, rather than millennials or early career professionals. Knowing the facts, UTC could focus on the moments that matter for key persona groups and design interventions.

Now, UTC's HR analytics team plans to use people insights to transform the employee experience, influence HR program design, and combine with operational and financial data to help workforce intelligence really lift off across the company.

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[42] Based on Mercer's Internal Labor Market Analysis. For more, visit
https://www.mercer.com/about-mercer/lines-of-business/talent/internal-labor-market-analysis.html.

energize the
experience

Inspire and invigorate people by redesigning the work experience

> ● *Siri, which company is the best place to work?*

We live in the experience economy. In both product and service businesses, the customer experience has become the dominant driver of competition. Now it's the people delivering the experience who are driving the advantage — and the differentiator for them, too, is the experience. Mercer's research shows organizations that lead with empathy are more energizing to work for. Empathetic organizations are tuned into the experiences of their workforce and continuously improve them — simplifying and digitizing repetitive tasks while increasing the meaningful moments that employees crave. They are bravely and radically redesigning their people processes, work operations and HR design to deliver what employees and colleagues truly want out of work.
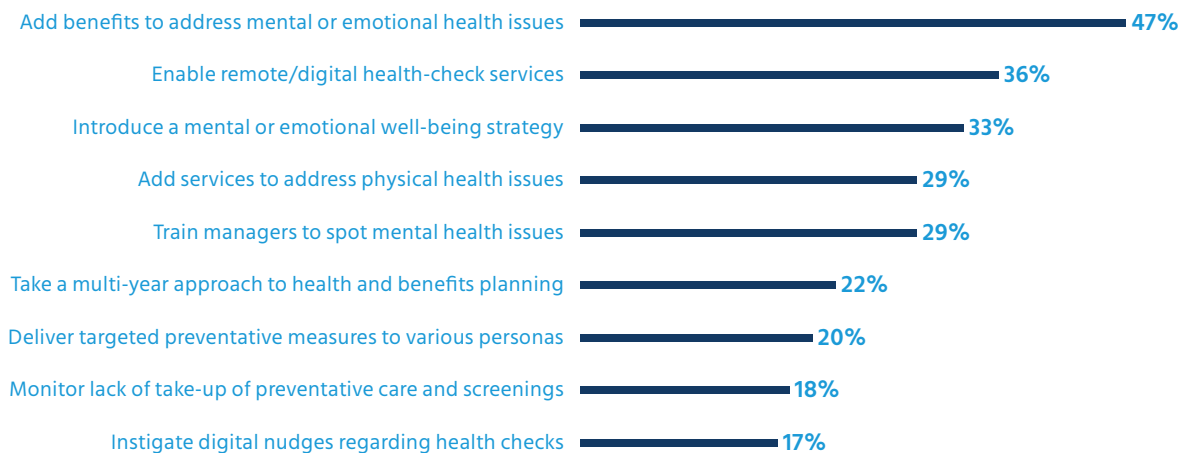
Create a culture of caring

Health and well-being are the cornerstones of an energized workforce

One of the challenges in 2021 will be driving an aggressive change agenda in the face of widespread stress and fatigue. HR leaders say that **the primary barriers to transformation in 2021 are juggling multiple priorities (47%) and employee exhaustion (45%)**. This makes sense: Companies forced to focus on business survival were busy reassuring people they still had jobs and were less able to look beyond this need. Employees who remained after retrenchments most likely worked harder, picked up additional responsibilities from those who left or may be experiencing "survivor guilt" — all placing a physical and emotional strain on well-being.

Putting empathy at the core of the change agenda will be key. The imperative now is for companies to act on it: **One in three employees said decisions at their organization are mostly or entirely driven by economics.** Economics without empathy is even more concerning in today's climate given that **nearly two in three (63%) employees already felt at risk of burnout even before COVID-19.**

In the past, employers often focused on health and well-being to reduce benefits costs, but more recently, well-being has become about creating a culture of caring to ensure employees thrive. Even before the pandemic, employee **health and well-being was at the top of employers' list of workforce concerns** (ahead of **automation at work** and **the gig economy**) because they understood that individuals cannot be energized if they feel overworked, underappreciated or underrepresented. The bright spot is that **61% of people last year said they trusted their employers to look after their well-being,** and — in the wake of COVID-19 — **nearly half (47%) of HR leaders plan to add emotional health benefits in 2021** (see Figure 28). Data can help well-being efforts — for example, collecting insights via **predictive health assessments (used by only 25% in 2020)** or leveraging existing data to **nudge employees toward better wellness choices (16%)**. How employers respond to well-being issues like stress, burnout and uncertainty will be a strong indicator of how they are thinking holistically about well-being. Those that balance empathy and economics will see the ROI on preventive actions.

Figure 28. Plans to reengage employees in their health and promote long-term health goals

Add benefits to address mental or emotional health issues	47%
Enable remote/digital health-check services	36%
Introduce a mental or emotional well-being strategy	33%
Add services to address physical health issues	29%
Train managers to spot mental health issues	29%
Take a multi-year approach to health and benefits planning	22%
Deliver targeted preventative measures to various personas	20%
Monitor lack of take-up of preventative care and screenings	18%
Instigate digital nudges regarding health checks	17%

One of the basic principles of energizing employees is to listen to them and understand "why" they come to work every day. Key is then to create a strong alignment of their purposes and needs with the ones of the company to achieve truly rewarding employee experiences.

Loredana Mazzoleni Neglén,
Swiss Re Corporate Solutions,
Global Head of Customer Experience

Redesign HR to accelerate progress

1. Take a Target Interaction Model approach

Reinvent your HR service portfolio based on the organization's must-win battles, and deliver it through a Target Interaction Model (TIM). Why? Because a TIM approach will sustainably increase employee engagement and drive service adoption.

2. Use design thinking for your EX

Deliver a holistic EX by understanding the needs of different personas in disrupted settings. Why? Co-creation and empathy are most likely to deliver an energizing experience.

Don't go it alone: Co-create for energy

Delivering flexibility for all

Companies that had already embraced flexible working, or were in a sector that was not as negatively impacted by COVID-19, were able to provide a more positive and seamless experience to their employees in 2020. For those that were playing catch-up with flexible working (for example, **the 56% who had not assessed the "adaptability" of their jobs**), 2020 was a steep learning curve. For the most part, the experiment, though forced, has been a surprising success. **Over half (56%) of organizations expanded flexible working policies in 2020, and a further 34% plan to enhance flexibility practices in 2021.**

In the past, jobs were assessed based on five dimensions of flexibility — who does the work, how, when and where, as well as the nature of the work itself. In 2020, we learned that a job's degree of adaptability potential is only half the equation. Equally important is how much flexibility people want or can accommodate — especially given the implications of disruption on their non-work lives. An employee's capacity to flex varies almost down to the individual, impacted by factors such as apartment size, internet access or caregiving responsibilities. Organizations are now taking into account what flexibility is possible, what is desirable and the people processes that will make it sustainable long term.[43]

Design with humans in mind

Winning organizations design experiences that bring out the best in their people, discarding old HR and talent management models and leaping forward with brave people-strategy transformations. Already before the pandemic, **58% of organizations were redesigning to become more people-centric.** This requires HR to treat employees like customers — focusing on the experience, setting up a constant feedback loop, and upgrading technology to deliver simplicity and ease of use. The challenge will be applying these practices in the new world order.[44]

Half of companies (52%) say that reinventing flexibility is core to their 2021 transformation agenda.

In an era of hyper-personalization, data is crucial to shaping signature experiences and differentiating the organization's EX. Most **employees in high-performing companies say their employer understands their unique skills and interests (68%),** compared to **just 26% in low-performing firms.** This year, more HR leaders are using personas to empathize with their "customers" — using both quantitative and qualitative data to cut across stereotypes and provide a more personal representation of employee needs, behaviors and goals. Segmenting employees allows HR and line managers to test the efficacy of new programs in addressing employees' pain points. Yet only **one in four plans to re-segment the workforce to better tailor benefits to new needs and realities brought on by COVID-19.**

Chart your course

With the problem clearly defined, organizations can start designing solutions. Co-creating new experiences with workers and leaders not only drives speed, agility and innovation in the design phase, but also accelerates the process of adoption. Especially popular is **journey-mapping critical experiences** (US companies lead the way here), closely followed by **conducting design workshops with employees** (see Figure 29).

Figure 29. Top tenets of organizations' EX approach

Journey mapping critical experiences for employees	56%
Conducting design workshops with employees	51%
Deploying new technologies to streamline work processes	49%
Implementing continuous listening/feedback platforms	48%
Equipping managers to own the employee experience	38%
Using employee personas to segment the workforce	24%

[43] Mercer. The New Shape of Work Is Flexibility for All, 2020, available at https://www.mercer.com/our-thinking/career/the-new-shape-of-work-is-flexibility-for-all-global.html.

[44] Mercer. *The New Shape of Work,* 2021, available at http://www.mercer.com/thenewshapeofwork.

Figure 30. Create moments that matter — embed change through the organization

Moments that matter are *emotionally charged milestones* in an employee's journey that have a *outsized impact* on outcomes

Early Impressions
I am excited about this opportunity and thrilled with my offer!

Ready to run
I am excited by our purpose and I see how my role can have an impact

Life change
I'm navigating life as a new parent while working remotely, but I have the support and resources I need

Coaching for success
I just had my manager 1:1 and he gave me some great feedback on how I can grow

I'm rewarded
I'm recognized for my impact on the organization

Journey mapping focuses on "moments that matter" (see Figure 30). These are emotional events that have an outsized impact on outcomes such as engagement or commitment. Moments that matter are found both at and outside work, and they may be planned (such as benefits enrollment or the birth of a child) or unplanned (such as a company reorganization or an unexpected diagnosis).

Emphasizing these critical moments by deliberately designing peak experiences can drive significant results. For example, when Ericsson overhauled its medical offering, the telecommunications company hired a professional comedian and spokesperson to host a 45-minute webcast explaining the new medical coverage plans. More than half of Ericsson's US employees attended, three-fourths of whom elected healthcare plans that lowered costs for the company. Moreover, employee participation in voluntary wellness programs rose to at an all-time high, with over 75% of the workforce and spouses enrolled.

This year, much of the attention is on how to create a sense of belonging and celebration with distributed teams — especially with new hires who do not have the "social credits" from prior in-person interactions to build from.

EX tech

Chatbots and intelligent "nudging" technologies continue to be popular, although COVID-19 slowed down the momentum somewhat:

- *34% have AI that "nudges" managers to have conversations with employees at key milestones or at risk of leaving in their sights in 2021*

- *28% use or plan to use AI that "nudges" employees toward steps most likely to advance their health, wealth and career prospects*

Continuous feedback tools are now the most popular EX technology, surpassing the employee self-service portal. In addition, use of the following technologies doubled between 2018 and 2020: mentorship apps/tools, collaboration tools for remote employees, telemedicine and digital outplacement offerings.

Making the smart choice: Tech or touch?

The need to provide a *consumer-grade digital experience was ranked #2 on executives' list of workforce concerns* as we entered 2020, and the pandemic only raised the bar. For some employee experiences, a digital approach primarily delivers efficiency. For example, navigating employee benefits from your phone should be just as easy as browsing on Amazon. Even before the pandemic's digital acceleration, people expected these experiences to be quick, automated and transactional, with no need for human interaction. Yet there was much to work on, as nearly half of employees said there was significant room for improvement: *20% of employees said HR processes were still complex,* and a further *29% said they had been simplified but have a long way to go.*

The recent "tech-celeration" has shifted the baseline. Employees expect even more HR services on-demand, with real-time information and mobile-enabled apps that nudge them toward making healthy choices and smart career moves. Human support is, and will continue to be, a premium.

Figure 31. What can you do to impact the experience? Focus on the environment through the lens of your employees

Do I feel like I belong in this organization, and am I connected to my team?
- Leadership
- Managers
- Collaboration
- Communication
- Engagement

Do I know what I'm supposed to do — and can I get it done easily?
- Job / org design
- Service delivery
- Operational processes
- Technology

Do I understand and believe in where we are headed — and can I make a difference?
- Purpose
- Strategy
- Culture

What's in it for me — what value do I get from working here?
- Compensation & benefits
- Career development
- Well-being support
- Purpose

Companies that provide a more digital employee experience are three times as likely to say their HR function uses design thinking to take a human-centered approach to talent management. Some of these companies may have gotten the balance right, but there is a downside to a digital acceleration that places too much emphasis on "tech" and not enough on "touch." We have all had the frustrating experience of getting stuck in a technology loop when you want to speak with a person. Indeed, *22% of employees prior to COVID-19 already felt that some necessary human interactions had been lost.*

Figuring out when to leverage a human or tech advantage, and with what population, is central to delivering an engaging experience (see Figure 31). While technology remains vital to transformation, organizations can unleash greater value by choosing wisely — saving on unwanted technology and changing the way HR approaches its own functional design as a result.

Know your people

Brighter employee experiences provide an edge

Our interactions shape our perceptions. Gone are the days of products and features; enter the age of immersive experiences. With so many demands on their energy, time and attention, employees favor companies that can offer enriching experiences. In 2020, **delivering a stellar EX was a top HR priority in nine out of 16 countries.** It remains a focus area for 2021, with the **insurance** and **internet** sectors leading the way — although the pandemic has shifted the activities in focus (see Figure 32).

Getting the C-suite on board with EX

Talent initiatives that do not have support from the top are at risk of failure, and employee experience is no different. That's why it's concerning that **only 27% of the C-suite believes improving the EX will yield a business return.** In fact, executives saw spending on EX as the least value-adding investment in 2020, and **just one in three business leaders (31%) was held accountable for it.** Part of the challenge is the vague definition. The key is to connect EX to how the organization works and performs.

Figure 32. Aspect of the EX that has changed most dramatically due to the pandemic

75% How we work flexibly

64% How we manage/coach employees we don't see every day (virtual workers)

56% How we onboard

49% How we team in distributed/virtual networks

45% How we hire

42% How we build our culture

42% How we evaluate performance

41% How we build skills and new required capabilities

40% How we rethink HR

17% How we design benefits that appeal to diverse groups

12% How we pay

60%
of companies use design thinking and interactive processes to "co-create" new employee experiences

HR understands that improving the employee experience has a multiplier effect in minimizing human capital risk and raising workforce and business performance. In making the case for EX budget and resources, it's critical to make the connections to what executives really care about. Research shows that in addition to increased profitability, companies with high EX ratings have twice the innovation and customer satisfaction compared to their lower-rated peers.[45] EX can also address lower-than-desired engagement, which **74% of executives were anxious about in 2020.**

[45] Mercer. *Building a Better Employee Experience,* 2019, available at https://www.mercer.us/our-thinking/career/building-a-better-employee-experience.html.

The service economy and COVID-19 have created new expectations on how employees engage with their organizations. In fact, **more than three-quarters (77%) of companies say the events of 2020 presented an opportunity to move toward more lateral and unsupervised work arrangements.**

A great EX unlocks employee energy

Companies with a great EX benefit from a healthy, productive and energized workforce willing to strap in for the transformation journey — and resilient enough to handle the speedbumps.[46] **Energized employees are two times more likely as de-energized employees to be excited about the prospect of reskilling and three times more likely to be satisfied, with no plans to leave.** With EX as a potential transformation driver, the onus is on organizations to design a workplace that unlocks energy (see Figure 33). Tapping into energy is key: **Energized employees are five times more likely to say they are**

thriving and also **feel less likely to burn out (60% compared to 81% of de-energized employees).**

Today, this is less about the physical environment and more about employees' digital interactions and creating a sense of community and belonging despite the distance.[47] Flexible working has its advantages, but it also lays bare the challenges of siloed working, the subpar ergonomics of the home office and the importance of carving out personal time. In this climate, its no wonder **almost half of companies (47%) say they will add benefits to address emotional health in 2021, and more than one in three (36%) intends to enable remote/digital health-check services** to reengage employees in their well-being. Some companies offered online yoga and meditation, not just for employees but also for their children, along with ways to engage children at home in age-appropriate clubs. Putting these and other stopgap measures on a more permanent footing will need more attention in 2021.

Figure 33. What's different about energized employees' work experiences? Regardless of job or industry, employees seek an experience that is empathetic, embracing, enriching and efficient.

Empathetic
"Support me by caring for what matters in my life"
- **Seven times** more likely to work for an organization that they describe as **very empathetic to individuals' needs**
- **Six times** more likely to say they **received automated nudges to guide them toward possible next steps to advance their health, wealth and career**
- More than **three times** more likely to **trust that their organization is doing the right thing for society at large**

Enriching
"Help me learn, grow and have an impact with the work I do"
- More than **three times** more likely to say their **work contributes to a worthwhile mission**
- **Four times** more likely to work in a culture that **supports mid-career changes**
- More than **three times** more likely to say that their company **gives them the opportunity to grow personally and professionally**

Embracing
"Make me feel like I belong here"
- **Four times** more likely to believe that their company **understands their unique skills and interests**
- **Four times** more likely to say their company has **effective programs to develop diverse leaders**
- **Three times** more likely to say that their work environment operates with a **climate of trust**

Efficient
"It's time to prepare your permanent remote work strategy"
- **Three times** more likely to feel **equipped and empowered to work with minimal oversight**
- **Three times** more likely to have **digital tools to support their training and development**
- Almost **two times** more likely to say that their organization's **HR processes work pretty well and that there's a good balance between digital and human interactions**

[46] Energized employees are those that rate themselves at least seven out of 10 on a scale for how energized they feel in their jobs on a typical day.
[47] Mercer. "Building a Better Employee Experience," 2019, available at https://www.mercer.us/our-thinking/career/building-a-better-employee-experience.html.

Employer's choice?
The employee experience

Mother's Choice, a Hong Kong-based NGO providing counseling and social services, was founded to provide nonjudgmental support to vulnerable children and pregnant teens. To meet the challenging and complex needs of its clients, the nonprofit knew it was critical for employees to feel connected to its vision and live its mission each day. Yet this link was being challenged as the organization grew and became more siloed. An internal survey showed that every time management did something inconsistent with its values, employee motivation dropped, and turnover stood at 30% annually. Meanwhile, as an NGO, Mother's Choice did not have the buying power to hire quickly off the market.

Unable to offer private-sector-level salaries, Mother's Choice realized it could still provide a compelling value proposition. The NGO undertook a major restructuring and rebranding effort with the desire to improve the employee experience at its heart.

First, the NGO looked to technology to create greater efficiency across the organization. For example, a digital case management system offered workflow collaboration and collation, as well as transparency across the group and a way to review data in real time. This new platform required, and supported, the redesign of workflows to strip out non-value-adding steps, and it ensured accuracy and speed. Less time on paperwork meant social workers could spend more time building relationships and meeting with the community.

In parallel, Mother's Choice understood it needed to reintroduce the human touch in its own interactions with employees at meaningful moments. Employees needed to feel heard. Through monthly lunches and forums, employees now celebrate wins together, debrief and share thoughts. The NGO reestablished a caring culture internally by designing team-based "pause to celebrate" and "pause to reflect" forums in which team members were safe to share their worries, concerns and triumphs — key to tackling the prospect of burnout. The full impact of the NGO's transformation is still being measured, but Mother's Choice can already see benefits: Employees are much more comfortable using data in their day-to-day work, and employee turnover has reduced significantly.

Get in your target practice

Focusing on target interactions

Activating for impact starts with the design thinking that is core to the Target Interaction Model.[48] Determining the best interactions — personal, digital, or a combination — depends on employee needs, the workforce population, the company's philosophy and the quality of interpersonal interaction in shaping a particular experience. Adopting a TIM approach means tending to the full work experience, from attraction and onboarding to lifecycle management and beyond. Redesigning talent processes through the eyes of employees increases adoption of HR processes and ensures sustainable development of the workforce.

So what's holding HR transformation back? Silos within HR itself have not helped — *only two in five HR leaders say they have an integrated people strategy.* A human-centered approach to business demands a more integrated people strategy that eschews so-called best-practice HR functional designs and instead focuses holistically on HR interactions (Figure 34). In some ways, the "we're all in this together" mentality during COVID-19 helped to break down silos, driving unprecedented collaboration, job sharing, hybrid roles and talent sharing. This poses an interesting challenge for HR — balancing the need for more centralized structure while at the same time relinquishing centralized control. For example, keeping a firm-wide database of skills has become business-critical, as has maintaining one source of truth for talent analytics. HR
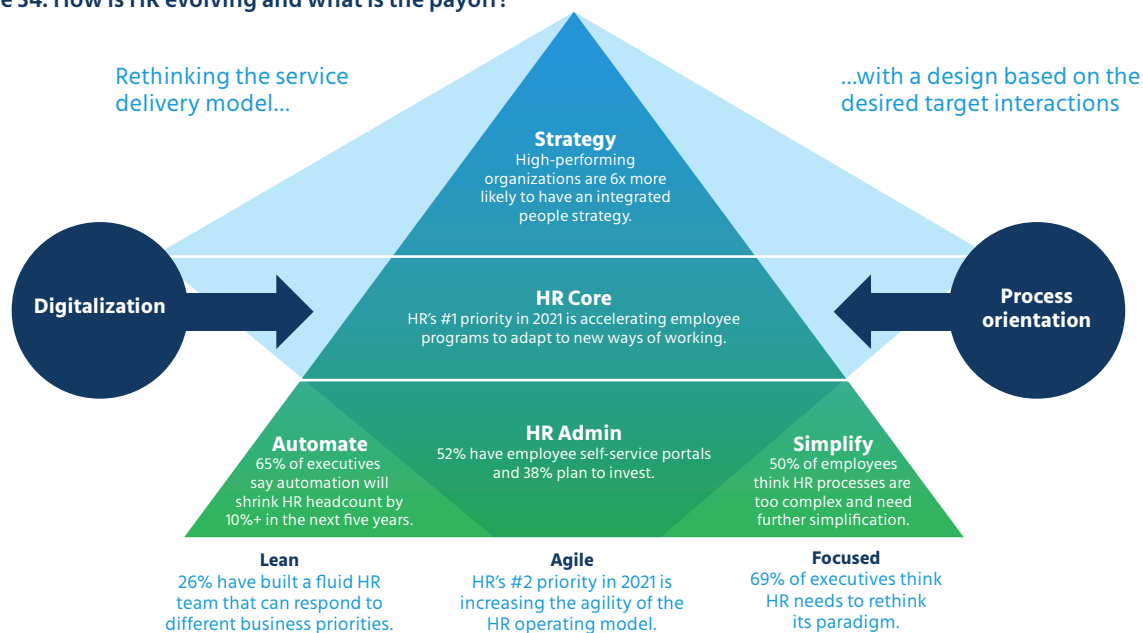
leaders were front-and-center during most companies' pandemic response. The key now is to take advantage of their expanded role to drive design changes in HR that enhance the work experience.

If you don't measure it, did it happen?

As organizations invest in improving the EX, they must measure impact in new ways. A starting place can be customer experience metrics, like feedback forms, marketing conversion ratios and social media interactions. As consumers, we are continuously asked to provide feedback. In the same way, EX can be triggered and measured at critical moments.

In 2020, managers were encouraged to conduct pulse checks with their teams, providing a new dynamic for how and when employee sentiment insights are gleaned. This again highlights the power of HR's role in setting up centralized structures that are easy for local leaders to leverage while delivering an enterprise view. Survey data is a useful barometer, but actions speak louder than words — and we've seen a disconnect at times between what people say and what they actually do. Another example of an "action" metric is the number of employees who use digital platforms such as Workday and ServiceNowcompared to the number who bypass the systems and seek help from local HR instead. By examining adoption rates and activity preferences, HR can see what's working and what calls for a rethink.

Figure 34. How is HR evolving and what is the payoff?

Rethinking the service delivery model…

…with a design based on the desired target interactions

Strategy
High-performing organizations are 6x more likely to have an integrated people strategy.

Digitalization

Process orientation

HR Core
HR's #1 priority in 2021 is accelerating employee programs to adapt to new ways of working.

Automate
65% of executives say automation will shrink HR headcount by 10%+ in the next five years.

HR Admin
52% have employee self-service portals and 38% plan to invest.

Simplify
50% of employees think HR processes are too complex and need further simplification.

Lean
26% have built a fluid HR team that can respond to different business priorities.

Agile
HR's #2 priority in 2021 is increasing the agility of the HR operating model.

Focused
69% of executives think HR needs to rethink its paradigm.

HR services are designed around real user personas, not job roles. Rather than looking at what services need to be delivered by job role (which many consultants do), Mercer identifies clusters of employees with similar characteristics. This helps the HR organization identify major opportunities to improve the employee experience without trying to 'boil the ocean.'

Josh Bersin, Independent Global Analyst and Founder of the Josh Bersin Academy

Moving forward

Crafting energizing experiences

The right organizational design will enable HR to drive EX and bring empathetic, embracing, enriching and efficient experiences to life. The challenge is to balance recovery with a focus on building a well-designed service delivery model with dedicated accountability for enhancing the experience for all populations — all while firefighting a pandemic. Organizations that create the most energizing EX will continue to win in the competition for talent. By being laser focused on the EX and human needs, organizations can balance the digital and human equation to deliver seamless interactions. After all, a thriving work experience is one that enhances people's lives by offering the ideal interaction, whether that's a warm person-to-person conversation or a quick technological transaction.

Getting started

➡ *Make health, well-being and flexibility a priority.* Move beyond reporting engagement results to understanding what impacts employees most. Winning organizations care about employees' work lives today and how they might change tomorrow — this means making it easy to understand total rewards and coaching for optimal financial paths, personal wellness, essential learning, and career and retirement trajectories. Show you care by focusing on people holistically. Make flexible working a practice, not a promise.

➡ *Start with experiences that can be redesigned quickly and easily.* Use pre-hire interactions and onboarding to convert a typically stressful milestone into a joyful one. New employees are trying to consume a large amount of new information, form new relationships and prove their competence, all at the same time. Improving the onboarding experience has real benefits, including increasing engagement and retention.

➡ *Help managers create energy by crafting a powerful EX.* Create a "how to design great jobs" playbook for managers using evidence-based principles of effective job design. Use advice, including nudges and prompts, to improve experiences when they matter most. Focus the manager-employee career discussion on being future-ready — that is, building skills rather than moving jobs.

Suggestions to accelerate

➡ *Organize for agility around business problems and employee experience touchpoints.* Starting here frees up HR from traditional functional silos and leads the way to new structures and partnerships. Centers of Competence, such as for assessment or talent acquisition, coordinate and deliver services directly for the business. Consider how people collaborate and communicate and what systems allow you to recognize that people work in networks, not hierarchies, today.

➡ *Continue to invest in the new pivotal HR skills.* Invest in specific training for HR specialists in design thinking, change management and communication, data analytics, data visualization, data science, and AI and machine learning programming basics to ensure HR stays ahead and models the skills of the future.

➡ *Consider the systemic impacts.* Transforming HR is multidimensional, and a new software solution doesn't always fix workflow problems. It is vital to acknowledge the interdependency of content, organization, process and systems in every HR transformation. Building around people and their needs will result in immediate business impact.

Inspired, curious, unbossed

Innovation. Quality. Collaboration. Performance. Courage. Integrity. These are the values that Novartis, a Swiss multinational pharmaceutical company, believes are essential for every employee to reimagine the future of medicine. In a world where access to essential medicines remains a challenge in low- and middle-income countries, it's critical for the pharmaceutical industry to embrace these values every day.

Before 2018, when a new CEO joined, Novartis struggled with collaboration and learning from failures and experiments. In 2019, new CEO Vas Narasimhan encouraged employees to be inspired, curious and "unbossed." Unbossing means leaders become listeners who learn from their people. Instead of handing over a task, leaders hand over accountability and ownership to employees.

To change the culture, Novartis set out to flip its pyramid — moving from a traditional hierarchical approach to servant leadership and support coaching and empowerment. Managers become leaders who enable their people to do their best jobs. Novartis conducted immunity mapping to understand what holds leaders back and what stands in the way of innovation. Learning that self-awareness is the driver behind change, and that cultural change isn't possible without personal change, the Unbossed Leadership Experience (ULE) was born.

ULE was created to build leadership self-awareness and capabilities; in 2019, the top 50 leaders at Novartis undertook the journey to learn how they can inspire their people to perform at their best, how they can increase their own self-awareness, and how they can approach the change. Although Novartis is moving away from hierarchies, it took a top-down approach with ULE and plans to scale it further through layers of leaders in 2020 and beyond.

More broadly, Novartis has moved to an activity-based workplace. It wants to reduce duplication and promote cross-functional collaboration, but this requires a great deal of trust. The company uses Team Boosters — small exercises that leaders do with their teams around psychological safety, teamwork and trust-building — to create an environment where people feel empowered to perform at their best every day.

Narasimhan says that one of the most important elements of the Novartis transformation is the belief that investing in its culture will generate outsized returns over the long term. In 2019, the company saw a 13% growth in free-cash flow and a 2.2% growth on innovative medicines over a nine-month period.

"Purposeful leadership is really moving away from this kind of hierarchical approach toward more of an 'unbossed' approach," explains Brigitte Gubler, Global Head, Novartis Learning Institute, Regions. "Servant leadership. Supporting coaching. Get out of the way of people so they can do their best job."
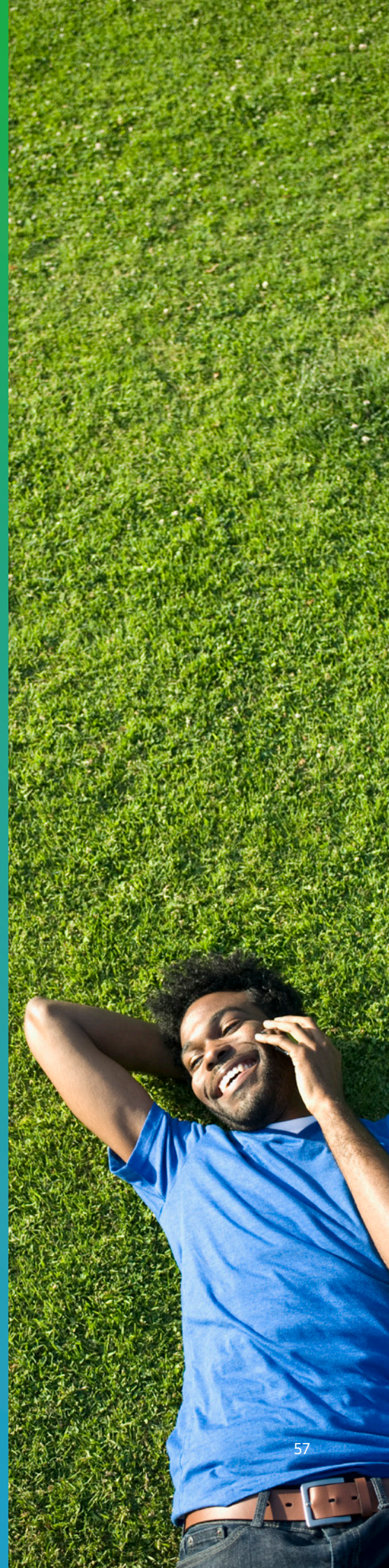
Win with empathy

Winning with empathy to accelerate transformation

The 2020–2021 findings make clear that to **focus on futures** requires more deliberate design, from people to planet. To be in the **race to reskill,** we need to know both the destination and how to better integrate learning into the business of work. With new digital+human work emerging, we need to hone our ability to **sense with science** if we are to balance big data insights with empathy and ethics. Finally, we will fail to make progress if we do not figure out how to **energize the experience.**

The lessons of an extraordinary 2020 are resetting the agenda. Preparing for tomorrow requires organizations and the HR function to transform quickly — to redefine jobs and careers, to rearticulate what it means to retrain and retire, and to reignite what it means to be responsible. The "future of work" agenda is no longer dominated by the march of AI and automation but is brought alive by our focus on values, well-being and human-centered leadership. If we can galvanize our people toward this north star, we can build sustainable, bright futures for all.

Figure 35. Resetting the Future of Work agenda

Transform organization design and work design
Transition into a more simple and agile structure, moving away from traditional multilayered organizations.

Align new technology and skills
Embrace the necessary integration of technology and skills to transform the workplace.

Work

Workers

Embrace Stakeholder Capitalism
Create a socially responsible and sustainable ecosystem.

Cultivate health and well-being
Support employees with dedicated and targeted programs for physical, social, financial and mental well-being.

Workplace

Build human-centric leadership culture
Adopt a people-focused approach when connecting with workers.

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Staying connected

Mercer helps organizations build brighter futures for themselves and for all their stakeholders by redefining the world of work, reshaping retirement and investment outcomes, and securing health and well-being.

Mercer operates in over 130 countries, with more than 25,000 employees based in 44 countries. Mercer is a business of Marsh and McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, with 75,000 colleagues around the world and annualized revenue approaching US $17 billion. Through its market-leading businesses, including Marsh, Guy Carpenter and Oliver Wyman, Marsh and McLennan helps clients navigate an increasingly dynamic and complex environment.

Focus on futures

Reach out if you wish to explore how to **focus on futures**. We design and deliver a multi-stakeholder change model that enables the effective balancing of purpose and profit, by translating it into responsible practices. Ask us about:

- Sustainability maturity modeling, DEI advisory, flex/contingent worker value proposition
- ESG goal-setting, executive incentive plan design, leadership strategy and goal cascade
- Career, talent and expatriate management as well as reward strategies in volatile markets
- Retirement strategies and plan design, financial well-being and responsible investments

Sense with science

Reach out to hear how leading companies are **sensing with science**. We help organizations build their own analytics teams and enable them to leverage a data-led, talent advantage. We also lend our workforce scientists to uncover the drivers of engagement and productivity. Ask us about:

- Workforce/HCM analytics, DEI/pay equity analyses and cybersecurity culture
- Internal Labor Market Analysis® (ILM) maps, talent intelligence and site selection
- Compensation, career, health and wealth workforce diagnostics and total reward optimization
- Key drivers of engagement, retirement actions and savings behavior

Race to reskill

Contact us if you want to **race to reskill**. We help companies understand their workforce supply and demand and define corresponding reskilling and redeployment plans that drive transformation. Ask us about:

- Workforce and cultural transformation and integrated people strategies, including how to achieve a SkillsEdge
- Work redesign, skill taxonomies and strategic workforce planning
- Workforce optimization, talent ecosystem design and digital outplacement services
- Modern learning strategies, the reskilling agenda and pay for skills

Energize the experience

Make contact if you are keen to **energize the experience**. We have the scientific insights and know-how that can jump-start any project and the design-thinking methodology to co-create solutions that make a difference in people's lives. Ask us about:

- Flexible working, health and well-being strategies, digital wellness and global benefits management
- The Target Interaction Model and how this is reshaping the HR function and transformation agenda
- Employee voice platforms, persona developments, moments that matter and how to restructure with empathy
- Digital implementation and activation, including Workday optimization and ServiceNow solutions

We provide guidance on how best to embrace digital transformation, explore new work and new ways of working, and how to take advantage of the opportunities brought about by a new decade and new challenges.

Welcome to a world where economics and empathy make a difference in people's lives.
Welcome to brighter.

Contributors

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At Mercer, we believe in building brighter futures.

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For more than 70 years, we've been providing trusted advice and solutions to build healthier and more sustainable futures for our clients, colleagues and communities.

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