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Global Talent Trends 2020
#globaltalenttrends

New decade, new direction

As we enter an age of uncertainty, conversations about our collective future — and its impact on our health, wealth and well-being — dominate the airwaves. What technologies have we yet to meet, but soon won't be able to live without? Will personalized medicine usher in an unprecedented period of young-old age? How equipped are we to embrace permanent remote working? What are we doing to improve health and wealth outcomes for those impacted by the COVID-19 crisis?

Mercer's ***2020 Global Talent Trends Study*** reveals that current realities and unresolved debates weigh us down, even as we see a future full of opportunity in this new decade. An opportunity which, for now, seems halted by COVID-19. Longstanding metrics such as gross domestic product feel past their prime, and many traditional institutions that underwrote decades of progress were just beginning to transform. The changes we are witnessing, brought about by uncertain times, are not only disrupting our present, but will set a new normal in how we live, work, operate and do business — ones that we will not retreat from once we get through the current pandemic. One thing that this year's 7,300 voices are saying loud and clear is that creating a bright future — for us and for future generations — demands we all become true agents of change.

As agents of change, we need a more expansive view about an organization's responsibilities. One that is being tested now, that has the organization's purpose extending beyond shareholder return, and that places individual and societal well-being at its core. The study also shows the need to manage digital and workplace transformations with care. Digital transformation is dividing companies in their ability to weather the current storm. However, change needs to be balanced with capacity. Two in three employees already felt at risk of burnout before the pandemic began, and only two in five companies say they are truly digital today. Further, not every company is ready to work flexibly, with the retail, healthcare and automotive sectors in particular struggling to build cultures that support permanent flexibility.

This year, ***98% of executives plan to redesign their organizations to make them fit for tomorrow*** — with vertical cuts into ***departments and functions*** followed by ***delayering*** and ***moving to a matrixed structure*** being priorities. This comes as little surprise, considering ***most companies (85%) expect technological transformation to continue*** as a primary business disruptor, while ***rising customer expectations (87%)*** and ***industry consolidation (80%)*** feature heavily (see figure 1). Depending on the ferocity and length of the current COVID-19 crisis, everything from site selection to portfolio diversification will rise up this list.

As we live through the resulting turmoil and we are tested in terms of both business continuity and the world's capacity to formulate a global 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? Will our work models attract new generations? How will we reinvigorate our businesses? How can we ensure our employee value proposition meets rising health, wealth and career concerns? And are existing practices agile enough to withstand this and future unpredictable events' impact on profit?

Figure 1. Top drivers of disruption by industry

Rising consumer expectations

- Energy
- Consumer Goods
- Life Sciences
- Technology

Technology transformation

- Consumer Goods
- Technology
- Retail
- Insurance

Industry consolidation

- Insurance
- Energy
- Technology
- Financial Services

Disruption drives reinvention

The good news is that necessity breeds innovation and, as a result, we are on the cusp of new ways of working, living and caring. We're being challenged to rethink our collective and individual responsibilities to one another, to the institutions we work for, and to the societies and environments we live in (see figure 3). This renewed mission for life is the tonic people have been thirsty for.

Executives are swiftly adopting future of work strategies to compete and stay relevant, while preparing to face a very likely economic downturn. If macroeconomic conditions continue to turn unfavorable, companies plan to double down ***on strategic partnerships (40%)***, ***use more variable talent pools (39%)*** and ***invest in automation (34%)*** (see figure 4). These strategies will speed up the changes we're seeing and in how we trade goods and services, operate our businesses and connect with one another.

On a macroeconomic level, executives continue to feel the pressure of an interconnected world (see figure 2). But two socioeconomic forces stand out: concern over ***talent migration*** has risen tenfold, and concern over ***immigration*** has risen threefold, since 2017: with an extra level of complexity today as we acknowledge the need for social distancing and border control.

Figure 2.
The top socioeconomic forces concerning executives

	2019	2020
Increased strength of emerging market economies	45%	↑46%
Changes in business regulations (e.g., taxes/subsidies)	44%	↓39%
Cyber security	50%	↓38%
Talent migration	38%	38%
Competition from regionalization/on-shoring	44%	↓37%

Figure 3. Executives' top workforce concerns

	2019	2020
Supporting employees' health & 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: Which strategies are you most likely to adopt or accelerate to mitigate the impact of a potential downturn?

Empathy sits at the heart of a new mandate

With so many unknowns, how can companies, individuals and society as a whole win? By combining left-brain understanding of commercial realities and their knock-on effects, with right-brain skills such as intuition and creativity to find solutions. 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 less than half of companies get right today.***[1] Moving the needle on this agenda means putting human and economic metrics side by side, caring enough to place responsibility for long-term futures above short-term gains, and creating space for people to be their whole selves. This is empathy, and it is needed for winning in an evolving world.

[1]Thriving employee: An employee who self-reports they are prospering in terms of their health, wealth and career prospects.

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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 calls on us to think anew about our responsibilities — to our people, our shareholders and our communities. It means prioritizing tomorrow by delivering on environmental and social commitments and examining how we can better support how people work at different life stages. It requires caring about employee well-being from the day they start to the day they retire. 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 starts with a refreshed mandate (see figure 5). Last year, 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.[2] Companies agree. ***Executives (50%) confirmed they intend to align their business practices to a multi-stakeholder success model in the next few years.*** The question now is how to implement this new paradigm for corporate success (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 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. Indeed, those further along in delivering a multi-stakeholder model of success are already seeing results.

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

Figure 5. Aligning business practice to a multi-stakeholder model

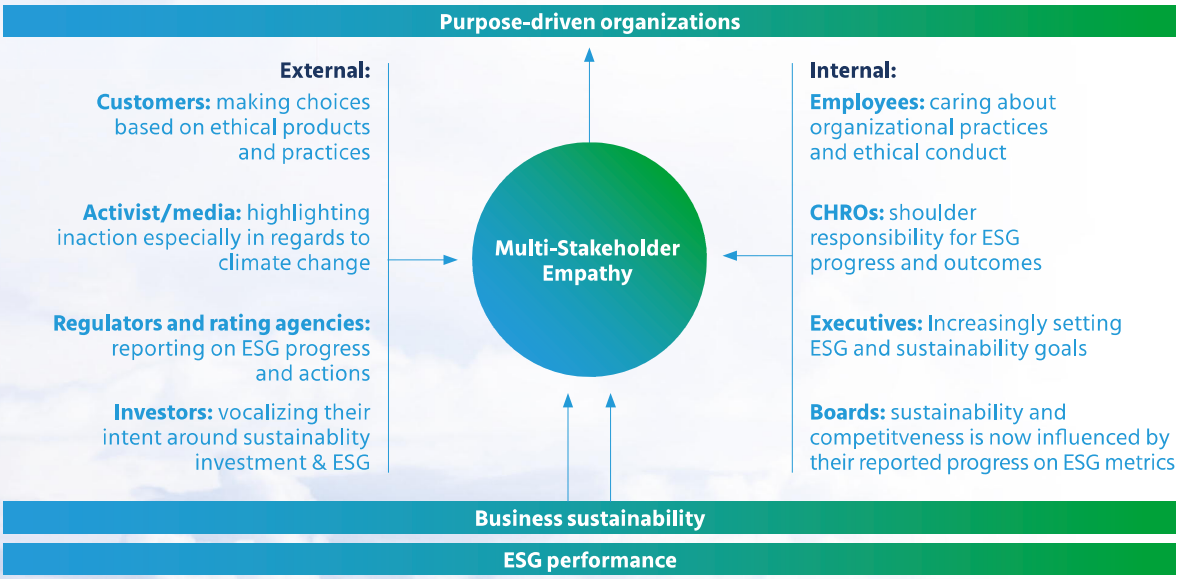
85% of business leaders agree an organization's purpose should extend beyond shareholder primacy

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

[2] 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



CEOs that have environmental, sustainability and governance (ESG) metrics on their dashboard tend to be from higher revenue growth companies: ***75% of companies that have ESG metrics embedded into the CEO's agenda report revenue growth rates of more than 6%***, whereas only 35% of companies that have not assigned ESG metrics to their CEO reported the same growth. Further, ***72% of CEOs with ESG responsibility believe their organization is 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 about 27% higher ESG scores than those that have not.[3]

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 (see figure 7). But being a responsible organization extends beyond metrics and measurement, to focus on purpose and progress.

Figure 7. Purpose-Culture-Metrics Model

[3]Marsh & McLennan Advantage Insights, 2020, ESG as a workforce strategy (forthcoming). Will be available at https://www.mmc.com/insights.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 address this broader mandate is by making progress on the UN's 17 Sustainable Development Goals or the 22 ESG metrics. About a quarter of CEOs/COOs have ESG metrics on their scorecard, while this rises to nearly half for CHROs.

The C-suite sees the need for ESG integration ***(68% of executives attest to the need to make better progress on ESG)*** but boards have yet to mandate targets for three-quarters of business leaders. The first step in driving integration of goals into actions is prioritization. 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%). Finding where companies have opportunities to improve is driving many to undertake assessments of their sustainability maturity. The second step is cascading responsibility through the culture and performance system, which is critical to making progress. But with responsibility for many ESG metrics and culture change sitting primarily with HR ***(71% of CHROs shoulder the responsibility for culture change outcomes, compared to between 16% and 29% of other executives)***, more shared responsibility is needed to deliver outcomes.

D&I has the C-suites' attention, but actions still lag intent

The carrots and sticks of sustainable investing[5] offered by the likes of BlackRock and Neuberger Berman,[6] or through initiatives such as the Bloomberg Index or EDGE certification, are driving environmental, social and corporate governance awareness, but solving the challenges goes deeper. ESG goals differ by organization, making it difficult to compare sustainability efforts,

> **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, President and CEO, Salesforce[4]

and businesses drive actions at different rates. The mission and industry of the business must guide the appropriate metrics.

One ESG metric with a claim to universality is diversity and pay equity. With ***63% of CEOs/COOs being accountable for diversity and inclusion*** (D&I) metrics, D&I 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 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***. With ***less than half of companies having a documented, multi-year strategy for achieving gender equality***, this will be an important area for focus in 2020.[7]

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

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

[6]US investment manager Neuberger Berman promised cheaper financing for companies that hit ESG targets https://www.ft.com/content/dbda1474-493b-11ea-aeb3-955839e06441 (subscription required).

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

And equity matters. ***Thriving employees*** — defined as prospering in terms of health, wealth and career — ***are four times more likely to work for a company that they perceive as ensuring equity in pay/promotion decisions***. Yet ***only 32% of HR leaders say that pay equity is among their top rewards priorities***, although Canada (45%) and Mexico (44%) have this firmly in focus. And, although ***52% of companies measure pay inequity (a near fivefold increase over last year), only 12% measure how they can correct inequities moving forward***. Without systemic change, truly equitable opportunities will continue to fall behind intentions. Indeed, women have unique financial challenges that are not yet being adequately addressed.[8] And if left unaddressed can have profound and disproportionate impacts on their longevity.[9]

From goal to reality

Companies committed to turning the vision of stakeholder-led business practices into reality think holistically about welfare and benefits, such as benefits for non-married partners or global paternity provisions. Employee benefits are one way in which companies can demonstrate responsibility: ***77% of companies today believe their benefits loudly reflect brand values***. Yet, there is a need to think anew about companies' responsibility towards workers, particularly as the shift to digital platforms erodes traditional health and welfare protections.

Today, ***just a quarter (26%) of organizations subsidize benefits programs*** for their most vulnerable populations and ***only 22% offer personalized well-being programs***. Facebook's focus on ensuring that contractor wages deliver a living wage,[10] and Amazon's efforts to raise the minimum wage for gig workers regardless of their location are examples of how companies are thinking afresh about protecting all workers' well-being.[11]

[8]Mercer, 2018, Inside Employees' Minds: Examining the diversity of financial well-being, available at https://www.mercer.com/our-thinking/wealth/inside-employees-minds-women-and-wealth.html?_ga=2.132058636.2066894895.1583803761-53319321.1583803761

[9]Dan Lewer, 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

[10]Facebook. "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/.

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

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)

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

... but only

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

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[12] in many parts of the world. In fact, ***63% of HR leaders predict wage stagnation will continue in 2020*** — and this was so before the COVID-19 outbreak. This is true in most markets, but notably so in ***India (78%)***, ***Australia (70%)*** and ***Japan (70%)***.

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 is ***saving enough for retirement*** (a chief concern of Baby Boomers, Gen X and Gen Y), while Gen Y and Gen Z are 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). They also want more flexible ways to get paid, such as Even, an app that allows Walmart[13] employees to get paid on demand and access financial budgeting tools.

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. This financial help is one way organizations can give a sense of control to those feeling impacted by the uncertain economic times we find ourselves in.

Redesign HR to accelerate progress

1. 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 6X more likely to have an integrated people strategy (49% vs 8%).

2. 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 societies and environments.

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

[13] Walmart's Even app helps employees "get paid on demand, budget instantly and save automatically," available at https://even.com/walmart.

Remake opportunity

Careers, interrupted

A sustainable "future of work" agenda means ensuring employees thrive, yet many workers feel their career progression has slowed or even stagnated. Aging and automation are changing the career landscape, and companies have been slow to redefine futures in their wake. It's not a surprise then that executives express concern about sluggish talent pipelines ***(81% of executives are concerned about the lack of movement in senior roles)*** and ***employees cite job security as a major motivation this year*** (see figure 9). As we continue to flatten structures ***(46% of companies have this on their agenda)***, more needs to be done to remake opportunities if we are to reassure valued talent that a career (if no longer a job) for life exists.[14]

Advancement opportunities are a significant retention driver — especially for in-demand digital talent, who, regardless of job or geography, tend to stay with a company that prioritizes career path management and tailored L&D initiatives.[15] ***Potential for long-term career and advancement opportunities (along with job security) are the top reasons people join a company***. This year, there is a clear shift away from flexibility (which has dominated previous years) and the manager's influence on intent to stay or go. Career opportunities are paramount as employees feel the pressure to ready themselves for what's ahead. Remaking careers is especially critical if we are to inspire the ***one in three employees who are satisfied but still planning to leave due to lack of career options***.

1 in 3
employees believe their job will not exist in a few years due to AI and automation

Figure 9. What makes employees join, stay or leave, year-over-year comparison (YoY)

	Join	YoY	Stay	YoY	Leave	YoY
1	Job security	-	Job security	-	Competitive pay	-
2	Career opportunities	-	Competitive pay	2↑	Convenient office location	9↑
3	Development opportunities	1↑	Development opportunities	-	Development opportunities	3↑
4	Competitive pay	1↓	Career opportunities	2↑	More interesting work	-
5	Meaningful work	-	Pension/retirement options	N/A	Career opportunities	-
6	More interesting work	-	Meaningful work	3↑	Financial wellbeing initiatives	N/A
7	Pension/retirement options	N/A	More interesting work	5↑	Pension/retirement options	N/A
8	Convenient office location	1↓	Convenient office location	1↓	Flexibility to work remotely	-
9	Brand recognition/reputation	1↓	My manager	7↓	My manager	7↓
10	My manager	4↑	Fun work environment	-	Meaningful work	-
11	Financial wellbeing initiatives	N/A	Health benefits for myself	9↓	Fun work environment	4↑
12	Fun work environment	1↑	Financial wellbeing initiatives	N/A	Flexibility in hours	1↑
13	Company mission	-	Brand recognition/reputation	2↑	Job security	10↓
14	Health benefits for myself	2↓	Company mission	-	Noninsurance benefits and perks*	5↓
15	Flexibility in hours	5↓	Flexibility in hours	11↓	Company mission	-

[14]Mercer. Are You Age-Ready? 2019, available at https://www.mercer.com/our-thinking/next-stage-are-you-age-ready.html.

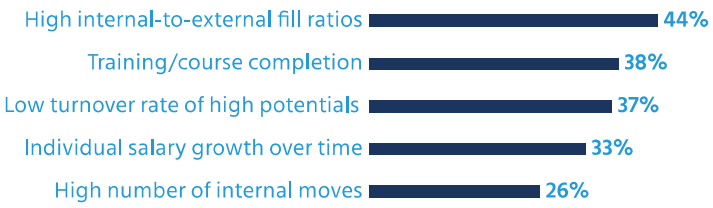
[15]Mercer, 2020, Digital Talent Trends Report – Digital Global Edition Vol. 2, available at https://www.imercer.com/ecommerce/eu/products/Digital-Talent-Trends-Report

A career at any life stage isn't a pipe dream if you focus on your pipeline

Talent pipeline challenges are felt acutely at the top: Most ***executives (78%) are concerned about the unpredictability of individuals leaving the organization***, as well as the ***high turnover of certain key roles (65%)***. When leaders look at the dominant view of successful career management — internal promotion and salary growth — many neglect to consider pipeline health (see figure 10). Today, ***less than half of companies measure internal-to-external fill ratios***. and pipeline flow — ***no career choke points is the least prevalent metric***: just 2% of HR use this as a measure of their career culture. Just a few companies measure the preferred indicators of career success, ***less than 20% deliver on the metrics that HR views as most predictive of a successful career culture*** (see figure 10).

Figure 10. Are you cultivating a thriving career culture?
What *should* be measured versus what's *actually* getting measured

HR recommeded indicators and how many are measuring them today



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

Talent attraction, more important than ever in tight labor markets, hinges not only on the employee brand, but on the culture of the organization and whether employees feel they can grow and shape the trajectory of the business. Despite feeling stalled at certain career levels, ***over half of employees trust their employer to prepare them for the future of work (61%), help them plan for retirement (58%) and provide a new role if their job significantly changes (57%)***.

The career crunch is affecting all generations

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 advance 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

Maximize the employee-job-organization connection

By ensuring talent is on succession plans and that the talent agenda is part of business planning, we can shift the prevailing mindset away from creating talent pools to forming talent plans. What is needed is talent and business planning that is specific, future-focused and intertwined to move from generic assessments of potential to identifying potential for specific opportunities. This requires effective job design, understanding potential and motivations, and more effort around career planning. Shared futures come alive at the intersection of a ***common purpose***, a ***valued job*** and a ***meaningful career***.

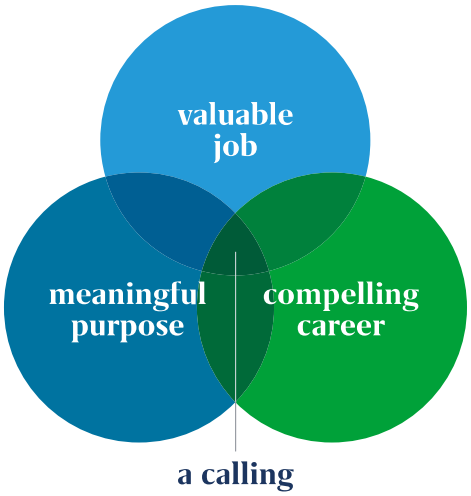
People have a meaningful calling when they have a ***valuable job*** (of which 46% say they have so today), a ***compelling career*** (which a further 46% have), and a ***meaningful purpose*** (see figure 11). With ***just 8% of people today feeling that they have a calling***, there is more that could be done to inspire people. What helps is having a strong Employee Value Proposition (EVP) that focuses on the meaning of the work as well as the future value of the individual. This enables people to develop the capacity to earn more as well as develop their own mastery.

Real talk creates real opportunities

In turn, ***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. 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.[16]

The key is providing a path to action and giving people a sense of control. Transparency alleviates concerns associated with job security and future roles. And Job redesign helps pave the way. An activity that high

Figure 11. When is a job a calling?



performing companies employ more frequently. 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 to alleviate anxieties. Transparency about what will be valued in the future is key (figure 12). People know their skills have a shelf life. But knowing whether it's two years or five contributes, counter-intuitively, 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%)***.

In the current environment, the need to think laterally about potential careers becomes acute — displaced workers, say, in retail could be redeployed to support industries with talent needs, e.g. healthcare staff. Doing so gives people valuable new skills and opens up future career pathways outside their technical background, their company and even their industry. The importance of job-crafting also extends beyond societal needs into engagement levels as employees who shape their own work tend to perform better.

[16] "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.

Figure 12. To what extent do you trust your organization to give you a career at any stage of life?

Thriving employees 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, ***39% of companies plan to hire more "boomerang" talent*** (employees who return to work for a former employer). Site selection, drawing digital talent from the ecosystem and rapid moves to remote working offer organizations the chance to cast their net wider as they seek to fill their future talent needs. Strategic workforce planning and insight into workers' skills profiles and motivations are critical to building a sustainable talent pipeline.

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 13). Flexible work arrangements, in the run up to and post-retirement, are obvious opportunities to ease bottlenecks.[17] But today ***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 have the edge in their company***.

Figure 13. 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 and why do others leave? 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 experienced colleagues' unique motivations for working beyond retirement is critical, especially when ***55% of executives are worried about the turnover of older workers. Yet only 40% of companies use analytics to identify how different retirement options impact older workers' behavior***, and ***just 41% ascertain when critical talent is likely to retire.*** 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 adding to the problem, ***high performers are taking early retirement, according to a majority of executives (55%).*** And ***most employees (58%) say they are making retirement plan contributions so they can leave the workforce earlier.***

Delivering permanent flexibility

Winning organizations are building environments where workers can safely discuss future plans, explore opportunities to contribute, and find new ways to be inspired and inspire others.[18] Only when flexibility is contingent on the job, rather than the person, will adaptive work models effectively unlock pipeline flows. Sadly, ***just 44% of companies assess jobs for how much they could be adapted today***. And despite two-thirds of employees saying it's important that their company culture encourages flexible working, ***35% of HR say their policy is not widely promoted***. As a result many are being plunged into remote or flexible working arrangements today with little thought to job redesign, nor to the infrastructure and culture required. Designing for adaptive working is not just about ***who*** does the work and ***when*** and ***where*** work is done, but ***how*** and ***what*** is done. Options such as reducing task dependences, phasing in automation and varying the intensity of roles are ways that job design can enable a range of workers to continue to contribute. A five-dimensional perspective on jobs[19] not only brings flexibility into the system but helps to ensure vital knowledge is retained and transferred.

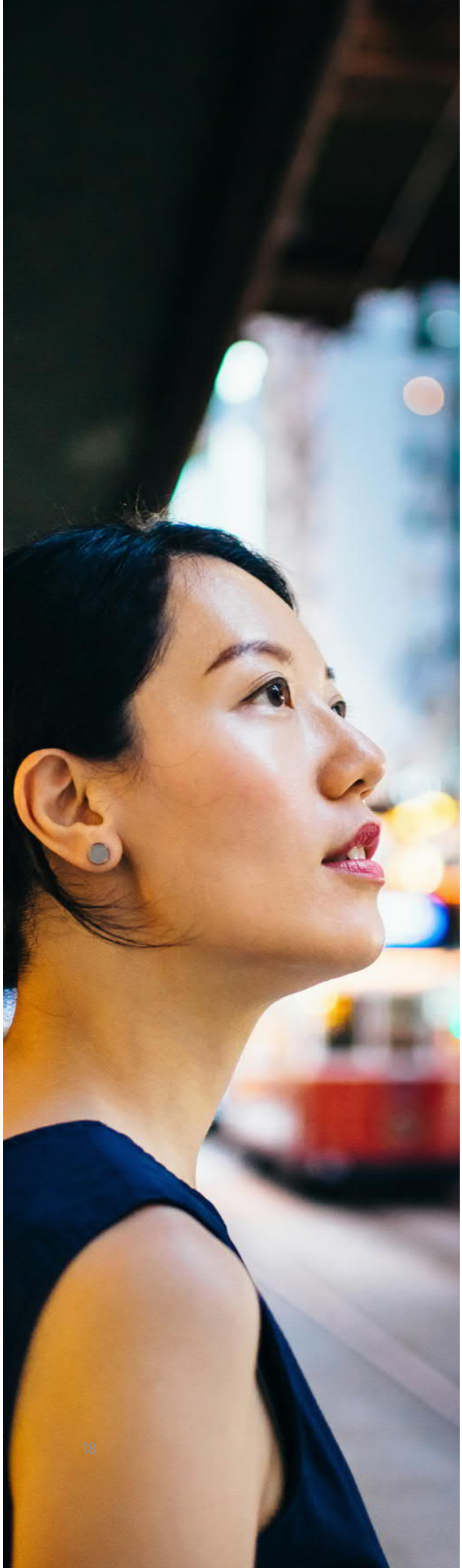
[17] Mercer, 2018, Capturing The Flexibility Quotient In Your Organization, available at https://www.uk.mercer.com/content/dam/mercer/attachments/europe/uk/uk-2018-adaptive-working-white-paper.pdf

[18] Mercer. Are You Age-Ready? 2019, available at https://www.mercer.com/our-thinking/next-stage-are-you-age-ready.html.

[19] J.Richard Hackman, Greg R. Oldman. "Motivation Through the Design of Work: Test of a Theory," August 1976. Available here: https://www.sciencedirect.com/science/article/abs/pii/0030507376900167

77%

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



Some industries are better prepared than others. Financial Services, Technology and the Life Sciences sectors lead the way, but without broader attention, this move to new ways of working will only add to employees' stress and anxiety. What makes a difference? ***Training for managers***, ***visible instances of career progression*** and ***higher levels of trust***. ***An executive mandate*** alone is not enough to make this new work model tenable (see figure 14).

Cultivating thriving careers demands a rethink of retirement practices, wealth management and work-life integration strategies if it is to deliver results.

Figure 14: 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

36% Training for individuals to make flex work

28% Job redesign to enable flexible working

13% Executive-led mandate

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 promoted 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 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 towards 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 a performance management reform as well as an initiative to reinforce workforce planning, the agency aims to match individual's 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 Ms 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 Ms 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 wealth disparity and challenges stemming from political upheaval, natural disasters and pandemics, we must develop more expansive measures of organizational success by investing in people's futures to build brighter careers at all life stages.

Accomplishing equitable futures 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 these 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 action on what we know will disrupt us and seek solutions that enable people and the communities to thrive as we work to build, sustain and protect futures.

Getting started

- ***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 and/or in similar industries should be making progress on.
- ***HR can drive 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.
- ***Cultivate a climate of trust.*** Be transparent about what jobs will change. Be direct with employees on expectations and how people 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 role 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.

Suggestions to accelerate

- ***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.
- ***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.

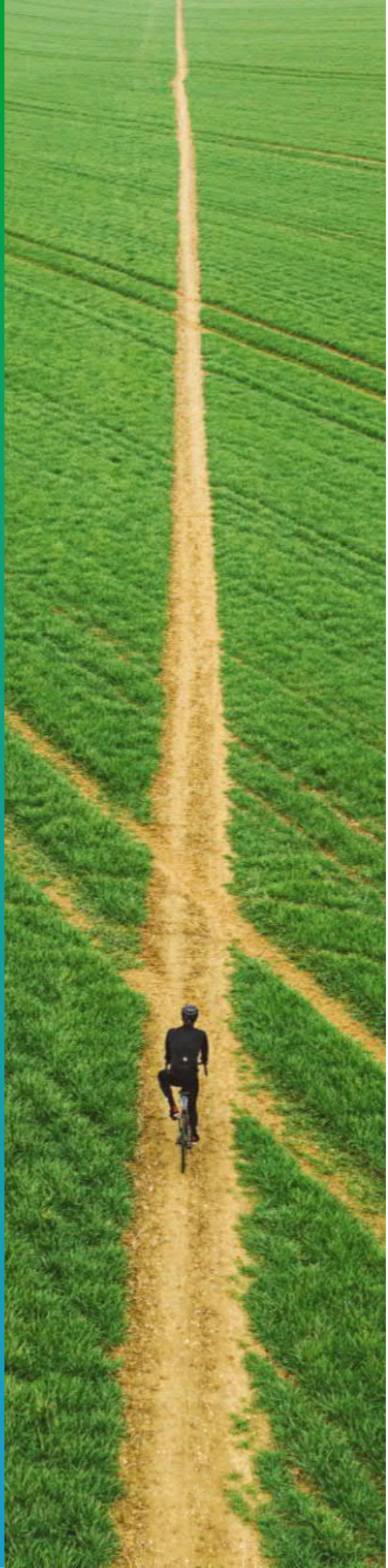
Choose your path

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 non-traditional 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 competencies, 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.

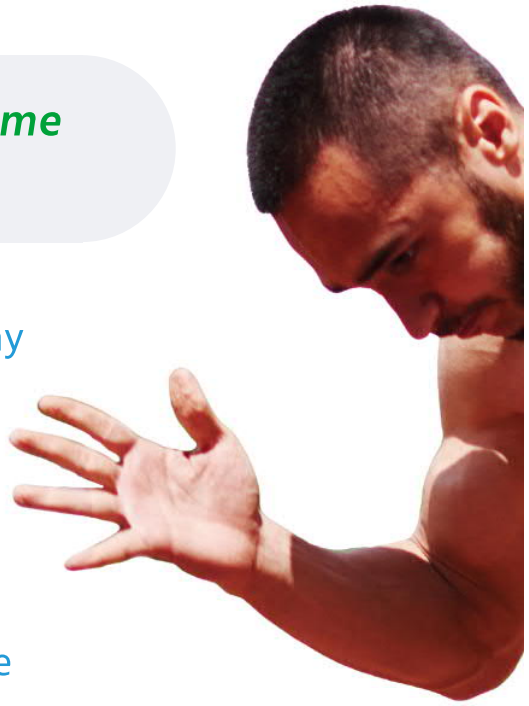
The shift toward a more employee-centric career path was initially met with doubts, as employees feared that not taking a people-leader role would result in a lower-rated career. The company allayed such fears by investing in wide-ranging information and communication campaigns to management and employees. 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 the biggest opportunity and challenge 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.

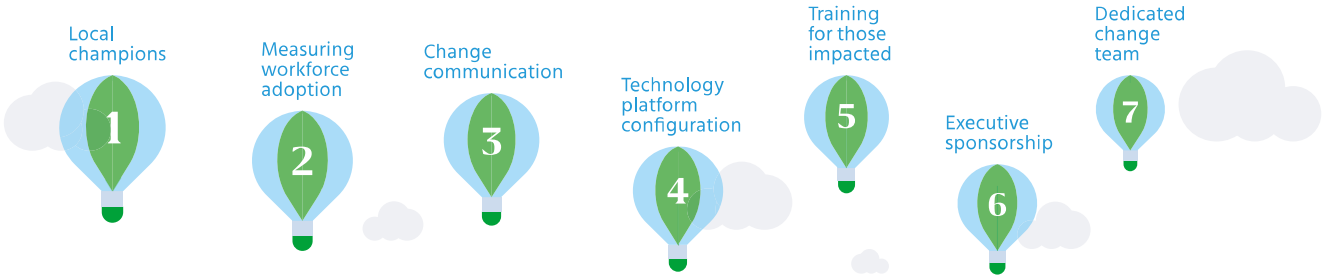
Make reskilling a priority

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

At the end of 2019, Google Health announced that its AI system was just as good, if not better, than human radiologists at detecting breast cancer. The implications for radiologists — for example, around selection requirements and on-the-job clinical training — and for those in downstream jobs, such as radiology technicians, are uncertain. This is just the first trickle of such watershed moments to come. Meanwhile, an event like COVID-19 gives us the impetus to think about how the workforce can be reskilled from one sector to another.

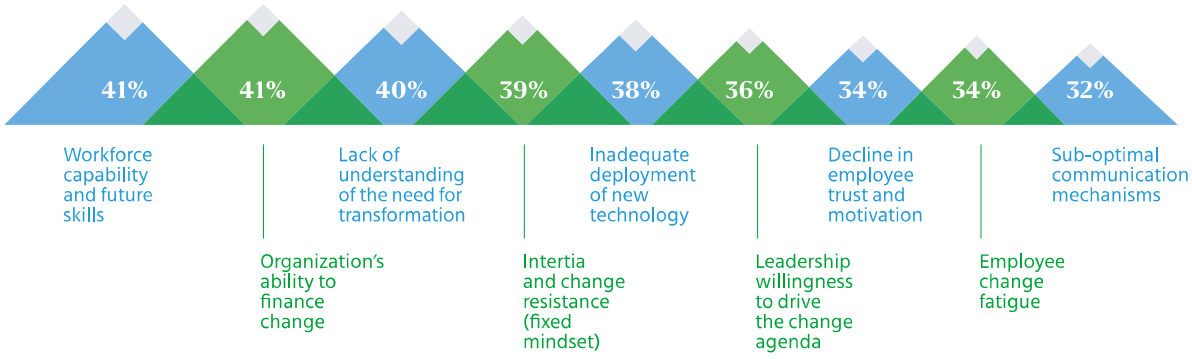
Skills have been high on the business agenda since technology's impact on jobs became apparent. This year, executives state an urgent and clear mandate for reskilling to drive transformation (see figure 16). Globally, ***reskilling is seen as the top talent activity most capable of delivering a return on investment (ROI) in the eyes of executives***. And this ROI assumption makes sense, given that ***99% of all companies are both embarking on a transformation this year and reporting significant skill gaps***. Combined with ***executives' increasing apprehension around talent migration this year (up from 4% in 2017 to 38% in 2020)***, skill supply concerns are high on the priority list.

Figure 15. Transformation success keys



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. Concerning, though, is that ***executives believe only 45% of their current workforce is adaptable to the new world of work***. This under represents the fact that ***78% of employees say they are ready to reskill***. The question is not ***who can adapt***, but ***how best to develop*** an adaptable workforce.

Figure 16. Transformation challenges



Reskilling is part of the new work deal

As employees look ahead, we see a clear shift in their perception of reskilling — from a valued opportunity to an essential step in remaining employable. As the reality of new technologies sink in and we witness the economic aftermath of the pandemic, employees' own market value moves front of mind. 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)***.

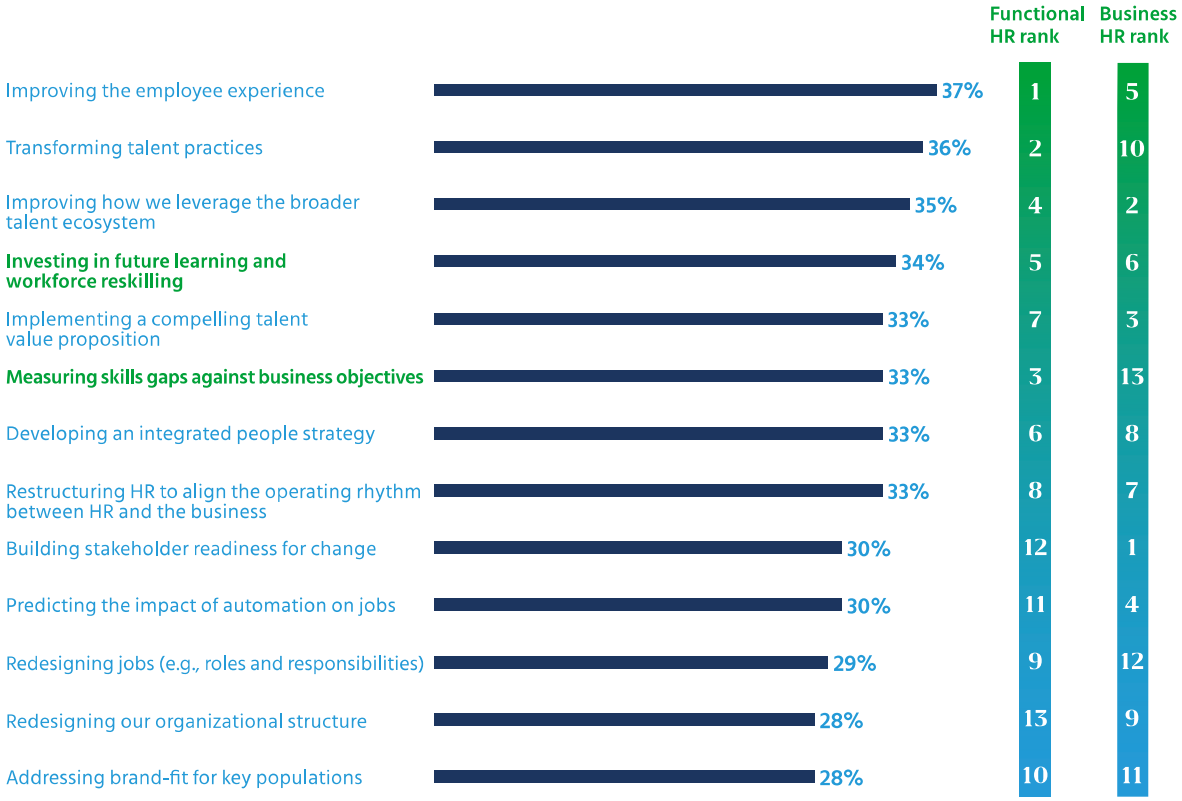
Furthermore, ***63% of employees say that they trust their company to invest in their skills*** and ***55% trust their organization to teach them the new skills they will require should their job change or disappear***. This notable shift in employee outlook shows how employees equate investment in their marketability as part of their total reward proposition. 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.

Focus is key to making the most of people's downtime

But, has HR done enough to shift its own mindset? In contrast to business leaders, who rank reskilling as number one, ***reskilling*** and ***measuring the skills gap appear as HR's fourth and sixth strategic priorities*** for delivering the future of work (see figure 17). Of concern is that multiple priorities in 2020 will dilute attention to the skills imperative and miss the mark on delivering the required transformation. What's interesting is that 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 on the employee experience and transforming talent practices.

Learning is still, however, largely seen as an HR issue, which has significant implications for the transformation agenda. ***Only two in five CEOs are held accountable for employee reskilling***, compared to almost three-quarters of CHROs. Without the business taking shared responsibility for identifying future skills needed and the pathway forward, HR will struggle to have the impact required.

Figure 17. Future of work priorities for HR in 2020 (functional HR background versus business background HR professionals)



There is also a difference of opinion between employees and HR about what skills are relevant today and what will be in demand tomorrow. And, as businesses flatten organizational structures and place a premium on technical skills, employees may undervalue some of the skills necessary for the long term, such as being agile, deploying design thinking or being entrepreneurial (the ***skills HR believes will be most in-demand in five years***). This disconnect highlights the need for more aggressive communication to employees (see figure 18).

The risk for everyone is that, if we place a premium on quantifiable technical skills, we may neglect to nurture the necessary skills for tomorrow. Thus, organizations being transparent about technical skills and soft skills enables employees to be active stewards of their future (see figure 19). The World Economic Forum's Future of Work reskilling initiative is helping to drive greater fungibility of talent by the identification of the most crucial technical skills by industry and agreeing common standards.[20]

Don't get stuck in an upskilling rut

Today, most companies focus on upgrading skills for near-term advantage, such as improving digital literacy in areas such as marketing and IT. But these efforts often distract from the reskilling agenda, which can address system-wide needs to fill new and emerging roles with reskilled talent from within a company's own ecosystem. The focus on reskilling also opens up alternative career options for those at risk of displacement and builds movement into the talent system.

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. Just ***one in three HR leaders say they are investing in future learning and workforce reskilling*** as part of their strategy to prepare for the future of work. But how much, exactly, do they plan to spend on average?

Figure 18. In-demand skills

In-demand skills according to employees

2020

- Innovation
- Complex problem-solving
- Interpersonal skills

2025

- Innovation
- Global mindset
- Digital leadership

In-demand skills according to HR

2020

- Digital marketing
- Data visualization
- UX design

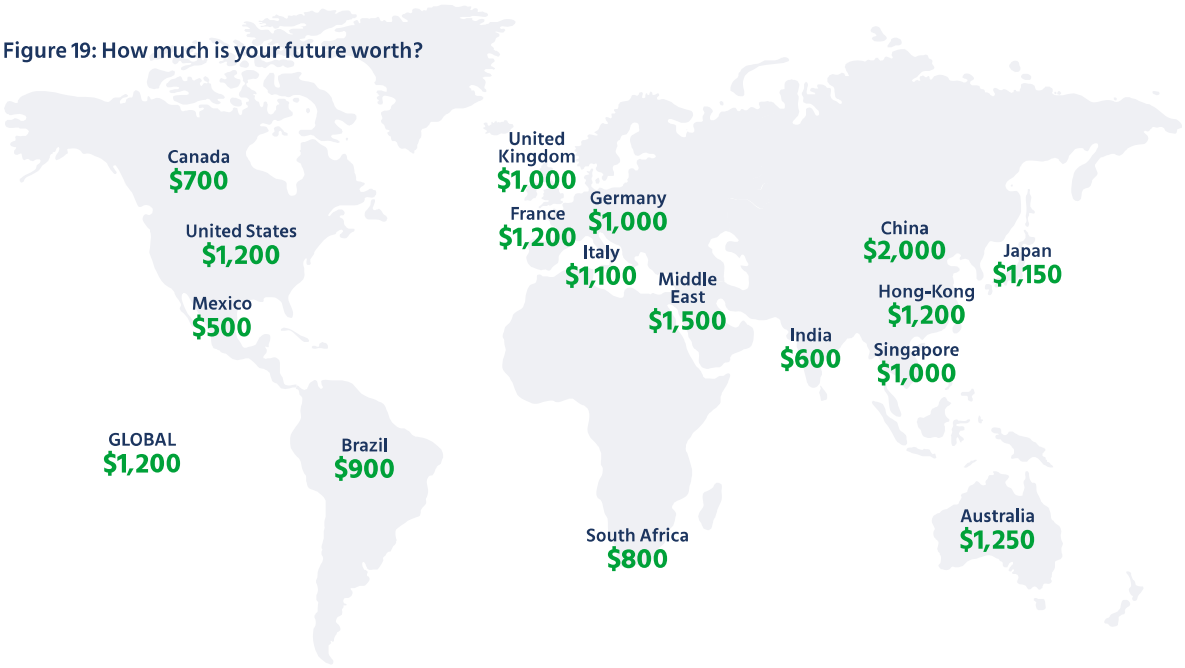
2025

- Agile transformation
- Design thinking
- Entrepreneurship

[20]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.

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. 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).[21] The need for reskilling is also influenced by the People Dependency Index (PDI).[22] Organizations in Asia show a far higher PDI compared to Europe, which in part may explain the difference in their projected reskilling spending: $1 million median spend in Europe and $2 million median spend in Asia — amounts executives said they would protect in the wake of an economic downturn.

Figure 19: How much is your future worth?



Redesign HR to accelerate progress

1. Bring HR out of classic HR roles

Center HR around business challenges by aligning work teams to where future value is being created. Explore talent brokerage roles to accelerate staffing and sourcing.

2. Embrace skills-based talent management

Design structures and talent processes that make it easy to view talent inside and outside of the business, incentivize skills development, and cultivate the cross-pollination of ideas.

[21]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.

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

Foresee future needs

As your talent evolves, so must your view of their skills

Agility starts with knowing your talent ecosystem — that is, knowing who you have and where. ***Two in five HR leaders acknowledge they don't know what skills they have in their workforce***. And only ***one in three are quantifying the skills gap against business objectives, which over half of HR leaders say is a challenge, up 20% from last year***. One obstacle can be traditional HR models which typically have HR influencing from the sidelines. Honestly appraising where your workforce is today through pulse surveys, job simulations and hackathons can set the agenda.

From skills infusion to skills development

Today, the sources of where to find properly skilled talent are dynamic. These sources certainly don't stop and end at corporate walls, and some companies are placing big bets on contingent work of all types — gig, variable staffing, independent contractors and more. HR still finds ***hiring externally to fill skill gaps*** the most effective strategy (60%, see figure 20). However, ***65% of HR leaders say even if they raise salaries, they will not be able to find the right talent due to talent shortages,*** so it's no surprise that ***76% of companies are planning to build from within this year***.

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. Organizations need clear views of the skills in their talent ecosystem, which jobs include the skills and competencies that overlap with new jobs, and the reskilling pathways and critical experiences (or job hops) people will need to get from "at risk or stagnant" roles to "bright future" positions. 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. For instance, retail has been hit particularly hard by automation. Sephora, for example, introduced a program through which entry-level cashiers are eligible for free training to become beauty advisers through courses such as the Science of Sephora and the Skincare PhD.[23] These employees (unlike contractors and outside hires) are already wired for the culture and full of vital organizational know-how. Furthermore, building skills on demand — that is, among candidates or displaced workers — is becoming more widespread as companies (such as HCL Technologies in India[24] or Google in America[25]) ramp up efforts to source, retrain and prepare cohorts of "trained-to-needs" hires.

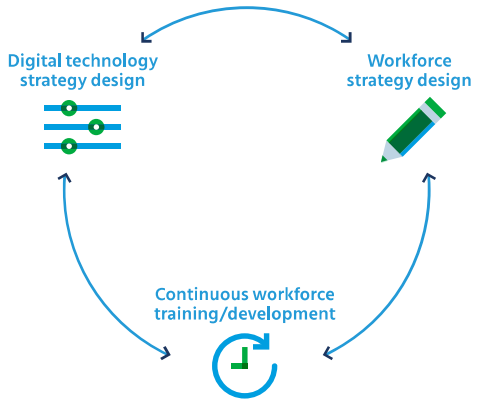
Figure 20. HR's strategies for filling skill gaps

[23]Mercer / Oliver Wyman, 2018, Modern Learning for the Digital Era, available at https://www.oliverwyman.com/our-expertise/insights/2018/oct/modern-learning-for-the-digital-era.html

[24]LiveMint. "HCL Will Roll Out 'Tech Bee' Soon to Hire and Train Students for IT Jobs," 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.

[25]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 based on adaptability to mitigate the impact of disruption, ambiguity and innovation. Short term — size and capacity management — no longer fits the bill. Similarly, it can't be just about employee capacity and business unit alignment, it must 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 need to co-create plans plans to stay ahead.

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. The rise of digital skills assessments onto platforms like Mercer Mettl also attest to the desire for companies to move beyond self-reporting skills systems like those embedded in Workday Learning and other human capital management systems. Moving to skill assessments lets HR get more nuanced on who can do what today, and who can learn what tomorrow.

2 in 5

HR leaders say they don't know what skills they have in their workforce today

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.[26]

[26]Mercer, 2020, Workforce Monitor: This Is Not Workforce As Usual (forthcoming)

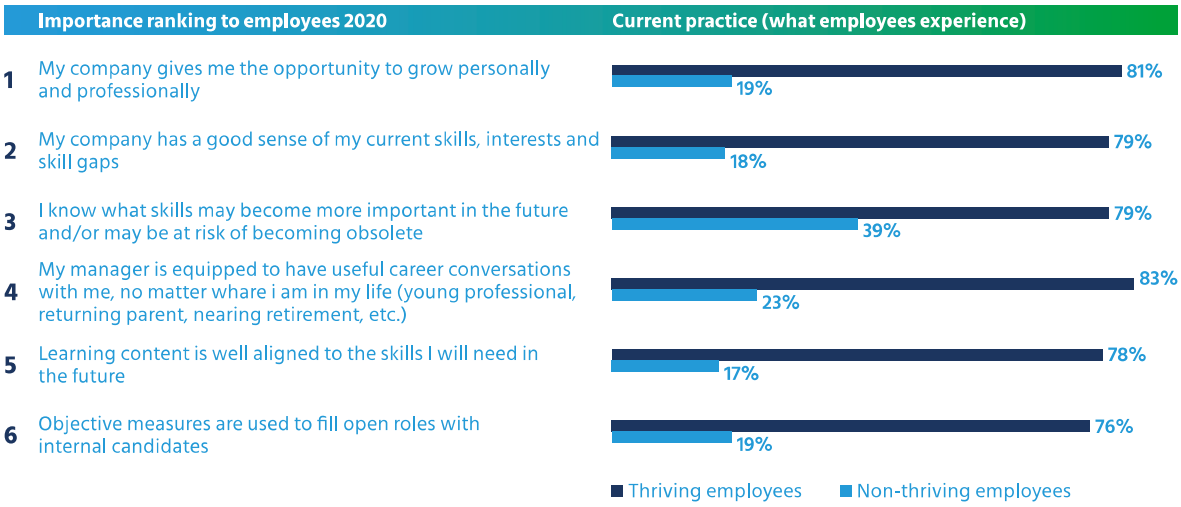
Democratize access to learning

Access, opportunity and encouragement drive change

Businesses are struggling to keep pace with changing jobs. One strategy paying dividends is democratizing access to internal gigs and cultivating an internal talent market that enables people to self-select development opportunities. 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 sheet when career coaching (see figure 22). A resurgence of interest in globally managed workpools (agile teams, contingent platforms, active management of the top 10%) often has HR playing a pivotal role in talent deployment.

As careers become more fluid, the opportunity for new experiences will be a measurement 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%)***, ***explicitly explaining lateral moves and rotations in career materials (36%)***, and ***making salary and bonus ranges visible to internal applicants to support internal mobility (34%)***. Employees are asking for these opportunities, but they're not delivered at a level that make them part of most people's career experiences today (see figure 22).

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



Today's generation is demanding a different approach to thinking about their careers. We can't continue working with traditional career paths. We need to move to another approach more related to experiences.

Marina Yabor, Talent Director, Latin America, Kimberly-Clark

Incentivize transformation

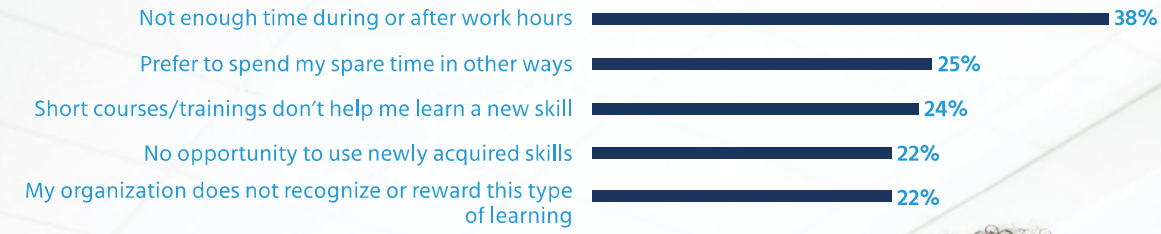
Learning goals, the new deliverable

People are already comfortable blurring work and life, 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's time. ***Almost all (87%) employees experience barriers to reskilling. And the most commonly cited challenge is time constraints (38%)***, followed by a preference to spend ***spare time in other ways*** (35%, see figure 23).

A singular focus of HR has to be adjusting workloads and expanding learning opportunities to cover skills beyond those required in employees' current job. Just as organizations allocate resources for other business-critical activities, companies need to "budget" time for learning.[27] For example, DBS Bank allows employees the opportunity to take paid sabbaticals to develop their skills in areas seen as relevant to the organization.[28] HR continues to worry, however, that, ***once reskilled, talent will quickly leave — the main challenge they see with reskilling talent, up 10% from last year***. 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 competences. Tools like HowNow, Learnerbly, edX and General Assembly bring learning opportunities into the workplace.

Figure 23. The top 5 reskilling barriers for employees



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

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

This learning cannot be exclusively digital, however. Digitizing the learning experience and offering self-service career management has not worked for all. Why? Because human-to-human contact still matters, and 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***.

Time to retire pay-for-performance?

The pay-for-skills approach, to date, has been challenging to master due to lack of good information on both pay and skills: ***Just 21% of organizations are focusing on embedding pay-for-skills into their rewards systems in 2020, compared to 32% in 2019***. 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, IBM asked managers to rigorously identify skills throughout the organization. The segmentation of skills today is strict: rewards are linked to those with in-demand skills, while those with skills that are not needed do not get any increases. Identifying and rewarding the right technical skills allows the company to continuously innovate. Employees with obsolete skills are encouraged to either learn new hot skills — for which there are extensive training budgets — or move on.

Meanwhile, US-based insurer 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.[29]

Where does this leave performance management? Currently, three in four companies include merit pay as the primary element of their pay for performance approach, Mercer research shows.[30] But in the future, this traditional approach will fall short. Top performers with potential, and employees who actively gain new skills (see figure 24) as their roles evolve, will be recognized through promotions or movement, which bring higher base salaries.

Figure 24. Creating a culture of lifelong learning

The work-learn loop is the new work-life balance

To stay ahead, winning organizations will have to be transparent about the new (higher paying) roles reskilling leads to. Pay transparency helps managers have more constructive career development conversations with employees about how to acquire the skills to move along the pay range and/or qualify for other jobs within or across departments.[31] As higher incentive payouts result from applying in-demand skills, a universal element of performance will be innovation and the application of new skills.

[29]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.

[30]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.

[31]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.

21%

of organizations are focusing on embedding pay-for-skills into their rewards systems in 2020, compared to 32% in 2019, revealing how challenging pay-for-skills is to master.

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 the application of 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

- ***Shift to metrics that focus on human adoption of technology, not technology adoption, when measuring the success of transformation.*** Consider what multiple stakeholders (C-suite, finance leaders, employees) believe will lead to optimal performance today and what will drive tomorrow's success. A strong link between skills and transformation helps quantify the reskilling investment and its role in delivering success.
- ***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.
- ***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.

Suggestions to accelerate

- ***Build skill taxonomies that are broader, more flexible, and not beholden to rigid job structures.*** Align your jobs today to the skills for the future and look at ways to 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.*** Understand future jobs and valued skills in your business, function or company, and think broadly about where and how learning occurs to help you build this capability. Understand who has these skills, where in your organization they are needed and whom today is best placed to cultivate their development.

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 allows for more flexibility and personalization and better reflects 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 surpassed doing 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 ensure we 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 the data that is now becoming available.

Embrace workforce science

Data for a talent science revolution

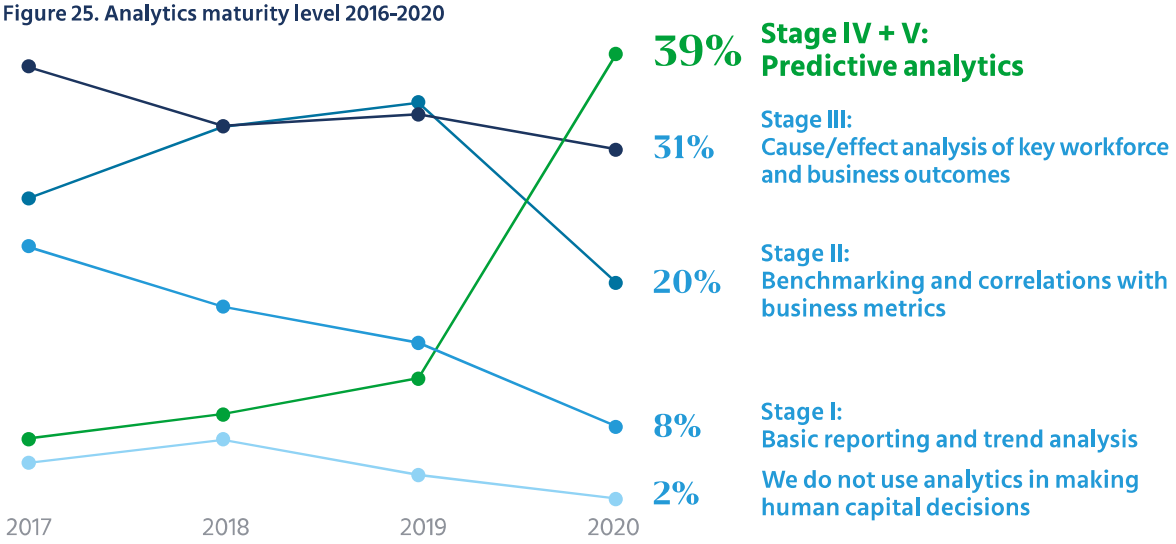
We are in the midst of a highly anticipated talent science revolution. The advent of workforce analytics a decade ago promised transformational leaps forward for businesses.[32] Has it lived up to its promise? Not yet. But we are close. Just a few years ago, the sheer fog of data released by people's digital exhausts obscured the view: We had data without insight.[33] Investments made in aligning human capital management (HCM) systems, structuring data taxonomies and leveraging third-party tech to create meaningful dashboards has started to clear the view. Finally armed with insights, organizations are shifting their focus toward gaining measurable value from analytics and honing their market-sensing and analytics capabilities to enhance talent management practices across the organization.

Workforce science, which Mercer has been discussing for over a decade, is gathering force.[34] ***HR has moved data up the value chain and has quadrupled its use of predictive analytics in the last five years — from 10% in 2016 to 39% in 2020*** (see figure 25). The number of HR leaders who say they use predictive analytics today varies 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 today.

61%

of executives say using talent analytics to inform decision-making is the number one HR trend that has delivered an impact

Figure 25. Analytics maturity level 2016-2020



[32]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

[33]Mercer. Global Talent Trends: Unlocking Growth in the Human Age, 2018.

[34]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

This year, we've seen the closest alignment on priorities between HR and the business. What's clear is that the move by a number of HR teams to work across silos and partner more closely on the strategic agenda is paying dividends: In 2020, ***more than half of HR leaders are answering executives' top talent questions, up from a third in 2019*** (see figure 26).

Companies are taking notice: ***Most executives believe HR is an active contributor to strategic business planning (69%) — especially in high People Dependency Index companies that are growing 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.[35]

Figure 26. Analytics the C-suite is asking for versus what HR is providing

Top 10 analytics requests from the C-suite		% of HR providing today
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%

[35]Mercer. "Talent All Access: Siloed Talent Analytics Is Killing HR — Stuck in the Rut of Reporting," 2017. Visit https://taap.mercer.com

Legislation and cost control drive activity, but strategic analytics get short shrift

This year's results show HR is making more headway on operationally oriented analytics (such as data related to recruitment, selection or identifying flight risks) over strategic insights. We see 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 27). ***The most frequently gathered analytics in our survey include the drivers of engagement (53%) and the retirement timelines of critical talent (41%)***. Analytics on pay inequities has increased the most year-over-year in countries that have introduced reporting requirements. Use of total rewards analytics will stay in focus as we enter a 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. As companies increase technology investments, the analytics required to harness opportunities offered by automation and AI (that is, the combination of people and digital on performance) should be a priority, yet far fewer companies apply these today. As we embrace a year we had not planned for, answering strategic questions will become more critical.

Figure 27. Fastest-growing and retreating analytics

Number of companies using them		Percentage increase from 2019 to 2020
Fastest growing analytics		
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 (see figure 27) — a surprise, given the volatility of roles wrought by demographic change (such as aging workforces) and jobs being augmented or displaced. ***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.

There were some bright spots, however, with ***44% of companies saying they use organizational network analysis and 38% applying intelligent "nudging" technology*** to help employees make better choices. These two metrics are typically employed in companies who have the most thriving employees.

Redesign HR to accelerate progress

1. Datafy HR for the business

Integrate analytics teams into the business to stay close to projects and priorities. Why? When analytics is focused on solving business challenges it attracts the best talent.

2. Leverage discipline knowledge

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

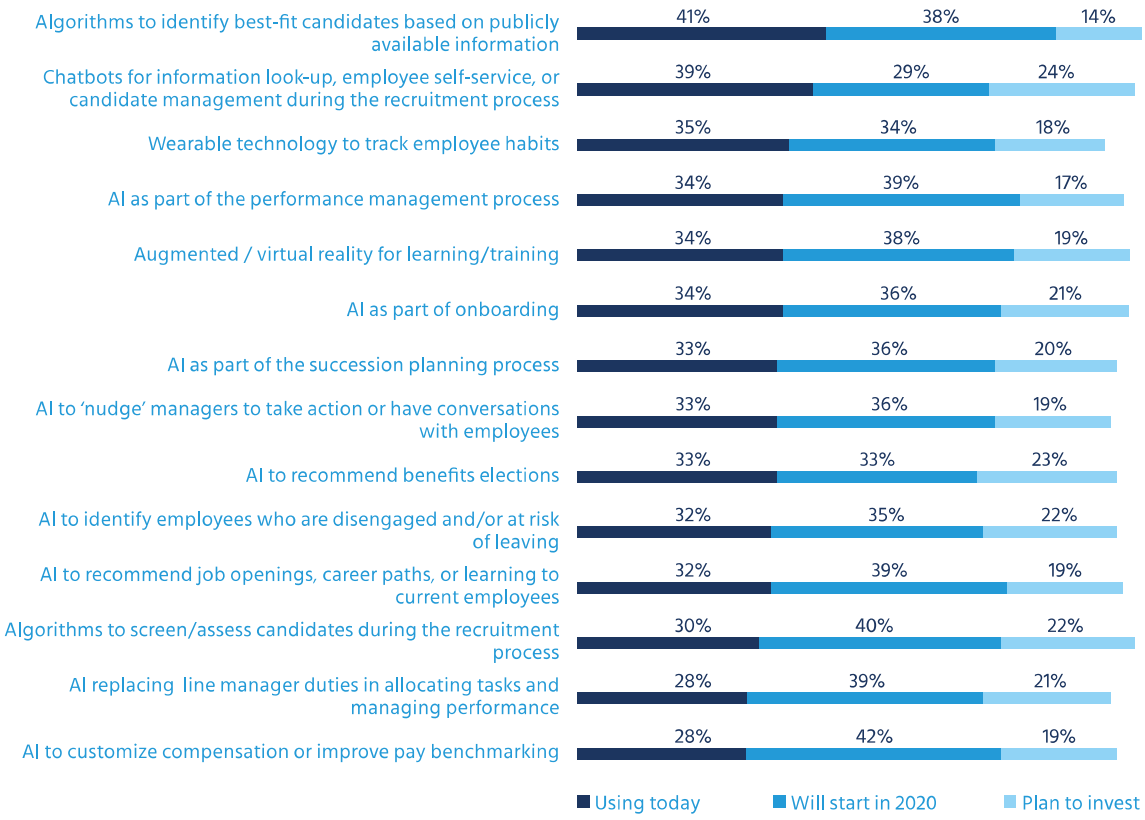
Ensure ethical analytics

Sherpa no more: AI delivers both insight and action

AI is proliferating across all parts of the business. With ***high adoption of AI already in sales and marketing and human resources (both at 43%)***, this year organizations are ***piloting AI in legal and compliance (43%), finance (38%) and product development (36%) functions***.

The fact that automation can relieve HR of the heavy lifting is old news, but this relief has been slow to happen. With AI now permeating many HR systems and practices this is beginning to change (see figure 28). Today, AI is also making its own decisions and learning as it goes — most notably in selection and candidate decision making. This autonomy requires a new competency from HR as HR and AI work in unison, rather than HR as the final arbiter of decisions. This year, AI is slated to work its magic in pay benchmarking (an area we've seen great pay off), continuing in recruitment and starting in career pathing. Thus it's critical for them to lean into data science and take notice of how it changes decision making. With shifts in analytics teams' reporting lines, it is important for HR to feel connected to data sets, to algorithmic assumptions and to how decisions about people are being made.

Figure 28. How do you use AI in HR today and where are you investing tomorrow?



Becoming AI's moral compass

With HR making big investments in AI, it's essential HR join discussions on the variables and historical datasets used to construct AI and machine learning's 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. Here, HR can learn from the self-driving car: HR's responsibility is to be the engineer writing the code to drive results and prevent bad data from crashing the system. Hence, the duty of care imperative requires urgent attention.

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

Cybersecurity is the second biggest concern for companies doing business globally over the next 10 years. A total shutdown of the internet would result in a daily GDP loss of 1.9% in a high-connectivity country.[36] But while hyper-vigilance on cyberattacks is critical, it cannot distract from employers' duty of care with data, too: Care about where the data comes from (employees) and how to handle it (see figure 29). ***Just 20% of CHROs have accountability for employee data security, which typically rests with the CTO or CIO (81%)***, so a priority for this year is promoting a cyber-aware culture. In 2020, organizations must take action to deserve the trust employees have, so far, been willing to give.

Figure 29. What employees think of cybersecurity versus HR

Employees are waking up to internal security concerns

1 in 2 employees feel confident that their company is taking sufficient steps in using and protecting their private data

1 in 4 employees are concerned about how passive data (emails, calendar appointments, etc.) is being used

1 in 5 employees are worried about workplace surveillance

Organizations are already very concerned

97% of companies expect a data security breach in 2020

62% of companies believe the greatest threat comes from employees failing to comply with data security rules, rather than other often cited causes, such as hackers or third-party vendors' poor security (21%)

67% of HR leaders feel very confident in their ability to ensure employee privacy with increased human/machine collaboration

[36]World Economic Forum in partnership with Marsh & McLennan and Zurich Insurance Group. *Global Risks Report 2020*, available at https://www.mmc.com/content/dam/mmc-web/insights/publications/2020/january/WEF%20-%20Global%20Risks%20Report%202020%20-%20full%20-%20web.pdf

[37]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:[37]

- **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 life of our workforce, 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 that 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.[38] Yet there is an opportunity to do more: ***Only 36% of companies gather insights on where to locate the business, given available talent pools***, and ***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] To continue adding business value, HR must work closely with executives, finance leaders and data scientists to explore alternative scenarios. For example:

- If we spent 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 increased pay by 20% for front-line hourly workers, what would be the effect on performance?
- If we retain 40% of our experienced workers nearing retirement on a part-time or flexible basis, how much more market share could we capture?
- Last year, we lost 15 "key influencers" to retirement — how did that impact our customer relationships and market share?
- When employees are promoted to executive positions as a result of expatriate assignments, 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 today (98% of companies use them)***. Meanwhile, the most useful assessments, according to HR leaders, are ***situational judgment tests (75%)***, followed by ***role play-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, uptake of analytics is painfully slow: Mercer's digital talent report shows that companies still rely 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] The risk is installing barriers to entry that are no longer fit for purpose.

> **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

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. Indeed, only ***one in two employees say they had a positive assessment experience*** and found it useful. 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 these assessments are very useful in assessing all levels of employee, from entry to the C-suite***), there might be reason to update guidelines and checkpoints to ensure that assessments are delivering fair and equitable outcomes.

[38] Mercer, 2020, Digital Talent Trends Report – Digital Global Edition Vol. 2, available at https://www.imercer.com/ecommerce/eu/products/Digital-Talent-Trends-Report

[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, 2020, 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, it needed to attract the best talent possible.

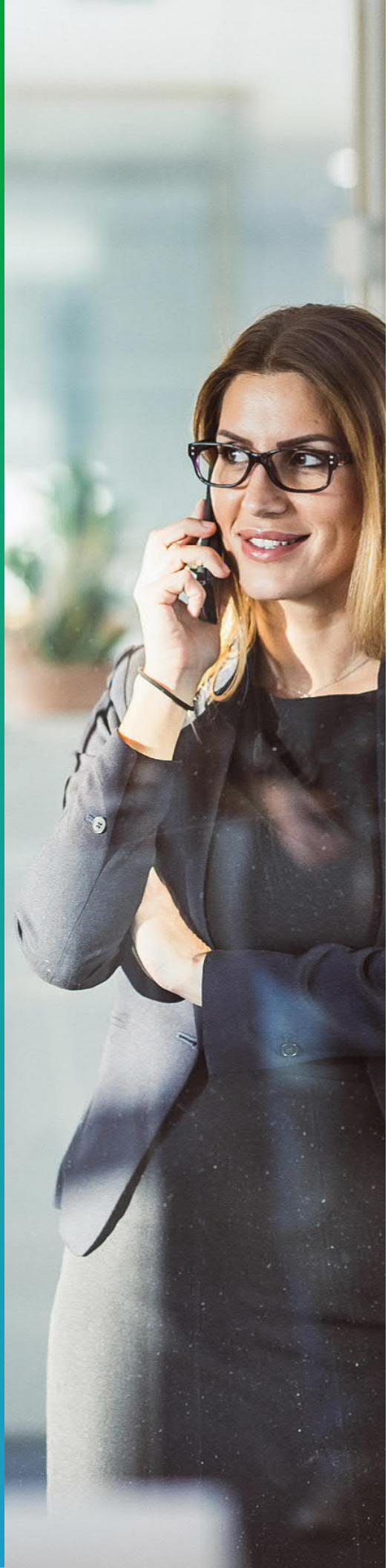
This was the challenge of global semiconductor company Infineon. Five years ago the company hired around 300 mainly IT and digital talent each year — not nearly enough to grow their market position. HR, in conjunction with Infineon's strategy department, identified the 12 most critical — but hard to 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%. At the same time, hiring has increased fivefold: Today Infineon hires more than 1,500 people a year.



Moving forward

Developing ethical workforce intelligence insights

HR can shine by combining business data with human intuition to pinpoint the intersections that solve business problems. 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 (such as the EU's General Data Protection Regulation). Part of HR's responsibility is to ensure that empathy and economic drivers both fuel the agenda and help create people-centric businesses.

Getting started

- ***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, by supplying a taxonomy of terms — with variables that when associated together can drive performance outcomes — enables HR to respond rapidly to new questions.

- ***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.

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

Suggestions to accelerate

- ***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 actually do. These two sources provide the most complete workforce intelligence and the granularity required to enable effective action.

- ***Translate analytics into business problems and financial impact.*** Speak the language of the business to get the attention of the board when telling a story with data and clearly share the implications of action or inaction. To help secure future funding and expand the analytics function, ensure that insights are both relevant and business-critical.

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

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 a myriad of different 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.

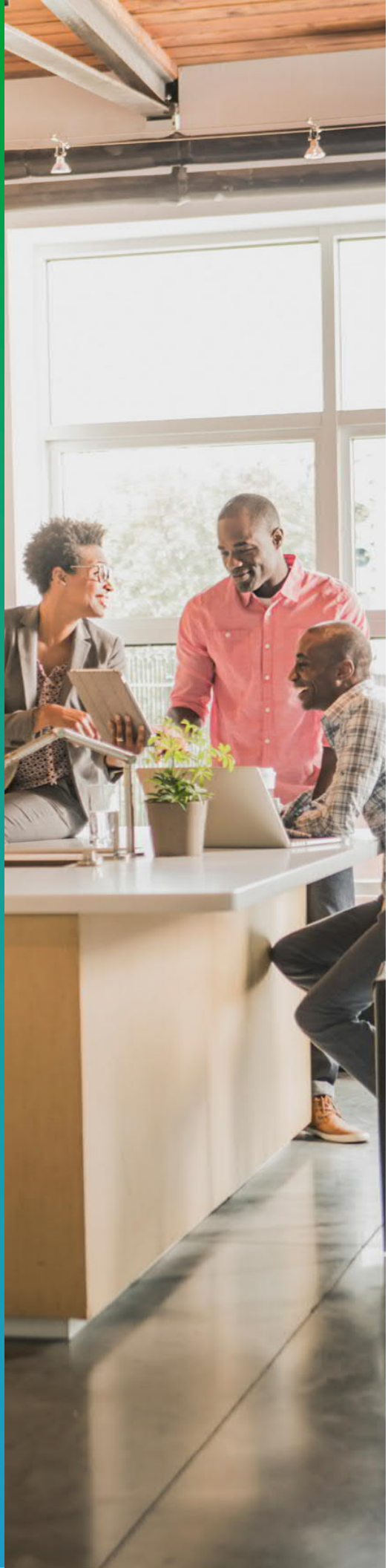
After rolling out a global Workday implementation to organize data consistently, UTC's analytics team knew it could finally soar from level one maturity (simply reporting data) to scalable, enterprise-wide analytics. The analytics transformation comprised four critical parts:

- 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[41], 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.

[41]Based on Mercer's Internal Labor Flow methodology.



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.

Know your people

Brighter employee experiences provide an edge in a talent-led economy

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 employers that offer them enriching experiences. Not surprisingly, delivering on the employee experience (EX) is HR's top priority this year. EX matters to all geographies — in 2020, ***it ranks among the top three focus areas for nine out of 16 countries***. EX is the "user experience" of the company — the intersection of an employee's expectations and the reality of an organization's culture and day-to-day work life — and it has to be stellar in today's talent-led economy: ***The majority of HR leaders (68%) say that today's market is candidate-driven***.

Getting the C-suite on board with EX

While HR understands that EX is an important driver in both employee engagement and profitability, ***only 27% of the C-suite believes the EX will yield a business return***. In fact, executives see spending on EX as the least value-adding investment this year, and ***just one in three (31%) business leaders are accountable for it***. Certainly, the terminology itself has done no favors. Bringing an outside term like "customer experience" inside an organization only raises expectations for quick, demonstrable ROI — even though impactful ROI on customer experience has taken years to establish. More work needs to be done on the employee experience-customer service-profit chain to move EX up executives' priority list.

When done well, an enhanced EX has a multiplier effect in minimizing human capital risk and raising business performance. EX can influence areas such as engagement (***74% of executives are anxious about lower-than-desired employee engagement***), productivity (***70% are concerned about high employee absences***) and the digital work experience (***47% are concerned about employees' digital experience — or the lack of it***). 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.[42] The conclusion? The service economy has created new expectations on how employees engage with their organizations. Employers who don't embrace this shift will struggle to compete in the hypercompetitive talent market.

1 in 2

executives are concerned about delivering a consumer-grade experience today, yet just 4% of HR teams believe they deliver an exemplary employee experience

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

A great EX unlocks employee energy

EX can accelerate business transformation. 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. ***Energized employees are two times as likely as de-energized employees to be excited about the prospect of reskilling and three times more likely to be satisfied with the company, with no plans to leave.*** With EX as a potential transformation driver, the onus is on organizations to design a workplace with energy (see figure 30). Energized workers contribute beyond their job description and provide the discretionary effort behind every successful company.[43] In today's fraught world, ***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)***. Why? In part because they have a keen sense of what the future may hold. ***Energized employees are twice as likely to say their organization is transparent about which jobs will change***, and rank ***uncertainty*** last in reasons for ***feeling burnt out***.

Companies that exceed their performance goals are 3x more likely to have EX as a core part of their people strategy today, compared to firms not meeting their goals

Figure 30. 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

"Provide me with a frictionless work environment"

- ***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***

[43]Energized employees are those that rate themselves at least 7 out of 10 on a scale for how energized they feel in their jobs on a typical day.

Create a culture of caring

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

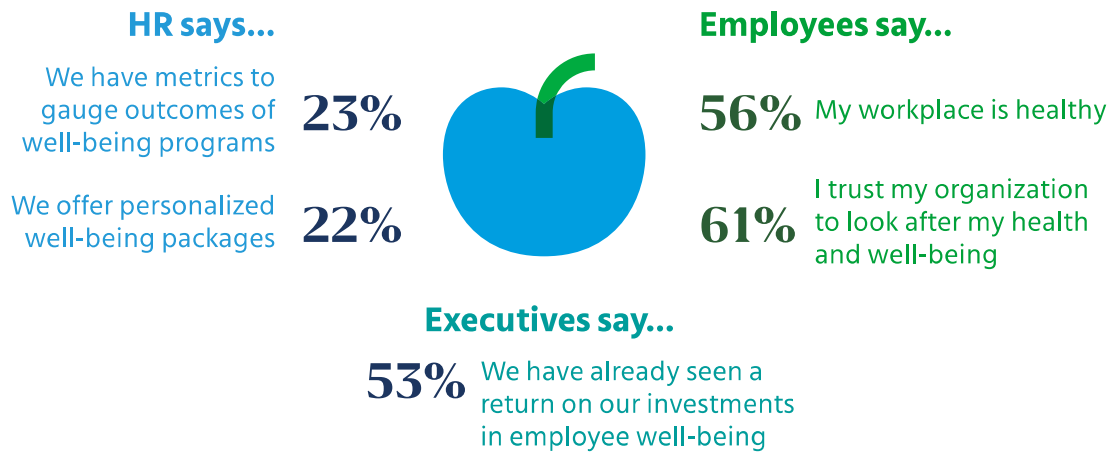
While we know what work experiences energize individuals, the imperative now is for companies to act on it: ***One in three employees say economics "mostly" or "entirely" drives decisions at their organization. Nearly two in three (63%) employees feel at risk of burnout this year***. The primary reasons are a ***lack of rewards for effort given (30%)***, followed by ***workload (29%)***. Despite ***health and well-being*** ranked as executives' number one concern this year only one in five have targets related to achieving this outcome.[44] A study by Stanford Business Graduate School revealed that job stress costs US employers more than $300 billion a year and is the fifth leading cause of death in America.[45]

Historically, employers have focused on health and well-being to reduce benefit costs, but in the world of EX, well-being is about creating a culture of caring to ensure employees thrive. Employees' ***health and well-being is at the top of employers' list of workforce concerns this year*** (ahead of ***automation at work*** and ***the gig economy***), prompted by the knowledge that individuals can't be energized by work if they feel depleted — in other words, overworked, underappreciated or underrepresented. And yet while ***61% of people trust their employer to look after their well-being*** (see figure 31), ***only 29% of HR leadership have a health and well-being strategy in place***.

In the near future, employees will place a premium on how companies care for them. How employers respond to well-being issues like stress, burnout and uncertainty will be a hallmark of their attitude toward responsibility and sustainability. We are just starting this journey: ***Only 30% of employers offer regular health checks***, and ***just a quarter (24%) offer an employee assistance program or resiliency training for employees (23%)***. The good news is that 68% of employers are likely to invest in digital health in the next five years. Interest was strongest among organizations in high-tech, manufacturing/construction and financial services/insurance.[46]

Data can also help bridge the gap in action on well-being by ***deploying predictive health assessments for employees (something only 25% do today)*** or ***using data-led insights to nudge employees towards better wellness choices (16%)***. The bottom line? Employers that care for their employees and balance empathy and economics will see the ROI on preventive actions.

Figure 31. Are wellness programs working?



[44]Mercer Marsh Benefits. Health on Demand global report, 2019. Study comprises seven mature and six growth markets across Asia, Latin America, Europe, the US and Canada, including 16,564 workers and 1,300 senior decision-makers. Available at https://www.mercer.com/our-thinking/mercer-marsh-benefits-health-on-demand.html.

[45]Pfeffer J. Dying for a Paycheck: How Modern Management Harms Employee Health and Company Performance — and What We Can Do About It, New York: HarperBusiness, 2018, available at https://www.gsb.stanford.edu/faculty-research/books/dying-paycheck

[46]According to Mercer's 2020 Health on Demand study, the wider the range of health and well-being resources an employer offers, the more workers feel energized and supported, and the less likely they are to leave their employer.

> **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 guarantee employee engagement and drive service adoption.

2. Use design thinking for your EX

Deliver sustainable people development by understanding the needs of different personas. Why? Co-creation is the strategy most likely to deliver an energizing experience.

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

Design with humans in mind

Winning organizations design delightful experiences that bring out the best in their people, discarding old models of talent management and HR practices, and leaping forward with brave people-strategy transformations.

Hence it's exciting that ***58% of organizations are redesigning their organization to become more people-centric***. This requires HR to treat employees like customers of the organization — in how it engages them in feedback, in the services it provides, and in the technology solutions it offers.

To start, smart organizations empathize with and listen to employees to learn about their ideal EX. Then, they determine how to bridge the gaps through unique ideas created by gleaning inspiration from within (not simply recreating what others have done). We see companies making progress on employee listening: ***48% implement continuous listening/feedback platforms*** as part of their EX approach, and ***32% use AI to identify employees who are disengaged and/or at risk of leaving***.

In an era of hyper-personalization and rising expectations, using data to shape signature experiences and differentiate the organization's EX is crucial. Most ***employees in high-performing companies say their employer understands their unique skills and interests (68%)***, while ***just 26% in low performing firms say the same***. HR is creating personas to empathize with their "customers" — using both quantitative and qualitative data to provide a more personal representation of employee needs, behaviors and goals, and to cut across stereotypes. Segmenting employees allows HR and line managers to test new programs and processes and for efficacy against employees' pain points. ***One in four companies say using employee personas to segment the workforce is a key tenet to their EX approach***. But there is much room for improvement: ***Just 33% of companies say more diverse rewards and compensation is on their agenda for 2020 and only 7% plan to offer more personalized rewards packages.***

To make a splash, EX investments are best targeted first at critical populations who support the business strategy or another critical priority, such as D&I or digital transformation. The impact from those initial investments helps make the case for EX to business leaders.

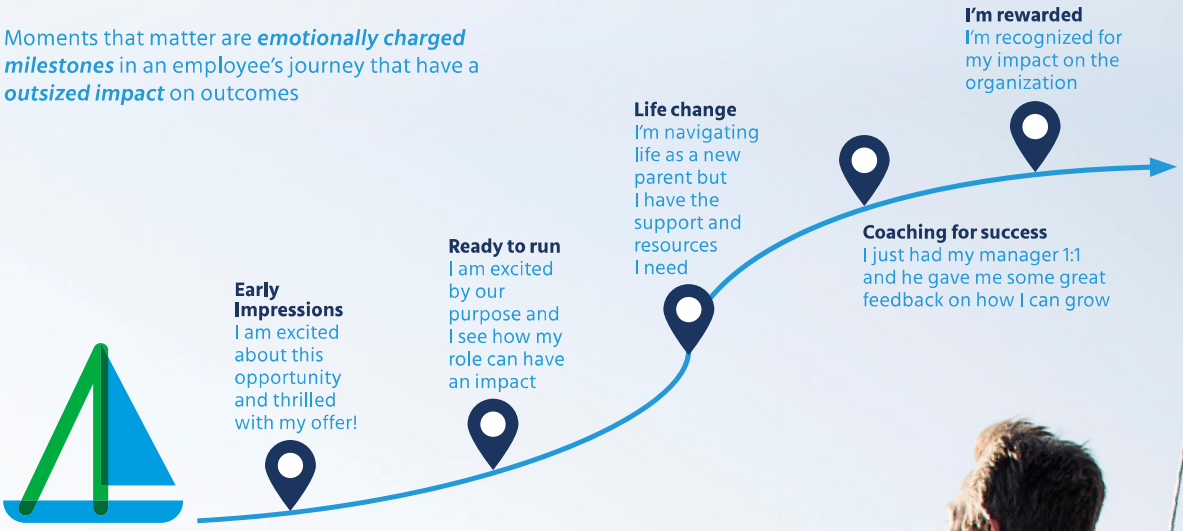
Create a map to choose your journey

With the problem clearly defined, organizations can start designing solutions. And on this score, companies are beginning to consider the EX for freelancers, contract workers, candidates and alumni. Leading practices involve co-creating new experiences with workers and leaders, which not only drives speed, agility and innovation, but accelerates the process of adoption. This year, ***journey-mapping critical experiences*** is HR's primary tactic for moving the needle on EX (particularly in the US), closely followed by ***conducting design workshops with employees*** (see figure 32).

Figure 32. Top tenets of organizations' EX approach

Figure 33. 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



Moments that matter play a key role in the EX (see figure 33). 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 of 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. Over half of Ericsson's US employees attended the webinar, three-fourths of whom elected healthcare plans that lowered costs for the company. Moreover, employee engagement in voluntary wellness programs is at an all-time high, with over 75% of the workforce and spouses participating.

EX tech

Chatbots and intelligent "nudging" technologies are experiencing the greatest growth, with nearly half of companies planning to invest in them in 2020. Continuous feedback tools are now the most popular EX technology, surpassing the employee self-service portal. Mercer's data indicates that the following technologies have doubled in popularity since 2018: mentorship apps/tools, collaboration tools for remote employees, telemedicine and digital outplacement offerings.

EX tech in use today

62% Continuous feedback

52% Self-service employee portal (same for all employees)

49% Career management/ pathing tool

49% Onboarding online portal/tool

49% Reward management system

46% Colleague recognition tool

46% Contingent/ freelance workforce management platform

46% Self-service employee portal (personalized)

45% Mentorship tool/app

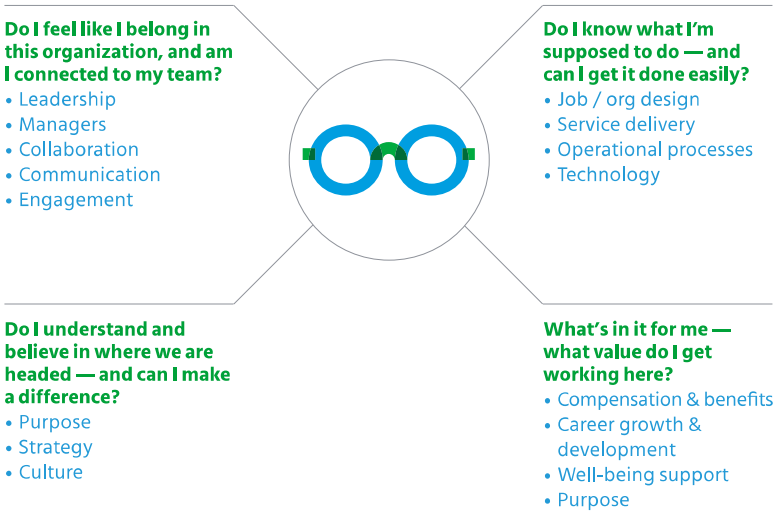
45% Personal financial management tool (wealth calculators)

Making the smart choice: Tech or touch?

Even if EX is not yet resonating with the C-suite, ***anxiety over a consumer-grade digital experience is ranked #2 on executives' list of workforce concerns***. The task is urgent, given that progress on the digital experience has stalled: ***two in five companies say they are mostly or fully digital (the same as in 2018)***.

For some experiences, efficiency is key. For example, navigating employee benefits from your phone just as easily as you can explore products on Amazon, or using online banking to move money from one account to another at any time. People expect these experiences to be quick, automated and transactional — without human interaction (see figure 34).

Figure 34. What can you do to impact the experience? Focus on the environment through the lens of your employees



Whether companies realize it or not, they are making an EX play when they implement new software, such as collaboration tools and/or when they redesign a process. However, nearly half of employees believe there is room to improve: ***20% of employees today say HR processes are complex***, and a further ***29% say they have been simplified but have a long way to go***. Digital organizations may be ahead of the curve: ***Companies that self-identify as digital are three times as likely to say their HR function uses design thinking to take a human-centered approach to talent management.***

Still, there is nothing more frustrating than getting stuck in a technology system when you want to speak with a person. Indeed, ***22% of employees believe that some necessary human interactions have been lost***. Clearly, there has been more emphasis on "tech" than "touch" to date. While technology remains vital to transformation, organizations can unleash greater value by wisely choosing when to use technology and when to use humans — saving on unwanted technology investment spending and changing the way HR approaches its own functional design.

Employer's choice? The employee experience

Mother's Choice, a Hong Kong-based NGO providing counseling and social services, was founded to provide non-judgmental 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 found in TIM: What exceptional interactions — personal, digital or a combination of the two — will result in employee satisfaction (see figure 35)?[47] The answer depends on employee needs, the workforce population, and the company's philosophy and quality of interpersonal interaction (if any) in shaping a particular experience. Winning on EX means tending to the full work experience, from attraction and onboarding to lifecycle management and beyond. For example, Cathay Pacific redesigned its onboarding experience to make it more immersive and brand relevant.[48] Adopting a Target Interaction Model redesigns talent processes through the eyes of employees. This increases adoption of HR processes and ensures sustainable development of the workforce.

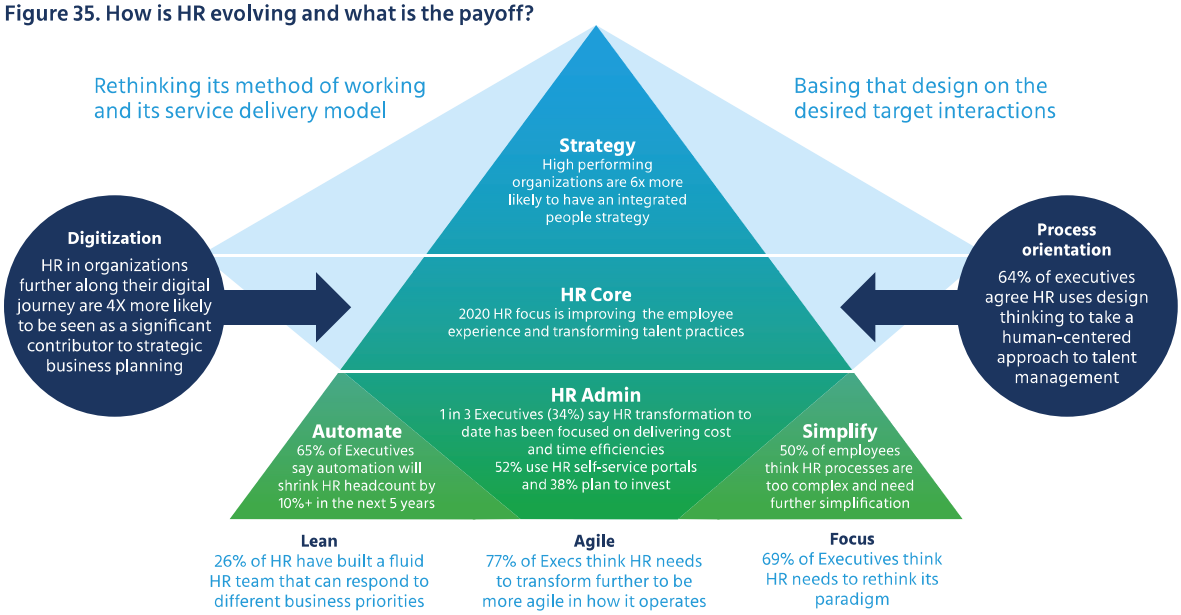
So what's holding HR transformation back? Well, functional silos, for one thing — ***only two in five HR leaders say they have an integrated people strategy***. Today, every business model needs a people plan, including information on the EX. A human-centered approach demands a more integrated people strategy that eschews so-called best-practice HR functional designs in favor of desired interactions. ***Renaming HR or parts of HR as "Employee Experience" departments is one approach to tearing down barriers that 9% of companies are employing***.

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

As organizations invest in the EX, they must measure impact in new ways. Employee satisfaction is a key metric. So, too, is utilization. For example, how many employees use a new digital channel such as Workday or ServiceNow for its intended purpose, and how many bypass the system and seek help from HR instead? By examining adoption rates, HR can see what's working and what calls for a rethink.

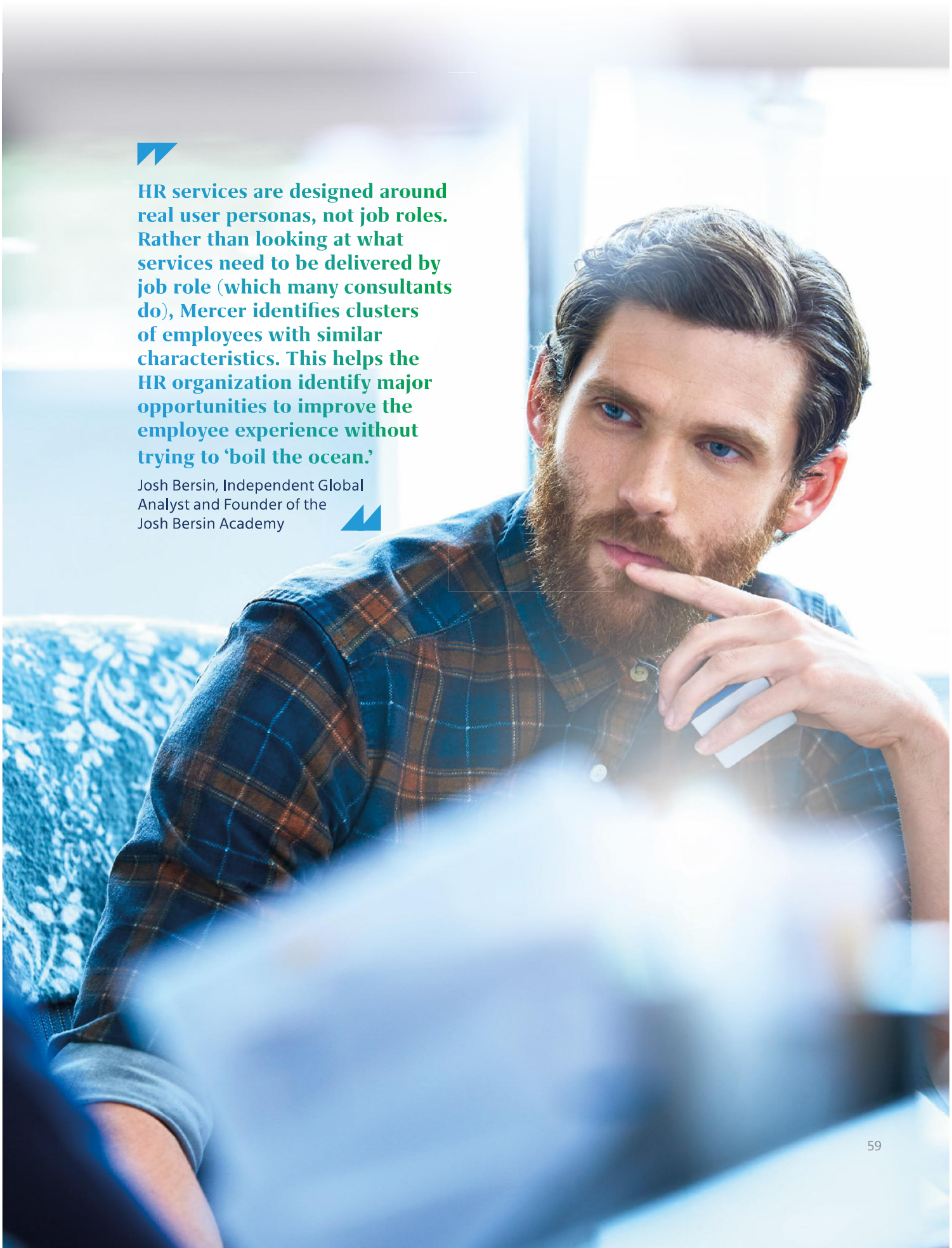
Although few firms measure empathy and economics side-by-side on executive dashboards, organizations are starting to embrace user-centric design thinking to create truly tangible measures. Ask yourself, do you conduct workforce analytics outside of the annual employee engagement survey — for example, around Glassdoor data or exit feedback? Do you conduct pulse checks with your teams? And how does this attention on employees compare to measures of the customer experience, like feedback forms, customer performance analytics and marketing conversion ratios? As consumers, we are continuously asked to provide feedback — from receiving a survey via email after calling a support line, to getting a text message after visiting a restaurant. In the same way, EX can be triggered and measured at critical moments. Measuring the end-to-end experience will allow companies to assess impact and more quickly identify and address issues.

Figure 35. How is HR evolving and what is the payoff?



[47]Mercer. "Transforming HR: Why a Target Interaction Model (TIM) Is the Key to Unlocking the Employee Experience," 2019, available at https://www.mercer.com/our-thinking/career/transforming-hr-why-a-target-interaction-model-is-the-key-to-unlocking-the-employee-experience.html.

[48]Cathay Pacific soars with its employee experience. Available at https://www.humanresourcesonline.net/cathay-pacific-soars-with-its-employee-experience/



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 the vision of empathetic, embracing, enriching and efficient experiences to life. The challenge is to step away from firefighting issues and focus on building a well-designed service delivery model with dedicated accountability for enhancing the experience for all populations. 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

- ***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.
- ***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.
- ***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.

Suggestions to accelerate

- ***Organize for agility around business problems.*** Starting with the business' needs 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 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 role models the skills of the future.
- ***Think of 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.

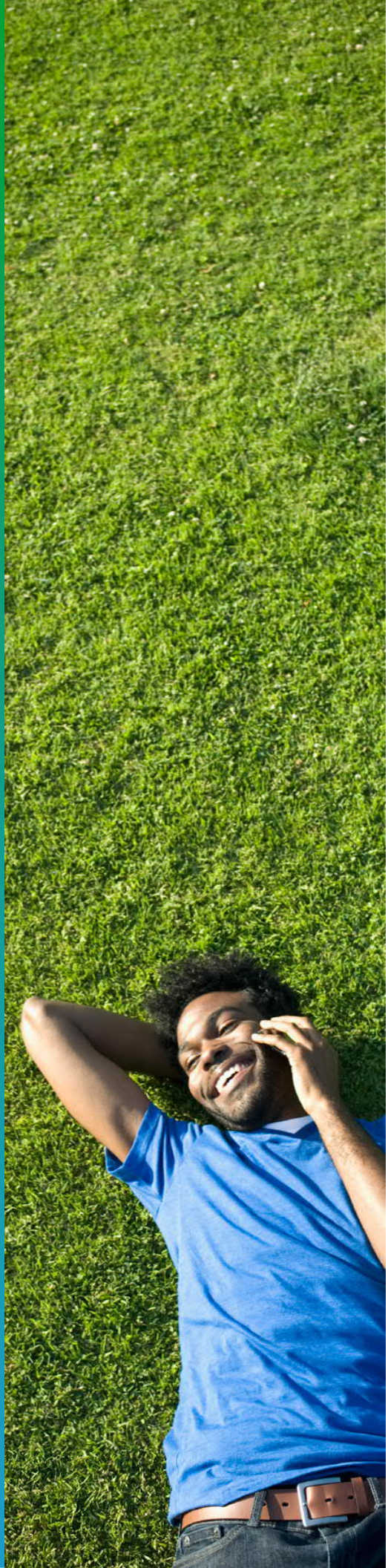
To change the culture, Novartis set out to flip its pyramid — moving from a traditional hierarchical approach to servant leadership and support coaching and empowerment. Managers become leaders who enable their people to do their best jobs. Novartis conducted immunity mapping to understand what holds 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, Head of the Leadership and Personal Growth Academy at Novartis. "Servant leadership. Supporting coaching. Get out of the way of people so they can do their best job."



Win with empathy

Siri: What does the future look like?

Winning with empathy to accelerate transformation

What will the next decade bring? Along with drone-delivered parcels and biometric authentication everywhere, will we have four-day work weeks and virtual reality conferencing? Will AI apply to jobs on our behalf based on skills and interests? Will humans and robots compete to offer our services on talent brokering sites? At a minimum, we hope that technology will not just improve productivity, but make life better — that we benefit from technology that continually senses our wealth, health and well-being vitals in real-time to nudge us toward better futures.

In an uncertain world, this year's findings make clear that to focus on futures needs more intentional design, from people to planet. Racing to reskill the workforce will reinvigorate career paths, restore workers' financial and emotional stability, and reorient organizations' path to success. Marrying human intuition with workforce science will uncover actionable intelligence to stay ahead. And, critically, organizations will succeed by taking a holistic view of employees' health, wealth and careers, and by energizing the employee experience.

Preparing for tomorrow requires organizations and the HR function to transform quickly — to redefine jobs and careers, to rearticulate what it means to retire, and to reignite what it means to be responsible. Each organization needs to define a unique path forward based on its own values. If we can galvanize our people, we can build sustainable, bright futures for us all.

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 $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 modelling, D&I 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 wellbeing, 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, D&I / pay equity analyses and cybersecurity culture
- Internal Labor Market (ILM) maps, talent intelligence and site selection
- Compensation, career, health, 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
- Work redesign, skills taxonomies and strategic workforce planning
- Workforce optimization, talent ecosystem and digital outplacement
- 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 knowhow 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:

- The Target Interaction Model and how this is reshaping the HR Function
- Employee voice platforms, persona development and moments that matter
- Adaptive working, health and wellbeing strategies, digital wellness and benefit tools
- Digital implementation and activation, including Workday optimization, ServiceNow solutions

We provide guidance on how to 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.

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.

Together, we're redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. We do this by meeting the needs of today and tomorrow. By understanding the data and applying it with a human touch. And by turning ideas into action to spark positive change.

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.

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

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