

Rise of the relatable organization

Global Talent Trends
2022 Study





Introduction

Two tumultuous years, much of which have been spent six feet apart, have paradoxically brought organizations and their workers closer together. With worker trust at an all-time high, a moment of profound opportunity has arrived: to pick up the tools of empathy learned and honed during this period and carve a new way of partnering that is more relatable, sustainable and attuned to the new shape of work.

The fragility of the post-pandemic recovery shows that the COVID-19 era of complexity is not over. Living in a heightened risk environment — where risks and opportunities intersect in unexpected ways — is the new reality. Whether we call it the Great Resignation or the Great Reassessment, a fundamental change in people's values is underpinning a structural shift in the labor market. A stronger-than-expected economic rebound in some geographies has enabled workers to take action: witness the labor crunch in the US and the “tang ping” (lying flat) movement in China.

Evidence from nearly 11,000 voices reveals that winning organizations are becoming more relatable

Organizations predicting high growth, those with a thriving workforce and those with innovation cultures all share one agenda this year: a focus on becoming more human and, in turn, more relatable. These relatable

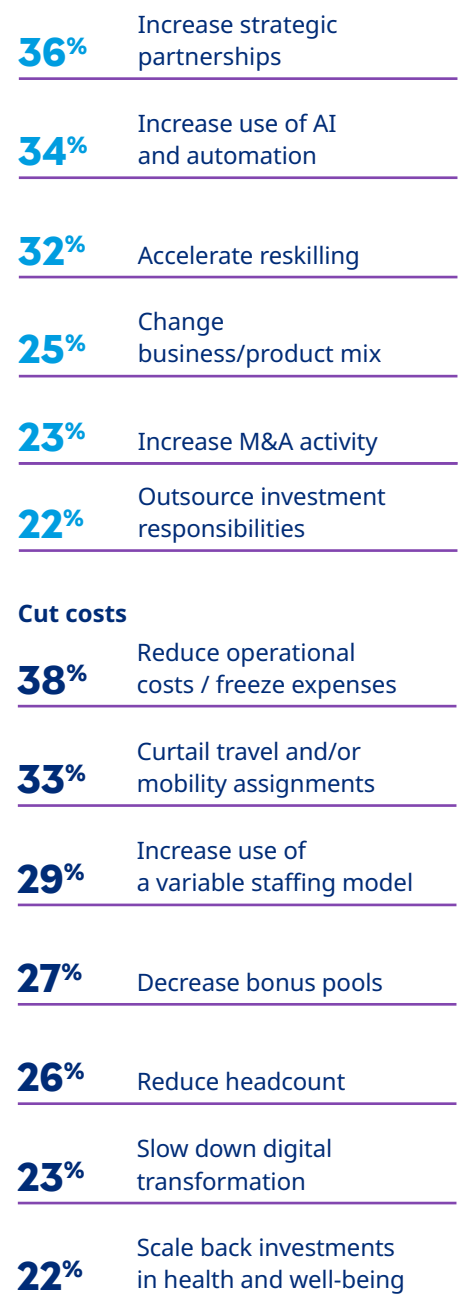
organizations are challenging legacy notions of value-creation and redefining how they contribute to society. They are rethinking processes, ways of working and digital investments that deliver on a new vision for work, working and the workplace — a vision that unlocks potential through values, partnership, wellness, agility and energy.

Continued turbulence impacts 2022 ambitions

Companies' reinvention plans will come up against a host of constraints in 2022. The strained supply chains and geopolitical conflict of the last two years remain. So do concerns over inequality, slow progress on social justice and the de-carbonization agenda that is currently slated for a disorderly net-zero transition.¹ Market gyrations and inflation concerns continue too, as views diverge over whether to take bold action and how to mitigate risk. We all learned lessons during the past two years — the fingerprints of which are evident in executives' plans for business resilience and recovery. In the event of another economic downturn, C-suite executives plan to make strategic investments, not only cut costs (see Figure 1). There is an interesting comparison to the last time executives had to contemplate an impending downturn, with fewer planning to *leverage variable staffing models* (down from 39% in 2019 to 29% today) and *reduce headcount* (down from 30% to 26% today). This reflects a pandemic-era lesson — that companies can be more nimble in difficult times by retaining people who know the culture and are already committed to the journey — and acknowledges the unique challenges of a tight economic climate combined with a hot labor market.

Figure 1. In the event of an economic downturn, executives would:

Make strategic investments



¹ Marsh McLennan. *Global Risks Report*, 2022. Available at www.marshmcclennan.com.



In addition to concerns around inflation and the economy, executives around the world also expect to grapple with cyber threats and a heightened risk environment in 2022 (see Figure 2).

Talent attraction and retention are also top of mind for executives (see Figure 3), with *two-thirds (66%) saying they face a labor shortage crisis*.

HR's priorities for 2022 are well-aligned with executive concerns. Top of the list is *improving workforce planning to better inform buy/build/borrow talent strategies* (see Figure 4). Bottom of the list are *leveraging a variable staffing model, addressing brand-fit for key populations, and tapping into non-local or non-traditional talent pools*. Also notable is that three of the top five priorities are reward strategies — a stronger focus for HR than in prior years.

Figure 2. What keeps the C-suite up at night?



Cyber risk and data security

top concern in North America



Business resilience

top concern in Asia



Digital acceleration

top concern in Europe



New work models

top concern in Latin America

Figure 3. Over 55% of executives share these workforce concerns



Difficulty hiring the right talent at the right price quickly enough



High employee absences impacting productivity



Digital exhaustion and remote worker fatigue



Loss of talent due to pandemic or unrest



Managing a more cross-border workforce



People thrive when they feel valued and fulfilled

The pandemic shook many of us to the core. The real health toll combined with constant uncertainty has made us question whether we will ever be able to return to carefree living. Despite the stressors and fears, *63% of employees say that they are thriving in their current role*, with men at 67% compared to women at 58%. What helps them thrive? *Feeling valued for their contributions and doing fulfilling work* top the list for both men and women. This is true across all regions except the Middle East and Asia, where, respectively, *a sense of belonging* and *having fun at work* are more important (see Figure 5). Also notable are some generational differences, with Gen X and Baby Boomers saying that *a sense of belonging* is more important and Millennials placing more value in *opportunities to learn new skills*.

Figure 4. HR priorities

1. Improving workforce planning to better inform buy/build/borrow strategies
2. Designing talent processes around skills
3. Enhancing Total Rewards packages
4. Addressing pay, gender and other equity gaps
5. Rethinking compensation plans
6. Investing in workforce upskilling/reskilling
7. Delivering on total well-being strategies
8. Evolving the flexible working culture
9. Redesigning HR operations
10. Putting ESG/sustainability at the heart of our transformation agenda
- ...
18. Tapping into non-local or non-traditional talent pools
19. Addressing brand-fit for key populations
20. Leveraging a variable staffing model/the gig economy



Relatable organizations hold the keys to success in 2022

Organizations today are expected to have a heart, to come off mute on what they stand for, and to make measurable progress against goals relevant to all stakeholders — from ESG to diversity, equity and inclusion (DEI) to co-creating the new shape of work. They are striving to become more relatable, taking on the values and personalities of their people and their communities. These relatable organizations have homed in on a few key success drivers: *resetting for stakeholder relevance, building adaptive capability* in their people and processes, figuring out how to *work in partnership* and tackle inequalities, driving outcomes on employee health and *total well-being, incentivizing employability, and harnessing energy* for the collective good.

Figure 5. What helps employees thrive around the world?

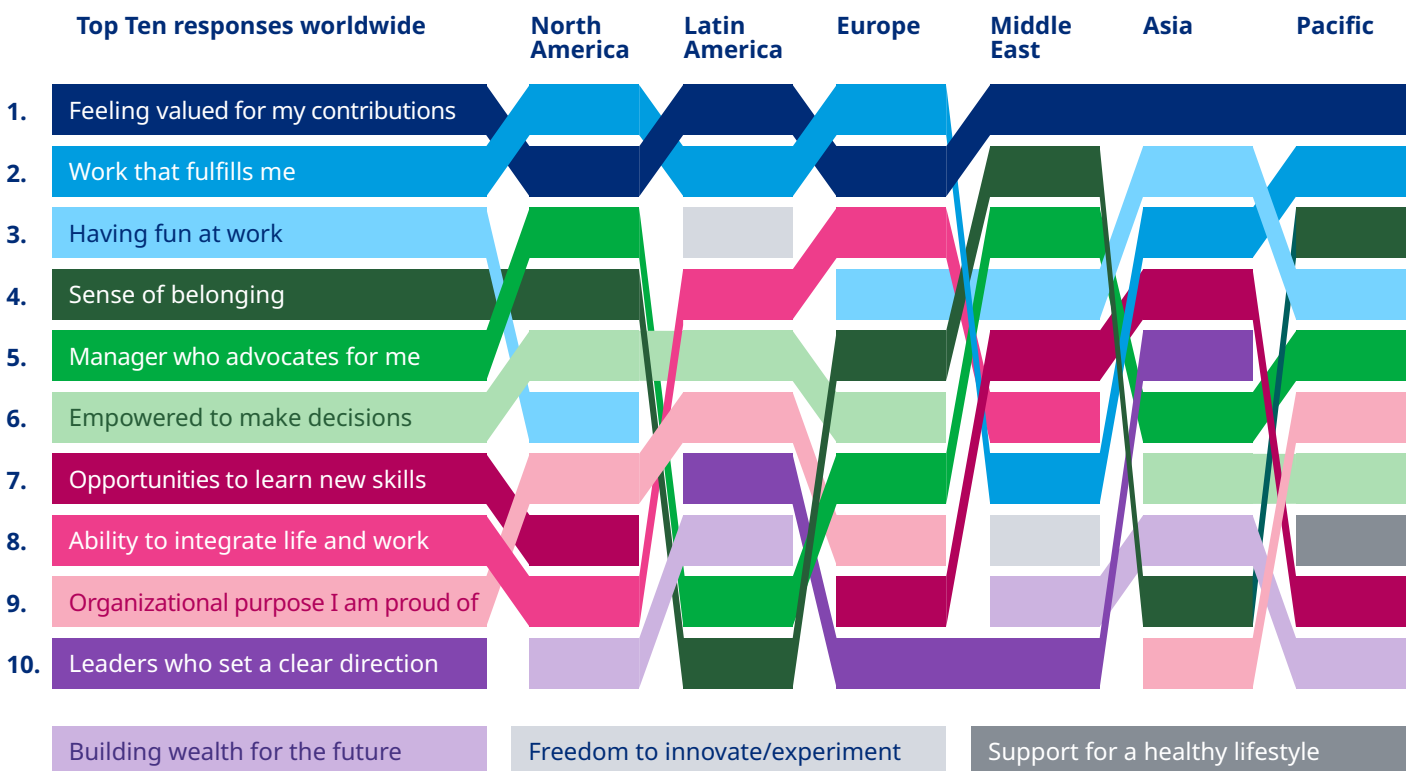
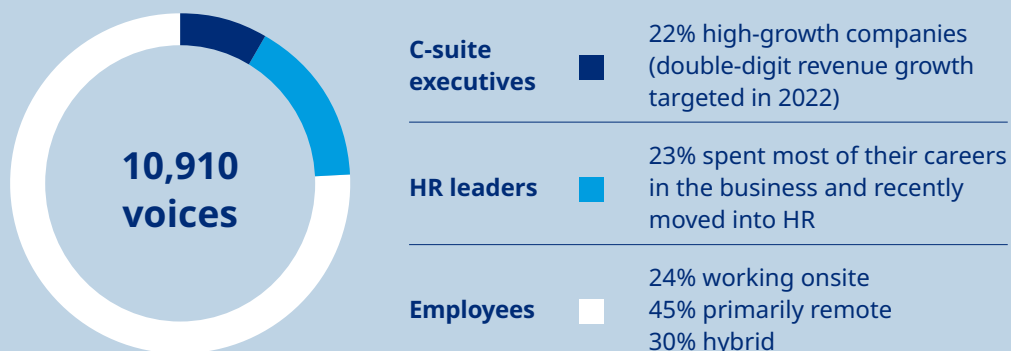


Table of contents

01	Reset for relevance	10
	Attract and engage talent by reflecting their values	12
	Adapt to a new work operating system	18
02	Work in partnership	26
	Foster a partnership mindset	28
	Partner equitably and individualize rewards	36
03	Deliver on total well-being	42
	Engage the whole person to drive sustainability	44
	Nudge healthy behaviors	50
04	Build for employability	56
	Secure the future with skills	58
	Build pathways to prosperity	64
05	Harness collective energy	70
	Design human-centric work experiences	72
	Build a relatable People function	78

Thank you to the nearly 11,000 respondents who participated in this year's study, representing 16 key geographies and 13 industries.



What a difference a pandemic makes: Changes brought on by COVID-19

Executives believe their workforce is more adaptable, and HR is prioritizing build over buy strategies to fill critical skill gaps.

What we learned about our organization

C-suite executives say the pandemic helped them realize that ...



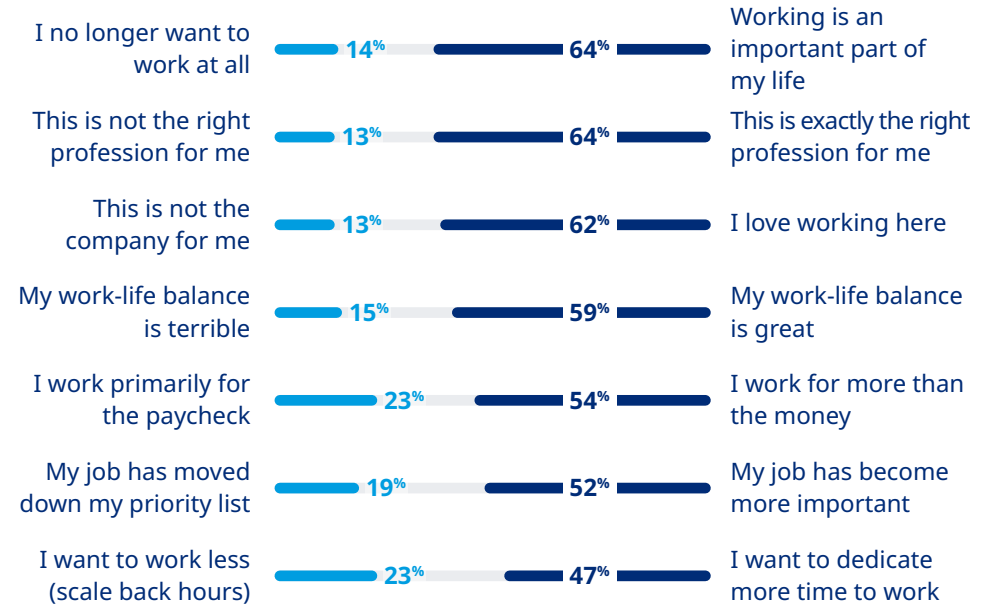
This year, 70% of HR leaders are gearing up for **higher-than-normal turnover**, especially in young talent and those with valued digital skills, and 60% of executives believe that **top talent will not return to in-person work**.





How employees are feeling

The pandemic caused people to rethink their priorities...



Despite 88% of employees feeling satisfied in their current role, 2 in 5 still plan to leave this year, with Gen Z both the most satisfied (92%) and the most likely to depart (55%).

2022 promises to be another year of change, with 97% of organizations planning significant transformation this year. Concerns over **employee exhaustion** put these plans at risk.

Employees who feel energized at work



By gender: Male employees are more energized (69%) than female employees (57%).
By generation: Gen Z are least energized (55%) and Gen Y most energized (65%).
 Highly energized employees are more likely to work for a company that delivers on total well-being, has tackled organizational complexity and has an inclusive culture.

Employees who feel at risk of burnout



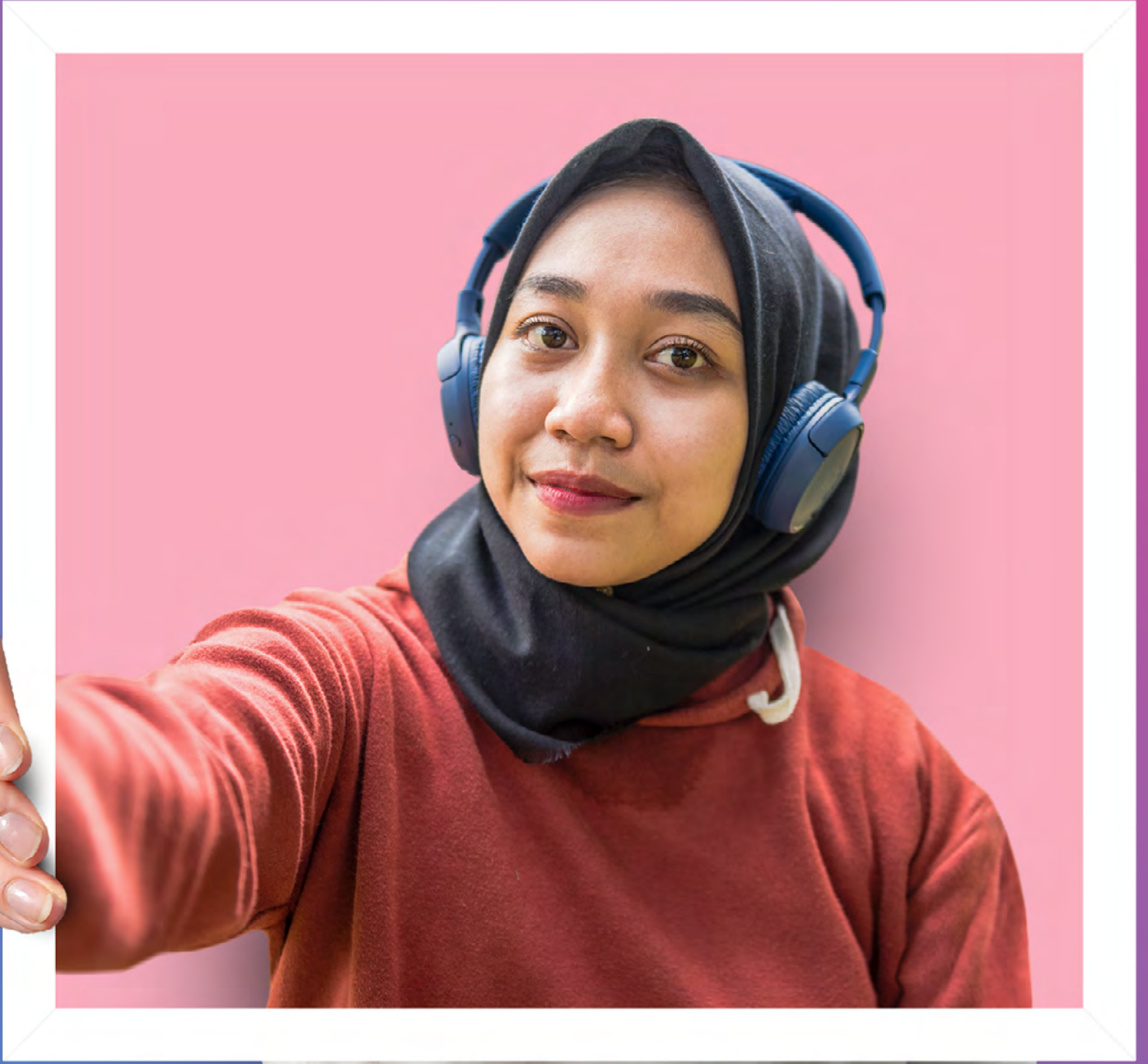
By gender: Drivers of burnout for men are perceived unfairness and lack of a support network. For women, burnout is due to workload and pandemic-era emotional demands.
By generation: Most at risk of burnout are Gen Z (89%) and Gen Y (89%), with Gen X below the average at 78% and Baby Boomers significantly lower at 58%.

1

reset for **relevance**

Build resilience by leading with values and an adaptive design

The events of the past two years have left an indelible mark on investor, employee and consumer attitudes. The new world of work — more nuanced and personalized — demands a reset of priorities. It requires new skills around listening, learning and adapting to identify and address unmet needs. Companies that fail to listen and adapt will lose the ability to raise capital, attract and retain talent, and stay relevant. Relatable organizations are finding their voice on what they stand for and setting standards for “good work” such as fair pay, equitable conditions and flexibility for all. They are using their voice for good, through stepping up as an ally in human rights and reflecting the values of all their stakeholders. They relentlessly listen to what drives consumer and employee behavior and build cultures and practices that are values-driven and adaptive by design.



Attract and engage talent by reflecting their values

Since early 2020, companies have been operating in crisis mode. Some have been fighting for survival, others struggling to keep up with a surge in demand — all trying to rise to the occasion and be there for their customers and their employees. Looking back, *two in five executives say that their business was able to weather the unforeseen challenges*. Now the challenge is to remain relevant beyond the crisis.

In addition to understanding new business forces and market dynamics, staying relevant requires an awareness of changing sentiments and values in workers, customers and investors. Which values do stakeholders want upheld? Which Good Work standards, as identified by the World Economic Forum² (see Figure 6), should each organization focus on? Employees around the world agree: *96% expect their company to pursue a sustainability agenda*. Even more striking is that *one in five employees says working for a company that is misaligned with their personal values is putting them at risk of burnout*.

Come off mute and steer with standards

As a record number of employees switched jobs last year,³ what influences people to join a new company is critical. After job security, *organizational brand and reputation is now the #2 reason that people joined their current employer* (a jump from #9 before the pandemic). Current and prospective employees expect a company to be clear on what it stands for. They look for company values to shine through in its brand, reward philosophy, benefits and overall employee experience.

Figure 6. The Good Work Standards framework: A template for action



² World Economic Forum. *Setting Good Work Standards*, 2022. Available at www.weforum.org.

³ Pew Research Center. "The Great Resignation: Why Workers Say They Quit Jobs in 2021." Available at www.pewresearch.org.



When I'm looking at a company, I like to see the policies they've put in place [on DEI]. A lot of companies have come out with pay gap reports year-on-year that delineate roles by race and different demographics. That's really positive because it gives the company an ability to reflect on themselves and see their progress.

Charmaine Gandhi, University of Bath graduate⁴



Pressure to make progress on ESG and share a social conscience is coming from all sides, with the number-one driver for this agenda being *growth opportunities in response to customer demand*, and *employee sentiment* and *investor pressure* driving 27% and 22% of companies' sustainability agendas in 2022, respectively. In response, companies are recasting success to drive multistakeholder outcomes — *6 in 10 are already focused on sharing risks and rewards across all stakeholders*. Examples of companies holding themselves accountable include Stanley Black & Decker's commitment to supplier diversity and diverse supplier mentoring,⁵ and Zurich Insurance's pledge to maintain sustainable employment practices in low-cost locations.⁶

A crisis often serves to bring people together, and the COVID-19 pandemic is a case in point. Employees' trust in their company is riding a wave: *Eight in 10 trust that their employer will do the right thing for society and for employees.*⁷ The percentage of employees who are thriving (feeling positive about their health, wealth and career) is also at an all-time high: *63% this year represents a four-point jump from pre-pandemic levels and a 16-point jump from 2018*. But with this trust comes responsibility — and the sobering fact is that for many groups, health, wealth and career outcomes have declined since the pandemic's onset. The need for wage protection and employee welfare has never been more critical

(despite the rhetoric about this being the Age of the Worker).

Yet with only *30% of executives seeing the ROI of setting good work standards and delivering on good work standards ranking 17th on HR's priority list*, picking up the pace will be essential. Employees' top expectations provide clues on what will make a difference (see Figure 7). One avenue for progress is sustainable investment practices, *in focus for 85% of companies this year*. But employees' top ask — *sustainable investment options in retirement plans* — is only offered by 37% of employers. Another ask from employees — *implementing minimum health and well-being offerings for all workers* — can be facilitated via centralized/global benefits management, which is on the agenda for *32% of multinationals this year*.

Employees are realistic and reasonable — they understand that dramatic movement on big topics such as ESG and DEI does not happen overnight, but they do want to see their company's commitment to the journey and meaningful progress along the way. For instance, global mining group Rio Tinto's publication of an external workplace culture review gave its employees greater confidence that the company will make progress on eradicating discrimination, among other issues identified.⁸

⁴ Sonsino Y. "Come Off Mute on Diversity, Equity and Inclusion." Available at www.mercer.com.

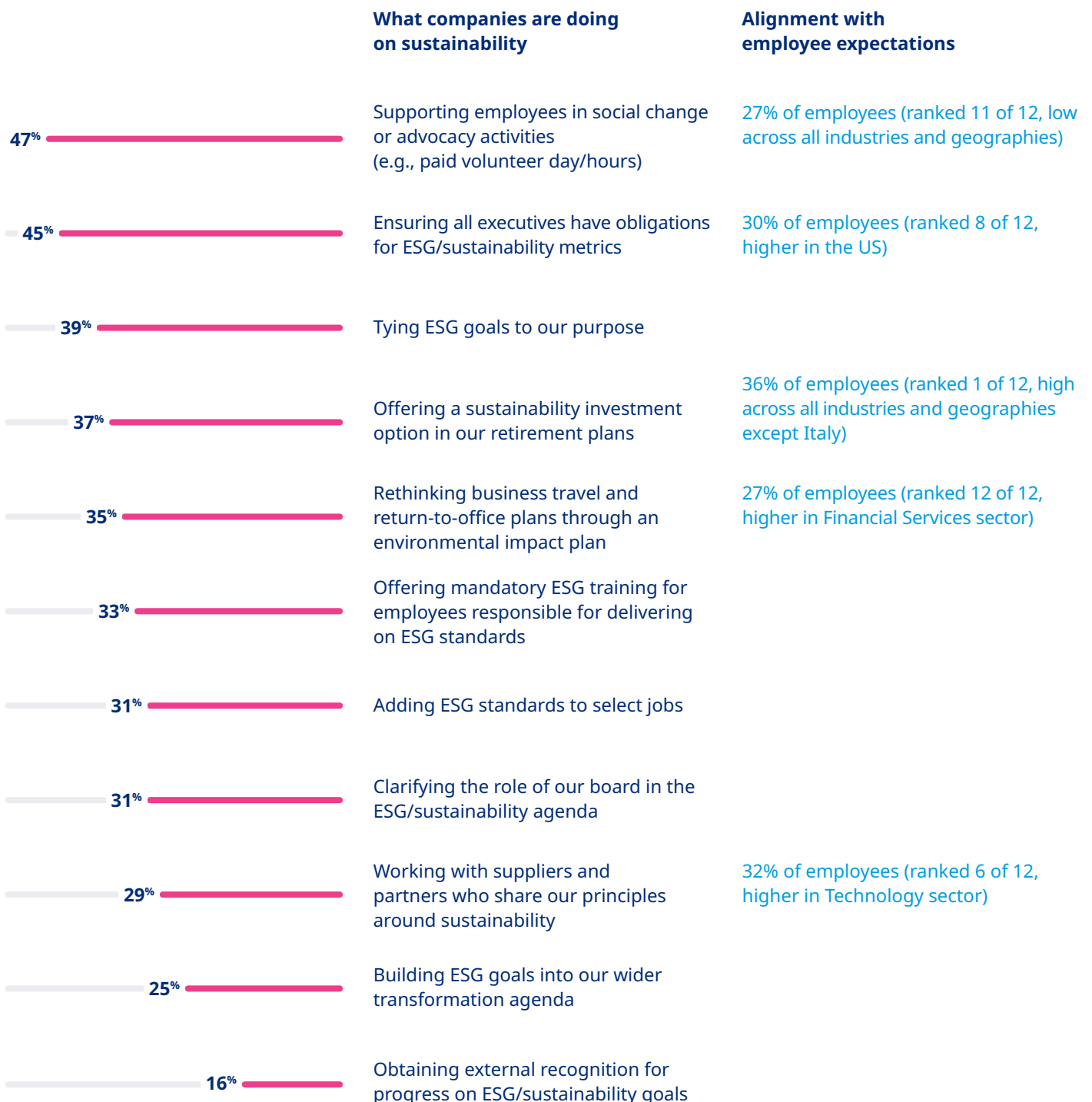
⁵ Stanley Black & Decker. "Our Supplier Diversity Process." Available at www.stanleyblackanddecker.com.

⁶ New Shape of Work podcast series. "Evolving for the New Shape of Work While Optimizing for Today." Available at www.mercer.com.

⁷ Corroborated by Edelman's 2022 *Trust Barometer*, in which 77% of participants stated they trust their employer, compared to 52% who trust their government. Available at www.edelman.com.

⁸ Rio Tinto. "External Review of Workplace Culture." Available at www.riotinto.com.

Figure 7. 96% of employees expect their company to pursue a sustainability agenda





Be a responsible employer by focusing on metrics that matter

To make real progress against ESG/ sustainability commitments, leading companies are focusing their energy on the few things that deliver meaningful value. Deciding what's important — which organizational values to uphold and which Good

Work standards⁹ to embrace — can be difficult. But with legislation on pay equity being enforced more frequently around the world, the World Economic Forum encouraging companies to report on standards,¹⁰ and increased

human capital disclosure requirements in many countries, this is a trend set to expand. Establishing a “new North” with standards that span financial, human capital and sustainability goals in turn dictates which three or four key metrics to listen to and learn from. Steering with standards not only communicates what a company values, but provides criteria against which to drive value-driven decision making throughout the organization.

Translating values into commitments, and standards into practices, is critical this year. One place to start is ensuring that senior executives' performance objectives and compensation are tied to outcomes in key areas — currently, *only about one-third of the C-suite has targets on their personal scorecards related to good work standards (37%) and DEI (36%)*. Rethinking rewards will ensure people are recognized for upholding standards and commitments as much as commercial outcomes.

Most organizations are still at the beginning of their journey, but the payoff is already becoming visible. High-growth companies¹¹ are:

- Three times more likely to contribute to the wider community and show purpose at a societal level
- Two times more likely to publicly set standards and targets related to responsible work practices
- Two times more likely to provide a fair, transparent and secure working environment for all

Thriving employees are 2x more likely to work for a company whose executive team prioritizes sustainability strategies

⁹The five Good Work standards, as defined by the World Economic Forum's Good Work Alliance, are: Fair pay & integrity; Flexibility & protection; Safety & well-being; Diversity, equity, inclusion & social justice; and Employability & learning culture.

¹⁰World Economic Forum. “Stakeholder Capitalism: Over 50 Companies Adopt ESG Reporting Metrics.” Available at www.weforum.org.

¹¹High-growth companies self-reported a target growth rate of 10% or greater for 2022.

Painting a bold and fearless future

Global paint company Beckers Group makes sustainability integral to its business and a source of pride for its people

After ten years focused mostly on environmental sustainability, Beckers Group brought their focus on the “S” in ESG to the center of the company strategy in order to live their values and capture business opportunities — next to the high ambition on the footprint and handprint of its products. The company realized that delivering on this ambition required sharing responsibility for people sustainability throughout the company — they needed every department to lean in. Led by the CHRO, the organization built the People stream within the sustainability strategy to drive action and commit to big and bold goals for 2030 that are motivating and can be a source of pride for the organization.

The People stream focuses on four areas: well-being, diversity and inclusion, community engagement, and employee empowerment. Beckers Group kicked off stakeholder workshops that included not just representation from its business functions and employees but also external stakeholders, including customers, suppliers, end consumers, and non-government organizations.

From those workshops, they set KPIs that resonated with this diverse group of stakeholders. Depending on the maturity of the item, they

focused first on leading KPIs (like training and hiring of underrepresented groups or participation on engagement surveys) before focusing more on lagging KPIs. They set big 2030 goals for all streams in people, products and operations and broke them down into yearly “sustainability contracts” that are committed to the supervisory board of the company and cascaded into personal targets for all managers (weighted at 30% of their variable compensation).

Each sustainability work stream reports bimonthly on progress to a sustainability council and breakthroughs are regularly shared across the company. Realizing that maintaining momentum would require individuals dedicated to the sustainability ambition, Beckers Group created new two new roles: a Sustainability Controller and an Energy & Environmental Manager. Since the program’s inception, engagement surveys have shown an uptick of ten percentage points in employees’ perceptions of progress on the social aspects of Becker Group’s sustainability agenda.

Beckers Group made a point of not letting perfection paralyze progress. Rather, it has painted a future vision around social progress that seeks to sustain its people and business well into the future.



Adapt to a new work operating system

In April 2020, Microsoft's chief executive officer, Satya Nadella, said that the company saw a two-year trend in digitalization get accomplished in two months.¹² The impact of technology acceleration on the future of work has been profound because it has also enabled the democratization of work opportunities. To navigate the rapidly evolving world of work, policymakers, leaders, managers and workers require a "new work operating system" that unhooks workers and workforce capabilities from the traditional boundaries of jobs.

Throughout the pandemic, organizations learned to use real-time data to course correct early and often. Today's growing complexity and intersection of risks and opportunities requires organizations to make near-daily adjustments to stay the course on their values and commitments. The challenge is cutting through the noise of the recent data explosion to determine which metrics need attention. Relatable organizations are constantly in listening mode, looking out for quiet signals in the market and recalibrating to an ever-changing environment (see Figure 8). They put in place dashboards and early warning systems to track a small number of KPIs, including human capital metrics, that reflect the values of their stakeholders and indicate whether progress is being made against what they care about.

To effectively "sense" with insights, organizations in every industry are leaning more on big data and AI to augment leaders' judgments. They are moving beyond descriptive workforce

metrics to behavioral science that identifies the drivers of health, wealth and career outcomes. *Two in five companies are tracking the impact of remote working on productivity*, for instance, and *the number of companies measuring burnout risk has nearly doubled in the past two years*. Along with more companies measuring (and publishing) information on pay gaps, there was also a jump in those exploring the underlying causes of inequities (*from 12% in 2020 to 40% this year*). This denotes a shift in sentiment from measuring and reporting to action and progress. Staying on top of the metrics that matter given the company's values and commitments has never been so pivotal to organizations delivering on their authentic voice (see Figure 9). It's not only new metrics being considered, it is also the democratization of data access that is driving change. Walking the talk on values requires everyone to demonstrate a curiosity about the underlying causes and drivers of behavior in their organization

Figure 8. Relatable organizations have two ears, one mouth and many hands

Staying relevant means doubling the ratio of listening to communicating, and including all stakeholders in translating words into action.



High-growth organizations put modern listening tools as their top HR tech investments this year



Thriving employees are 2x as likely to say they feel listened to and engaged in discussions on the future of work

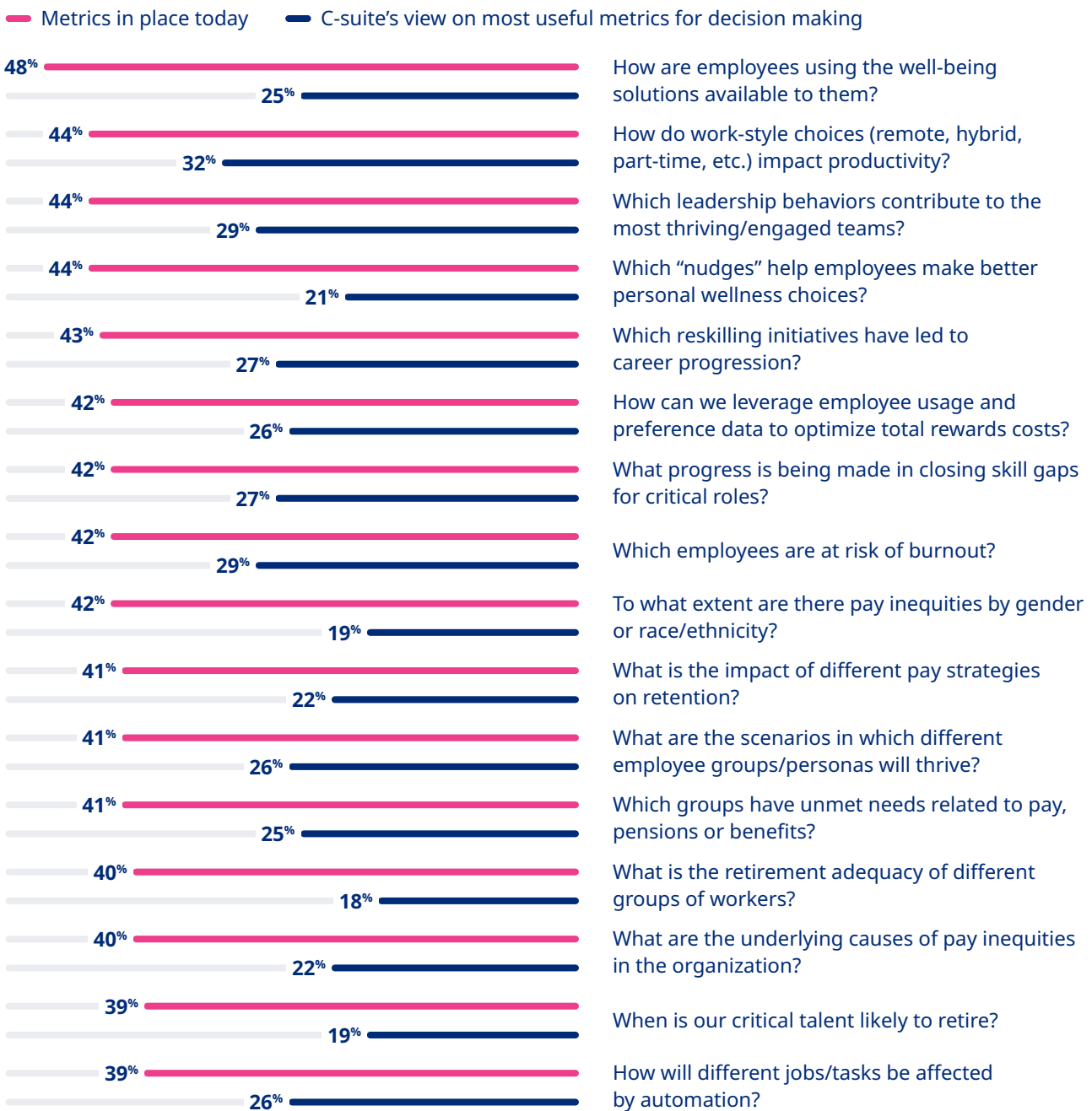


85% of companies are co-creating new employee experiences with their people

¹² Spataro J. "2 Years of Digital Transformation in 2 Months." Available at www.microsoft.com.



Figure 9. Using human capital metrics to course correct in an ever-changing environment



Walking the talk on values — and why it matters



Preston Igwe, MD
@PrestonIgweMD

A quick story. I'm on ambulatory medicine at the VA. Yesterday I went to get a patient from the waiting room. A Black man who served in Vietnam. When I introduced myself as Dr. Igwe, he gave me a very strange look. I asked if I had the wrong person, but he said "no, that's me".

6,641 Retweets **924** Quote Tweets **52.5K** Likes



Preston Igwe, MD
@PrestonIgweMD

I couldn't shake this weird feeling I had, so I asked him why he was looking at me like I had three heads. He said, "Brother, I've been coming to the VA since 1970. And I've NEVER seen a Black doctor. Many Black people around the place, but never a doctor."

860 Retweets **25** Quote Tweets **20.2K** Likes



Preston Igwe, MD
@PrestonIgweMD

Now it was my turn to be shocked. In over 50 years of coming to the VA, this man had never seen a Black physician! I was his first. He then proceeded to tell me how important this was to him. The fact that I simply existed and was here with him at that moment.

955 Retweets **27** Quote Tweets **26.5K** Likes



Preston Igwe, MD
@PrestonIgweMD

After I finished up the exam, I went to staff with my attending and we came back into the room together. While pointing at me, the patient tells my attending, "You need to keep him! He's the first doctor I've ever had that looks like me."

646 Retweets **20** Quote Tweets **21.5K** Likes



Preston Igwe, MD
@PrestonIgweMD

Now y'all. I've had some great moments as a doctor over the last 7 months. But this one was definitely one of the most profound. It filled me with joy to know that the last 13 years of my life were in preparation to make this type of impact. And that I'm where I'm supposed to be.

778 Retweets **19** Quote Tweets **39.2K** Likes



Preston Igwe, MD
@PrestonIgweMD

Although just having Black people represented in medicine is not enough, it is still very important. Cause our very existence is therapeutic. It makes a difference. We also need the support and systemic changes to actually thrive in this field.

1,351 Retweets **74** Quote Tweets **35.9K** Likes

Reduce the distance between business and talent planning

When talent and skills supply are so critical to a company's ability to achieve its objectives, scenario planning with live talent data should be informing, if not driving, the business strategy. Leading organizations are bending both the supply curve and the demand curve with work design, automation, and increased fungibility in their talent models (see Figure 10) to establish a more dynamic relationship between business and talent planning activities.

In alignment with HR's top priority this year, *executives are making investments in strategic workforce planning and workforce analytics platforms* to stay on track and flex to market demands. These technologies can help determine the right mix of build, buy, borrow strategies to fill critical skill gaps, and when coupled with market data on skill pricing and market skill availability, they can inform location and sourcing strategies with unprecedented precision. They can also map the extent to which each talent population is progressing, stagnating or exiting, and help to focus workforce diversity efforts. Critically, they do so with speed and accuracy that ensures effort is spent designing solutions instead of wrangling data.

Reframe by flipping your perspective

- If the mix of build/buy/borrow is changing due to difficulties in sourcing skills, are there unintended consequences for the organizational culture and employee value proposition?
- If there is a focus on DEI, does a planned acquisition contribute to progress against goals or deliver a gender-biased liability?
- If equitable benefits are key to the company's LGBTQ+ philosophy, are these being upheld in all its entities around the world?
- If the company publicly supports fair work conditions and a living wage, how are minimum wage workers faring? Do conditions in the supply chain support or hurt the brand?
- If sustainable investing is part of the company's commitments, are internal teams best placed to deliver impact investing, or could outsourcing increase speed and alignment?

Figure 10. Addressing skills shortages by increasing supply and decreasing demand

Decrease demand

By deconstructing jobs into tasks, automating parts of jobs, redesigning jobs and redesigning work models (location, job sharing, etc.) to make it easier to find people to do the tasks needed



Increase supply

By accessing non-traditional talent pools, reskilling/upskilling and redeploying existing talent, rebalancing the employee value proposition to attract new talent, and considering co-opetition and talent sharing

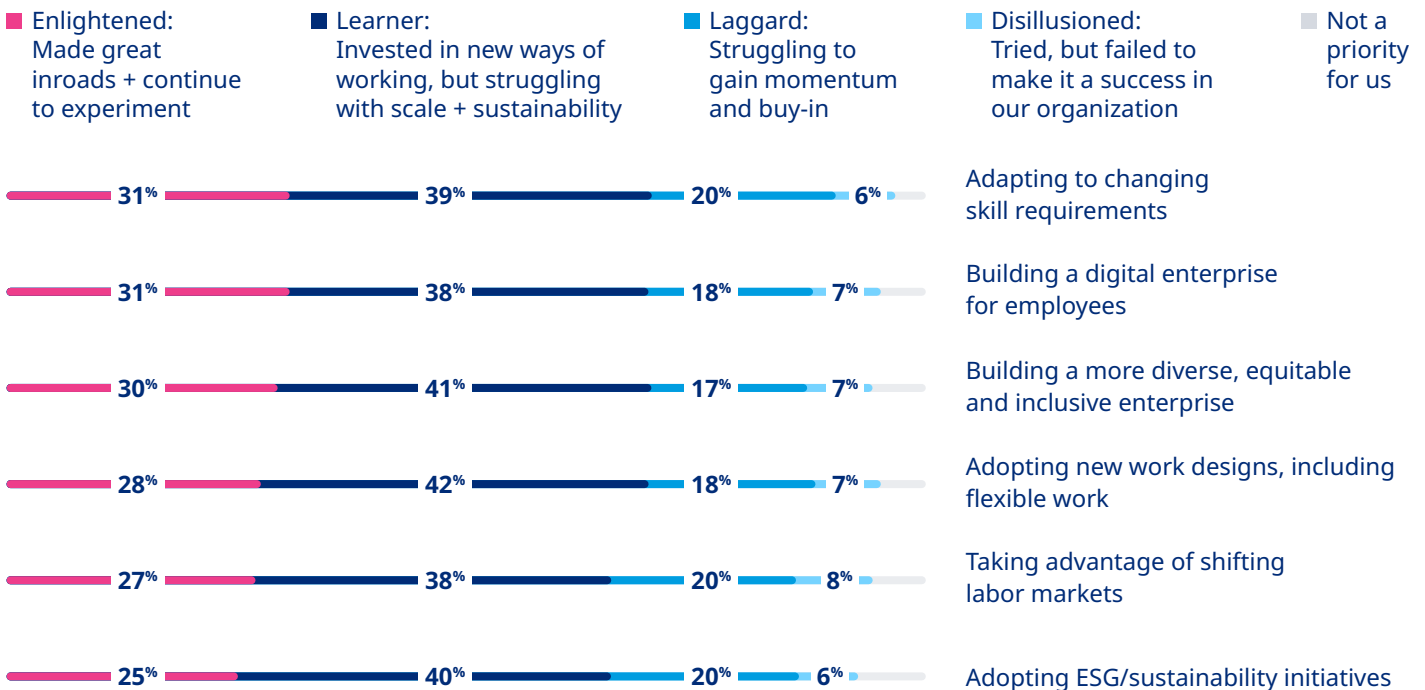
Create adaptive capacity

While many organizations have implemented Agile methodologies and agile ways of working, the results have been mixed: *Two in five admit they still struggle with scale and impact in areas such as adapting to changing skill requirements, building a digital employee experience, DEI and ESG. Business transformation and taking advantage of shifting labor markets* also remain stubbornly difficult to unlock (see Figure 11).

The need to embrace a “new work operating system” that enables adaptability by design is critical and reflects a broader trend toward envisaging work without jobs.¹³ To embed adaptability into their DNA, companies are

embracing new work operating models that reduce the frictional cost of connecting talent to work while increasing capacity and capability to adapt. With labor markets among the tightest in living memory, capacity can be addressed via role segmentation and work design. *Over one-third of companies have already redesigned roles as fully agile, traditional or a blend of both (or are planning to do so this year)*, giving leaders more freedom to flow talent to areas of rising demand. Flow-to-work models (*on the agenda for 32% of high-growth companies in the next two years*) also allow individuals and teams to pivot to changing priorities, respond to new market signals, and course correct as needed. Ensuring structures do not become “brittle” and can withstand successive changes will be key to building adaptive capacity at an enterprise level.

Figure 11. Many organizations are on the journey, but struggling to achieve scale and impact



¹³Jesuthasan R and Boudreau J. *Work Without Jobs: How to Reboot Your Organization's Work Operating System*, Boston: MIT Press, 2022.

Build individual capability to maximize organizational resilience

Yet structural designs will only go so far — achieving organizational agility requires each and every employee to deliver on commitments and be able to course correct when decisions deviate from the company's mission and values. This realization reflects the diffused decision making that proliferated during the pandemic — with many organizations going from vertical to flat in a snap as pandemic response teams were charged with addressing far-reaching issues beyond the scope of their day jobs. The result is that people feel more empowered than ever before (*especially in the financial services, insurance, technology, construction, manufacturing, and life sciences sectors*). Even as some companies have begun scenario planning rapid response teams to move more quickly in the case of another crisis, there is a long way to go — *only 30% of executives believe that their company can make important business decisions at the local level.*

What will it take for leaders to feel comfortable empowering their workforce to make decisions on behalf of the company? Focusing on data analysis and complex problem-solving skills can reinforce to employees and managers the importance of careful and measured decision making, especially important after two years of pandemic-induced react-and-respond decision making. This can be achieved by spending more time setting direction and defining guardrails, especially on decisions with ethical considerations, to ensure local decisions drive progress against critical priorities and uphold the organization's values. With flattened organizational structures (whether formal or informal), companies now seek to enhance connectivity and communication, accelerate digitalization, and build adaptive capacity.

78% of employees say they feel empowered to work with minimal oversight (up from 64% in 2020)



Recommendations

Getting Started

1. **Build a multi-method approach to listening.** Utilize techniques such as team dialogues, virtual town halls, digital focus groups, pulse surveys, employee resource groups, and networks to understand and respond to the values and preferences of multiple stakeholders and stay connected to wider worker sentiment.
2. **Come off mute and make your values heard.** Define the values that you seek to uphold inside and outside the organization and translate these into brand commitments and practices that reflect what you stand for – from fair pay, social justice, and DEI to climate change and other ESG factors.
3. **Enable the workforce to take collective responsibility.** Refer to the World Economic Forum's Good Work Alliance framework to help define your priorities. Democratize access to data so everyone (not just HR and marketing) can listen to internal and external signals. Empower employees and suppliers to respond in line with the company's values and commitments.
4. **Drive a culture of accountability for social responsibility and employability.** Extend beyond the Executive or Board mandate by embedding ESG metrics in goal setting, executive incentives, agile rewards, and performance management.
5. **Encourage a 'growth mindset'** with regard to who can do work and what work is available. Adopt a "test and learn" mindset for new initiatives and conduct micro-experiments to test innovative approaches and pivot quickly.
6. **Mitigate the risks of increased AI and analytics.** Train employees on cyber security and data protection, and ensure HR and managers have ethical use of AI and workforce intelligence as a cornerstone of decision making.

Suggestions to Accelerate

1. **Broaden your reach/impact.** Ensure your Sustainability leader embraces the people and social side of ESG, and that HR takes the opportunity to influence and enable the sustainability agenda. Extend commitments to include your external business ecosystem.
2. **Motivate with progress.** Enable the workforce to evaluate and take action on ESG topics such as their own carbon footprint and contribution to DEI commitments. Publicly share metrics and communicate progress.
3. **Offer and prioritize sustainable investment options** in employee retirement plans. Consider delegating responsibilities for fiduciary responsibilities to tighten governance of employee retirement assets. Leverage impact investing options to further emphasize commitment.
4. **Drive ESG and DEI into decision making.** Enable managers to track workforce metrics, including internal labor market (ILM) maps, to constantly inform direction on DEI progress and identify career bottlenecks.
5. **Leverage dynamic scenario modeling in strategic planning** to expand thinking on how work gets done across the ecosystem and what can impact supply and demand. Support executives in making data-driven decisions that respond to workforce trends.
6. **Design ways of operating that focus on building adaptability.** Define what jobs could be fully or partly agile, and consider the infrastructure needed to support flow-to-work models. Use AI-powered talent intelligence/marketplace platforms for greater visibility of work opportunities and capacity to respond.
7. **Ensure short-term and long-term incentives reward adaptation,** and that they can be adjusted as often as needed in response to changing business requirements.

Cracking the code on new ways of working

How global consumer goods leader Unilever embraced a new work operating system

Committed to meeting new standards around social responsibility and employability, Unilever has made three commitments to its 148,000 workers and suppliers: Reskill or upskill employees with future-fit skills by 2025; pioneer new models to provide employees with flexible employment options and help equip 10 million young people with essential skills, both by 2030.

Such commitments to good work standards cannot be fully realized, however, within the confines of existing work models. A new work operating system was required to deliver the agility the business craved and meet the ask of employees — one that bridged the traditional full-time employee structure (in which workers give up flexibility for the security of a paycheck, benefits and a pension) and the traditional gig worker model (in which workers give up that security for flexibility).

Thus, a new work operating system was born at Unilever. Called “U-Work,” it’s a way for the organization to meet business needs while simultaneously

allowing for learning, time for caregiving or even partial retirement. Under U-Work, employees no longer have a traditional job with Unilever. Rather, they remain a permanent employee with benefits, receive an annual retainer (paid monthly) and then collect additional assignment pay when they accept a project requiring their particular skills. U-Work is open to employees in both offices and manufacturing.

The key to creating a hybrid model like U-Work was to simply start experimenting and get connected to the organization’s data. Given looming demographic challenges — whether aging populations or differing generational attitudes about the role of work — Unilever decided to adapt now to be better equipped to deal with any lack of skilled workers tomorrow.

“Everyone wins with this model,” said Placid Jover, Expertise, Innovation and Finance Chief HR Officer. “It’s economically viable, sustainable and responsible. I believe this is the next big thing in employment since pensions.”

2

work in partnership

Create equitable, transparent and rewarding relationships

People no longer want to work *for* a company; they want to work *with* a company. The future of work depends on flatter and more networked talent models, fueled by a more flexible, fungible and, for many, a more globally dispersed workforce. This represents a shift in the social contract of work, one that will succeed only if everyone feels they are getting a fair deal. Hybrid working, gig working and the opportunity to tap into a globally mobile workforce are just some of the new opportunities and challenges arising. In response, relatable organizations are developing a partnership mindset across their ecosystem. They are building business resilience by infusing equity and inclusion into their talent models, accessing broader and more diverse talent pools, and building out more robust supplier and partner networks. Today, “partnering” over “leading” might be a company’s biggest competitive advantage.





Foster a partnership mindset

As the pandemic flattened our world in many ways, partnering inside and outside the company took on greater significance. By necessity, individuals who suddenly found themselves furloughed or working remotely hustled to keep earning or turned their closet into a makeshift home office. Some learned new skills. Others turned those skills into profitable side gigs. Nearly all considered, just for a moment, what their life would be like if they did not work at all.

Two simultaneous forces are driving a need to reassess the work contract: the *consumerization of the enterprise* (with companies heeding employees' demands for a personalized, technology-enabled, consumer-grade experience at work) and the *enterprization of the worker* (where employees feel more empowered, digitally-equipped and self-sufficient).

Today, it is not only knowledge workers who are demanding flexible options to fit around their life, but all workers — from shop floor workers to truck drivers. These expectations are welcoming the next leap in the employee value proposition, moving from the Thrive contract to the Lifestyle contract (see Figure 12). Leaders are grappling with issues of fairness: with what is offered to

frontline workers versus managers, with pay for people doing the same job from different locations, and with career and health parity for new hires versus current employees.

If last year was about meeting talent on their terms and focusing on health, this year companies are resetting to balance both workers' and employers' needs, centered around healthy partnering. They are redefining the old work contract as a new work equation — one that reflects a more equitable relationship between employer and individual regardless of employment status. And they are evolving their return-to-work strategies into sustainable future-of-work models that preserve the culture and climate of their company while enabling people to blend work into their desired lifestyle.

Figure 12. Hybrid is dominating the airways, but there is a more fundamental shift happening



Only 2 in 5 employees say their company is meeting all of their needs



Current:
Recover

Future:
Energize

Thrive contract
(whole-person consideration)

Lifestyle contract
(LifeX — life experience)

Well-being needs:
Purpose, Equity, Impact

Fulfillment needs:
Choice, Connection, Contribution

If we support well-being, employees will recover and return to work

If we understand employees' full lives, we can craft mutually beneficial employment deals

Healthy experiences in exchange for a commitment to organizational renewal

Total rewards that include flexibility and employability in exchange for the promise of continued relevance

Figure 13. What makes employees stay?



Play the “Great Resignation” to your advantage

Despite what we hear on the news, not everyone is quitting their job. In fact, the percentage of employees who are *satisfied with no plans to leave has hovered around the 50% mark since 2019*. But the Great Resignation certainly has sharpened the focus on retention, which is one of the top tasks from CEOs to their HR leaders this year. Interestingly, employees’ reasons for staying at their company (see Figure 13) do not differ much by country and industry, but they do differ by generation. Gen Z employees place more value on *inspiring leaders*, with *competitive pay* ranking lower on their list. For Baby Boomers, *vacation/time-off policies* is the number-two reason they’ve stayed. *Job security* is number one across all four generational groups.

The digital pandemic

The convergence of remote working and ever-increasing cyber risk has many executives worried: *96% now see data security as a threat. Two in five are concerned about employees’ lax data security mindset when working from home*, putting this on par with their concerns about external breaches. They are less concerned with *employee-monitoring data being overused or misused (32%)* and with *overreliance on AI to make people decisions (31%)*. But as companies embrace partnering and different work models at greater scale, cyber exposure risk and data privacy concerns will only increase.



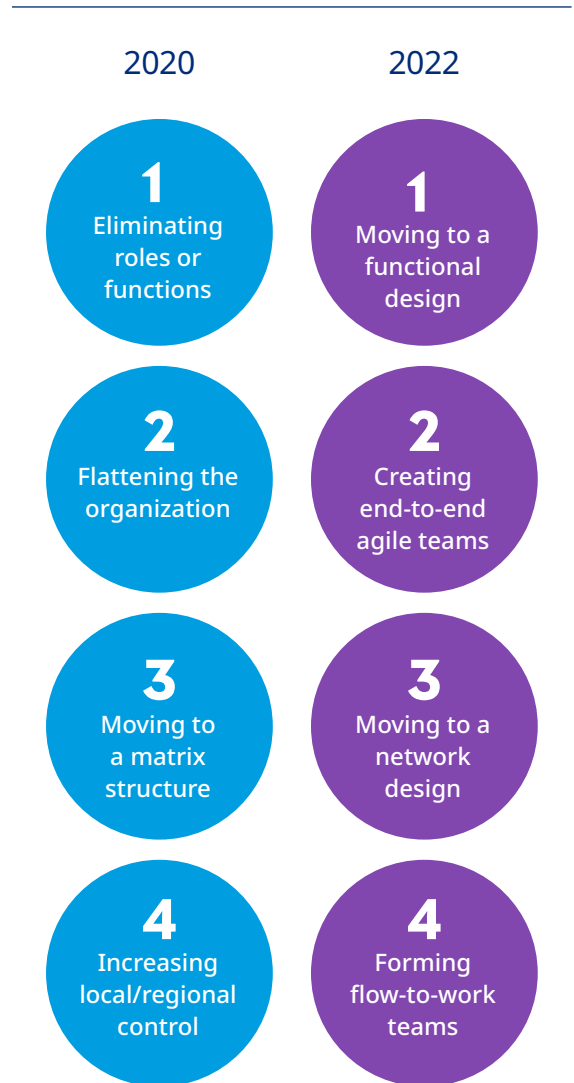
Partner across the talent ecosystem

Executives have long viewed external partnerships as a cornerstone of business resilience, and in fact *would expand their strategic partnerships if faced with another economic downturn*. Some companies are leveraging the same strategy to build internal people resilience: *Nearly 1 in 4 organizations are already part of a consortium that shares talent across companies, or are planning to join one this year*. Now the focus is on more fluid and networked organizational designs (those that link internal and external relationships), to support the use of a broad talent ecosystem and better align to the platforms and partners of the digital economy (see Figure 14).

Relatable organizations treat everyone in their talent ecosystem as a potential partner, either now or in the future. As a result, they are embracing different work contracts (gig, variable/seasonal, shared, part-time, full-time) and work models (onsite, hybrid, remote) to their advantage. Gig working remains a favored strategy for the C-suite, with *six in 10 executives expecting that gig workers will substantially replace full-time employees at their company in the next three years* (in Japan, nearly nine in 10 executives make this prediction). This shift is concerning to HR leaders, 74% of whom fear that leadership will have a strong incentive to move remote workers to a freelance model.

Yet employee sentiment around gig working has shifted considerably. *Fewer than six in 10 employees who work for one company today would consider freelancing* (highest among Gen Y and Gen Z), with employees in Brazil, South Africa, Mexico, and the Middle East being most receptive and employees in Europe the least interested in changing their

Figure 14. Trending org design changes



employment status. This is a significant decrease from 2020, when nearly *nine in 10 globally said they would consider freelancing*. The reasons given illustrate a monumental change in attitudes. Before the pandemic, losing one’s job was by far the strongest impetus for considering gig work (22% in 2019, just 2% in 2022). Now, the top freelance drivers include increasing earning potential (from 21% in 2019 to 48% today) and *gaining greater flexibility and freedom* (up from 14% to 42%). As flexibility becomes a hallmark of permanent roles, freelancing — which is inherently less stable and often offers fewer benefits — will fall out of favor for those that have choices. Making gig working more attractive will require evolving the social contract, but so far, *fewer than one in five companies*

is reviewing its gig working terms and benefits. The evolution of new work models might also deliver the flexibility organizations need, together with the flexibility individuals crave, without severing the work contract.

Responding to employee demands for healthy flexibility

Forming healthy work partnerships means tackling the biggest challenge of remote working — well-being. Employee preferences for hybrid working continue — *nearly half of employees want hybrid or remote work in 2022, women more so than men*. Even more telling is that *one in three employees would be willing to forego a pay increase in return for more control over their work schedule* (significantly higher for technology sector employees

at 43%). But in its current form, working and managing remotely still feels like a struggle. *Nearly seven in 10 remote employees say that the physical distance hurts their ability to build relationships with colleagues and leaders, impacts their promotion prospects, and makes it difficult to disconnect from work*. And remote working is not an option for large portions of the workforce,¹⁴ demanding more deliberate design to take advantage of other flexible working levers related to the “what, how, who and when” of work (in addition to “where”).¹⁵ When asked about the impact of remote working, employees who feel they are not thriving today are three times more likely to say that these arrangements reduce their sense of empowerment and negatively impact their career (see Figure 15).

Figure 15. Executives are concerned about remote working, but employees see things differently

Executives

78% Are concerned about the ability of remote employees to build solid interpersonal relationships with colleagues/leadership

75% Believe they have an apprenticeship culture where people learn working side-by-side, not remotely

72% Are concerned that remote workers will have a difficult time getting ahead/promoted

72% Are concerned with the potential deterioration of the organizational culture

Employees

76% Believe those who work flexibly will be given the same career opportunities

74% Say that senior leaders at their company are genuinely supportive of flexibility

74% Believe their organization will be more successful with remote/hybrid workers

54% Enjoy working remotely 100% of the time

HR will become a key mediator in bridging the gap.

Top actions being taken:

- #1 Offering flexible work/collaboration training
- #2 Creating a safe environment to share concerns
- #3 Investing in enhanced collaboration technology

¹⁴ Sostero M, et al. “Teleworkability and the COVID-19 Crisis: A New Digital Divide?” *JRC Working Papers Series on Labour, Education and Technology*, 2020.

¹⁵ Mason L, et al. *The New Shape of Work Is Flexibility for All*, 2021. Available at www.mercer.com.

For older workers and men, the *loss of connection to coworkers* is a major issue when working remotely. Gen Zs are most likely to call out increased stress and see an overall negative impact on their well-being.¹⁶ What would bring people back to onsite work? Both men and women say they would consider coming back to the worksite if being in-person could *get them promoted faster*, or if they felt *they were missing out on learning opportunities*. But men were more likely than women to add *the desire for face time with senior colleagues* as a reason to go back onsite.

When the living room is now the playpen and the office, it is increasingly difficult to mentally turn off and physically walk away. Onsite working offered structure and physical boundaries between professional and personal. Without it, companies grapple with how to bring the best out of their people while supporting greater intentionality in where they spend their time and with whom. C-suite executives acknowledge that there is significant work to be done in evolving their company's flexible working culture, and HR attests to the challenges of reimagining their company culture when it transcends locations and time zones.

Nearly all companies (98%) are taking steps to create a healthy hybrid work culture. Top of the list (in place at 39% of companies) are *employee training*, *digital tools to support remote workers' emotional well-being*, and *creating a safe environment for all employees to share concerns*. High-growth companies have been bolder in their hybrid working strategies.

What did high-growth organizations do differently in 2020–2021?

- 36% offered the option of a four-day workweek.
- 47% adjusted talent strategies to attract freelance and other non-traditional talent.
- 51% asked employees where they want to work and how they work best.
- 52% repurposed facilities for more digitally led hybrid working.
- 54% institutionalized flexibility into cultural norms.

The enterprization of the worker means people want to make their own choices about how they work, and expect the freedom from their employer to do so. But they also want clarity on scope and the opportunity to “renegotiate the agreement” when workload gets out of hand. This new approach eschews command-and-control management in favor of partnership, and increases the importance of goal setting, calibrating expectations and establishing regular touchpoints. All of which is even more difficult with a dispersed team, yet *only one in four companies currently offers training on how to lead in a virtual or blended environment*.

Thriving employees are two times more likely to feel comfortable turning down unreasonable requests, and to work for a manager who has their back



¹⁶ New Shape of Work podcast series. “Support Mental Health when Returning to the Workplace.” Available at www.mercer.com.

Pledging flexibility in partnership

Global technology firm SAP builds a flexibility model that bends, not breaks

When the whole world goes remote overnight for health and safety, returning to work cannot look the same. SAP has embraced global flexibility for its entire workforce, which will make flex working the norm rather than the exception as part of a hybrid work model. This “Pledge to Flex” is being driven by an internal future-of-work organization with a dedicated leader. “Partnering with HR, the business, managers and employees, employee wishes are balanced with guidance to create solutions that are both cutting edge and workable for different talent cohorts and different types of work,” confirms Christian Schmeichel, Chief Future of Work Officer at SAP.

SAP’s hybrid working model empowers employees to balance when, how, and where they work best, considering business requirements and local legislation. Realistically, the diverse nature of country taxation and mandated benefit structures means all employees need to be “anchored” to one location (at least until the world catches up with the reality of a truly mobile workforce). And employees who choose to flex by moving from a low-cost to a high-cost area understand that they cannot expect an immediate cost of living adjustment. Talent mobility will be balanced between business and individual needs to drive win-win outcomes.

SAP also wants to help employees recall the “magic” that happens when they get together in person. Often, the best results come from being in the office a few days a week. This has become an important message especially to early career employees. Some Gen Z workers, for example, graduated into the pandemic and have never worked onsite, so they may not see what virtual work lacks when it comes to mentoring and learning, and they have yet to experience SAP’s vibrant culture in-person.

To coordinate and, most importantly, communicate the day-to-day realities of the flexibility pledge, SAP is creating global guidelines for managers on how to treat pay and benefits. Flex will play a key role in helping SAP support its culture of transformation, innovation, fairness, digitalization and high-performance. This space will evolve for SAP and others, as the world learns to adapt to a new working norm.

“Our pledge to flex requires us to consider the whole person and seek to support every type of work and worker in their benefits, their choices and in meeting their future needs,” says Chetna Singh, Global Head of Total Rewards at SAP. “We truly care for our employees and view them as our biggest customers and consumers.”



Partner equitably and individualize rewards

A partnering mindset is built on trust, transparency and equitability. The good news is that employees' trust in their company is at an all-time high (see Figure 16). Transparency is more of a challenge, although regulation is forcing the hand of the laggards.

But equitability, particularly in rewards, may be the most complex of all — with companies under pressure to commit to a living/fair wage and

consider equity across work models, jobs, gender, race and, now, location. While *addressing equity gaps is third on HR's list of rewards/benefits priorities this year*, C-suite executives continue to rank it near the bottom on a list of workforce initiatives that will deliver the biggest return on investment.

Great partners focus on career, health and pay equity to stay ahead

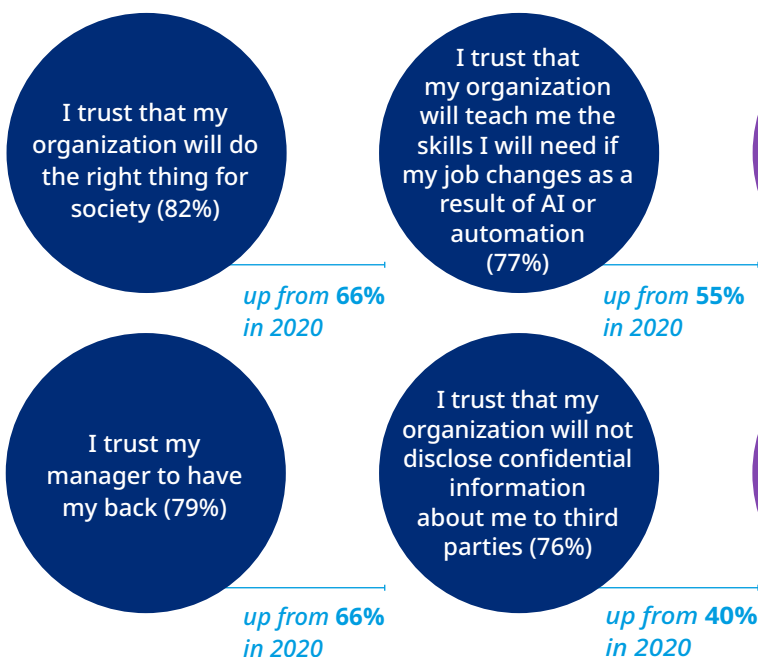
For some companies, the spending spree at the end of 2021 represented a long overdue adjustment in pay philosophies that were out of step with modern models, or served to correct the gap between pay philosophies and pay practices. Others took the opportunity

to address neglected inequities across populations (or are planning to do so this year, as is the case for the manufacturing sector, where 46% of companies say addressing pay equity is a top priority for 2022). As CHROs and CFOs struggle to find stable ground after successive off-cycle adjustments and spot bonuses, there is demand for more agile and nuanced pay models that can align to both pay philosophies and dynamic market pricing.

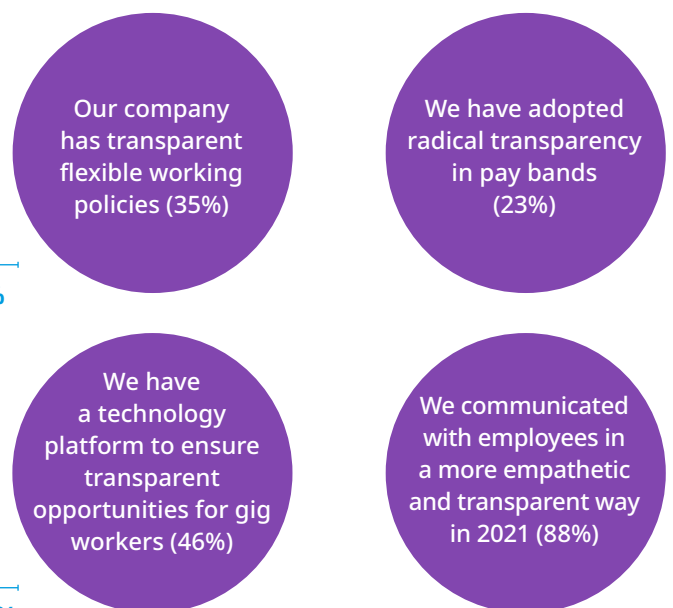
Executives may be underestimating the importance of perceived fairness: *Employees (especially men) who feel at risk of burnout say the number one contributor is not being sufficiently rewarded for their efforts.*

Figure 16. 80% of employees believe their organization will do the right thing by them this year

Worker trust (Employee view)



Employer transparency (HR view)



For many roles, organizations may not be able to control how much time people dedicate to work. But they can help people to not feel underpaid and overworked. *Thriving employees are twice as likely to say their company makes fair and equitable decisions on pay and promotion*, a finding that has stayed consistent year over year.

A longstanding issue in need of correction is internal-to-external pay equity. A shortage of talent has put pressure on companies to pay a premium for new hires and caused internal pay to become even more disconnected from external market dynamics.¹⁷ Only *one in three organizations has a compensation philosophy that states pay should be*

both externally competitive and internally consistent. Internal equity got even more complicated with remote/hybrid work arrangements. *Over 80% of both C-suite executives and HR leaders believe people should be paid the same for the same job, regardless of where they work*. A move to skills-based pay is one solution, something one in four organizations is embracing this year (see Figure 17).

Figure 17. Total rewards strategies for talent retention



¹⁷ Mercer. "Are Companies Adjusting Salary Increase Budgets Due to Rising Inflation?". Available at taap.mercer.com.

Health equity, too, has become pivotal to the new work deal: *One in three employees expects their organization to implement minimum standards for health and well-being offerings across all workers.* Standing tall on organizational values includes offering benefits that truly benefit.¹⁸

Ensuring that health care policies, premiums and deductibles are structured according to wage ratios as well as healthcare costs helps vulnerable working populations not be impoverished by health expenses. Also important is aligning benefits to new workforce models so that gig workers are afforded an equivalent level of health protection as employees. The equity principle applies beyond health benefits (for example, extending share ownership to hourly employees and even gig workers, as Uber and Lyft did in their IPOs).¹⁹ There is much room for improvement, given that *only 37% of organizations are working toward portability of benefits for gig workers and only 24% provide gig workers with access to benefits via an independent platform.*

Is the hot labor market of 2022 finally the time to rethink rewards?

Location-blind compensation: Will remote working cause a fundamental shift in compensation strategies? One possibility is a 3-D approach — where people earn what they *deserve*, based on what they *deliver* and the skills they *develop*. Another is the normalization of compensation levels globally (transatlantic rates) or nationally (inter-region rates) as companies realize that hard-to-find, highly valued skills can be located anywhere.

Pay at the speed of work: Twelve months feels like forever these days; are annual compensation reviews no longer right for the times? More frequent pay adjustments — closely tied to when employees learn a new skill or make a significant impact — can help with retention and motivation. Agile rewards mirror the more agile nature of project-based work and reflect the value of the project to the company.

Flexible total comp: A step further than flexible benefits — why not let employees decide their compensation mix (e.g., percentage of at-risk versus guaranteed pay, ability to pay for additional days off, etc.)?

Value-based rewards: Aligning rewards with what each employee values most is another way to individualize rewards. For example, someone who values higher education could get a sponsored place at a university rather than a pay increase. If companies collect information on their employees' top motivators, they can then use technology to “nudge” managers to offer alternative pay options that deliver more bang for their buck.

Pay for skills: Originally most popular for scarce digital skills, the prevalence of pay-for-skills models is increasing as companies realize that it solves many of the challenges of today's stretched compensation structures.

Team-set salaries: Compensation decisions are often made by business leaders, HR and committees that are far from the day-to-day realities of the job. Startups and even bigger companies are experimenting with allowing team members to decide who deserves what and how much.

With all non-traditional methods, employers are advancing judiciously with no desire to create any new gaps in pay equity or competitiveness.

¹⁸ Mercer. *Health on Demand*, 2021. Available at www.mercer.com.

¹⁹ Somerville H. “Uber, Lyft to Offer Some Drivers Shares in Stock Market Listing.” Available at www.reuters.com.



Relatable organizations are focusing on the experience of total rewards

Pay is crucial — but in the current climate, a competitive salary is table stakes. Once the compensation is perceived as fair, employees will consider their total rewards package, including not just pay and benefits but also work conditions, learning and career opportunities.

Addressing past inadequacies requires companies to find a new way to ensure people know the value of their total rewards package, so they can make informed choices when comparing opportunities.²⁰ One way companies can fend off another wave of resignations is to tie contribution to tenure or other eligibility rates that encourage people to stay. Another is to offer personalized rewards (for example, helping an individual clear student debt or providing a childcare or caregiver stipend) aligned to what

people really value — *already on the agenda for one in four organizations this year*. Technology can help, not only to personalize packages but also to flag inequities that are often part of traditional performance management processes and compensation reviews.

The lifestyle contract is fueled by choice, communication and connection. Stepping up strategies to understand unmet needs, as well as finding novel ways to communicate the options available, can help employees understand what is available and make smart tradeoffs.

In a time when employees are more active in the market and more activated in general, relatable organizations are doubling down on a partnership mindset: treating full-time and gig colleagues with the same duty of care, being clear about expectations, and focusing on being a partner of choice.

²⁰ Garrad L, et al. “Why Money Alone Won’t Solve the Problem.” Available at www.mercer.com.

Recommendations

Getting Started

1. **Build a partnering mindset across your business.** Define what it takes to be a good partner to different stakeholder groups. Equip managers and employees to set clear expectations for different work models, define ways of working and agree digital ways of effective collaboration. Train managers on managing talent across temporal, geographic and digital divides.
2. **Redefine contracts and expectations.** Map your talent ecosystem and consider how contractual arrangements might need to change to deliver greater flexibility for the individual and the organization.
3. **Ensure your listening campaigns lead to organizational learning and action** by developing a rapid response strategy. Debrief data findings, identify opportunities for improvement and experimentation. Build on new ideas that improve the employee experience and employee performance.
4. **Evaluate how best to deliver flexible working options for all.** Move beyond location-based flexibility to expand access to flexible work arrangements. Consider how time-based flexibility, part-time, or contract-based work can be differentiators for on-site talent.
5. **Mitigate the risks of remote/hybrid working.** Combine HRIS data with attitudinal insights to identify patterns, problems, and linkages related to critical people and business outcomes (e.g., turnover, performance).
6. **Equip managers to negate biases** in pay, provision and promotion associated with new work models. Review your EVP to ensure it is value-adding and equitable for all workforce groups (including gig workers) and evolve the employee experience to reflect the Thrive (whole person) contract. Reimagine how jobs might look through a Lifestyle lens.

Suggestions to Accelerate

1. **Be known as a partner of choice.** Implement reciprocal feedback systems with gig workers and other partners. Hold managers accountable for healthy work outcomes with different work models.
2. **Move from “mandated” flexibility to organic flexibility** in the flow of work by investing in technology to ease the logistics of hybrid working. Anchor to trust as a core element of your corporate culture when testing new ways of partnering.
3. **Re-segment your EVP for new work models.** Understand what work arrangements your current employees truly value and what might motivate targeted talent to join. Identify differentiators in your total rewards strategy to address unmet needs. Tackle barriers to gig working by addressing gaps in financial and health protections to promote equity.
4. **Embed a partnership mindset into your reward programs.** Consider different reward structures for different work models by reflecting the market value of skills (expand your peer group across industries and geographies for remote jobs). Reward performance, incentivize development, and promote fairness. Be transparent in how pay decisions are made and the implications of pay philosophies.
5. **Utilize technology to embed pay equity** considerations into the delivery of compensation programs, rather than relying on manager discretion or “after the fact” reviews.
6. **Use talent intelligence to stay connected to what matters.** Mitigate “loss of contact” risk by ensuring new hires, diverse hires and remote workers are forming value-adding relationships. Network and sentiment analysis can help to stay informed on what employees say and do.

Purposeful paths

The Agency for Integrated Care, a Singaporean senior care provider, relied on partnerships to redesign its support staff roles

Increased longevity and lower birth rates have many countries asking, “Who will care for our elderly?” In Singapore, the Agency for Integrated Care (AIC), an independent corporate provider of senior care under the Ministry of Health, aims to answer the call.

AIC knew that its mission to deliver continuity of care to Singapore’s aging population was attractive to young workers who want to make a difference. So why was it struggling to attract and retain support staff? From focus groups and other listening channels, they understood that support roles were perceived as having a limited career path, making them less attractive. So AIC set out to redesign the role focused not on efficiency (as is so often the case) but rather on enabling employees through upskilling and on-the-job training to have a choice regarding next steps.

Because the Singapore healthcare sector is heavily regulated, key to success was partnering and staying in constant communication with regulators, professional bodies and community care organizations. This required AIC’s HR team to hone their

influencing skills to lay out the choices and implications that underpinned these new work arrangements.

Though ultimately successful, in retrospect AIC would have engaged with the regulatory side earlier in order to dig deeper into the process involved in making a regulatory change. Doing so would have brought quicker understanding of stakeholder needs and advanced knowledge of what AIC would need to ensure the right experts drove their recommendations. Being a great partner meant not only designing work around how people wanted to work, but also engaging with members of their target population to shape communication.

Of course, the true beneficiaries of these efforts are the seniors themselves. While the job redesign helped to address the attraction and retention problem, it has resulted in a new level of care continuity. Though still in early days, after the pilot AIC has seen improvements in employee satisfaction, and supervisors report that the new roles are delivering value to the seniors.

3

deliver on **total well-being**

Nurture a healthy workforce with benefits that matter

The pandemic exposed and worsened the health and wealth gaps for different populations, underscoring that accessibility and affordability of care is not enough. The well-being ROI that matters today is less about a return on investment (focused on reducing health-related costs) and more about what makes a difference to safeguard the current and future welfare of the workforce. Thus, the onus is on employers to address the unmet needs of employees and ensure they are emotionally, physically, socially, and financially healthy. Relatable organizations empathize with their employees' personal and family circumstances. They actively support the well-being outcomes of their entire workforce by encouraging healthy, rewarding and sustainable work behaviors and offering personalized support during moments that matter.





Engage the whole person to drive sustainability

During the pandemic and its aftermath, health was catapulted to center stage. Most companies stepped up — 86% of employees say their company provided a safe work environment during this time. The shared responsibility is not receding. Today, supporting employee well-being is a combination of showing that the company cares and mitigating key business risks impacting business continuity, brand and safety.

People risks, especially those associated with well-being and exhaustion, weigh heavily on the minds of HR and risk managers.²¹ *More than one in three executives say the pandemic helped them realize that their investment in employee health and well-being has delivered a measurable return.* They want that investment to continue — *executives believe that total well-being is the workforce initiative that would deliver the second-highest business results* (second only to reskilling). And *two in five executives have employee health metrics on their personal scorecard* (an increase from 2020, when just one in five CEOs was measured on employee well-being).

Total well-being: From health to healthy outcomes

When asked to describe the future of work, *one in three employees said it is about equity.* They expect employers to move from merely offering benefits to being active partners in people's health and wealth outcomes — such as ensuring access to high-quality healthcare (where gaps still exist today, especially in emerging markets), having a contingency for those in financial crisis or helping to close pension deficits. The focus on outcomes broadens the discussion to include the social determinants of health. These nonmedical factors often hinge on unmet needs,²² the aspects of an individual's living and working environment that cause stress or poor health — such as debt, savings gaps, precarious healthcare access, or limited child or elder care, as well as basic needs like housing, food and transportation. Addressing the whole person's needs is key to driving health outcomes across the diverse populations that make up the workforce and showing the company truly cares (see Figure 18).

Link well-being to values

Today, organizations are being thoughtful about how to best leverage their purchasing power to ensure their well-being offerings are in line with their values.²³ Leaders are committing to, and investing in, a holistic and universal well-being strategy. They are asking themselves:

- Do we offer coverage for preexisting conditions? Same-sex partners?
- Are employees able to find diverse care providers they can identify with?
- How inclusive is our coverage? Do our benefits indirectly discriminate against mental health conditions (for instance, by excluding self-inflicted injuries)?
- Who is eligible for benefits: only full-time employees or also part-time, seasonal and gig workers? Can we defend our exclusion provisions?
- Can we take a more gradual approach to prevent a cliff's edge between being covered and not covered? Do we have inequality in benefits (such as executives having better healthcare protections than frontline workers), and what message does this send about how we value our people?
- What are we doing to address the vulnerable? Should we flip the pyramid to offer new types of support to vulnerable populations?
- Are we investing enough in our people to keep them healthy, thriving and productive?

²¹ Mercer Marsh Benefits. *The Five Pillars of People Risk*, 2021. Available at www.marsh.com.

²² Spinks G, et al. "It's Time to Align the Needs of Your People to Your Total Rewards." Available at www.mercer.us.

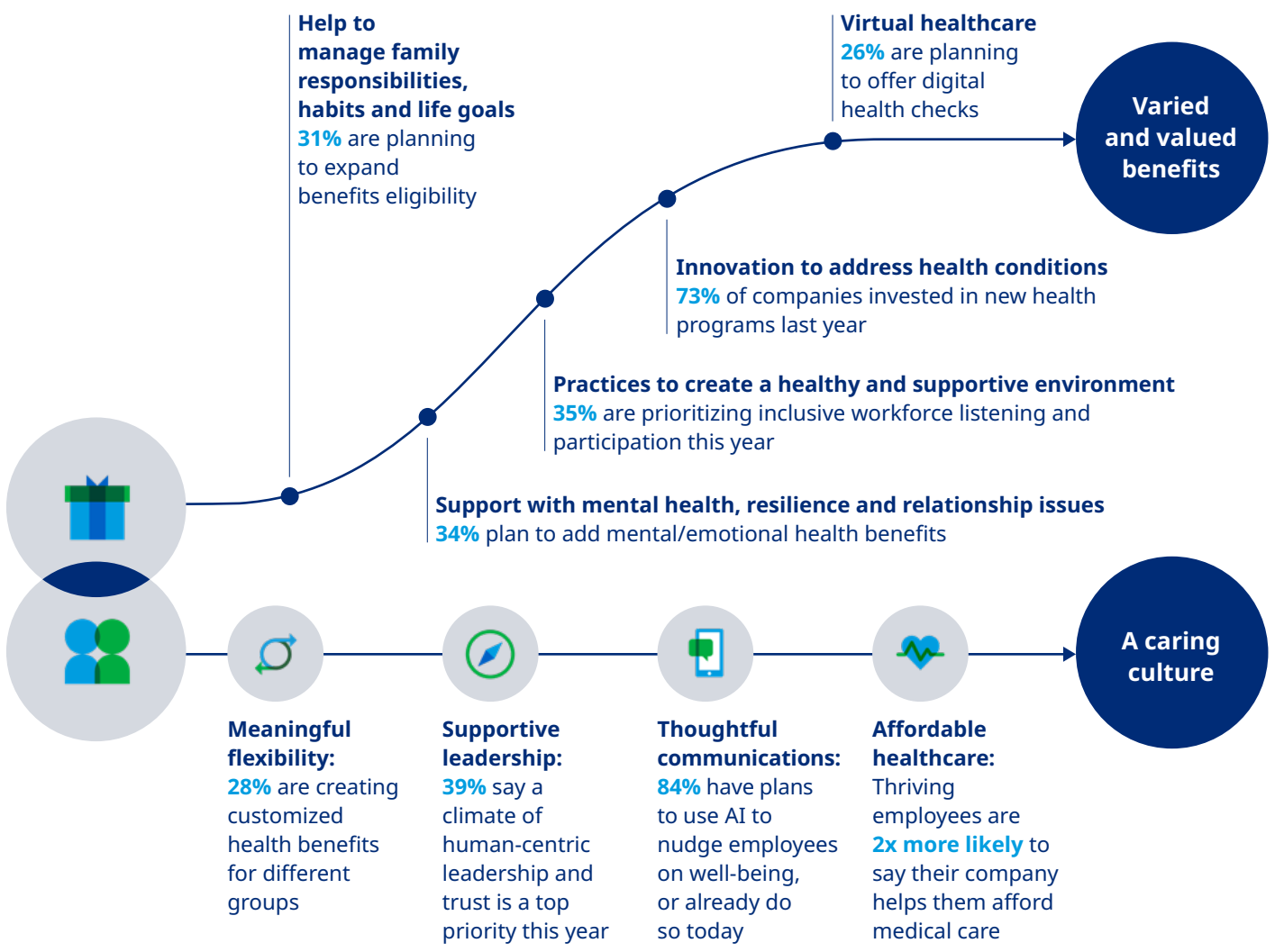
²³ Mercer and World Economic Forum. "Pathways to Social Justice: A Revitalized Vision for Diversity, Equity and Inclusion in the Workforce." Available at www.mercer.com.



Thriving employees are 7x more likely to work for a company that prioritizes employee well-being



Figure 18. Benefits to show you care





Delivering on total well-being requires a personalized approach

A new focus on people sustainability²⁴ is driving a deeper appreciation of the relationship between health, happiness and productivity. In the past, well-being was a narrower concept (mostly focused on health benefits provisions): programmatic (typically through insured plans or unsupported grassroots efforts), superficial (e.g., free fruit, cycle-to-work options), and fragmented (defined and delivered at the local level). Multinationals especially were affected by uncoordinated and siloed programs that were difficult to track. Inadequate access to reliable and complete health data resulted in a missed opportunity, not only in terms of deriving insights but also in creating a consistent and brand-enhancing colleague experience.

Companies are starting to move away from worksite-oriented approaches toward data-led ways of working, marrying digital with human delivery. Taking care of an increasingly diverse workforce requires understanding how the needs and circumstances of different populations have changed. *85% of HR leaders recognize the need for hyper-personalization to ensure benefits attract and retain talent.* This represents a wholesale move away from generic programs (the macro version of the trend toward individualized medicine). But with only *42% planning to individualize compensation and benefits for different groups* and *30% re-segmenting the workforce to better tailor financial benefits*, there is still a ways to go to ensure that benefits truly offer value to both the employee and the employer.

Their reluctance is understandable — bespoke programs in the past have led to complex governance, cybersecurity and other delivery

²⁴ Anderson K, et al. "How People-Sustainability Is Key to Business Success." Available at www.brinknews.com.



challenges. To address individuals' needs, many companies are looking to marketplace concepts that provide ultimate choice. *87% of companies invested in their benefits platform in 2021 or plan to do so this year, and two in five HR functions are already leaning on AI to dynamically model healthcare costs and outcomes.*

More than ever before, the ROI on well-being is clear not only to HR leaders but also to senior business leaders, one in four of whom says that *employee usage and preference data would help improve people decisions.*

HR teams are leaning in to more effectively use data to understand their organization's health profile. Automated benefits dashboards and metrics remain out of reach for many: 69% of organizations say it would take longer than a week to identify their highest-costing benefit,²⁵ indicating that technology investments are not yet helping benefits teams spend smarter. Even as *91% of companies already "nudge" employees to make better personal wellness choices (or plan to start this year), more can be done at the individual level to help people understand their own health risks and opportunities.*



It is clear that health and total well-being have become more central to the debate on the future of work.

Till Leopold, World Economic Forum



²⁵ Mercer Marsh Benefits. *The Age of Adaptability: A Digital-First Approach to Benefits in a Post-Pandemic World*, 2021. Available at www.marsh.com.

Minding what matters

Dell Technologies closes the gap between well-being offerings and usage thanks to a mobile app

For many organizations, the COVID-19 pandemic highlighted gaps in employee emotional wellness benefit utilization. Dell Technologies saw this trend among their own team member base, especially outside the U.S., where over half their team members reside. To close the gap, Dell piloted localized and personalized solutions within their existing international EAP program.

They started in Singapore and Malaysia, where an analysis of Dell's medical claims history found that, while employees were impacted by burnout and stress, few reached out for support. What would motivate employees to use the resources available? Dell focused on four key areas: reducing the stigma associated with mental health, raising awareness of the importance of emotional well-being, providing a comprehensive program, and ensuring it was readily accessible to all.

It became clear that the local need was for an app – an all-in-one, 100% digital, short-term mental and emotional health tool. The app offers an end-to-end solution built around local needs, in multiple Asian languages, and integrated with Dell's existing benefits ecosystem. It combines preventive care (digital self-care sessions, virtual coaching sessions) and critical care (immediate clinical support when necessary). Dell is now considering introducing additional, regionally focused digital mental and emotional health solutions in other geographies.

Technology and innovation is central to Dell Technologies. Using a combination of data analytics and technology, Dell leaned into its strengths to support team member wellness and mental health and believes this approach to wellness will continue to strengthen an already solid competitive advantage in attracting and retaining talent.



Nudge healthy behaviors

As companies address the whole person agenda, they are looking beyond the set frames to understand the person behind the screen and under the uniform. They are evolving their total well-being strategies to support in the now and to protect for the future. They recognize that once pay equity issues are addressed, they need to differentiate on more than pay to attract and retain the talent they need.

A significant impact of the pandemic is that employees now perceive health benefits not only as an expected part of the employment contract, but as something of true value. *One in three employees would forgo a pay increase in return for additional well-being offerings for themselves or their family.* Well-being offerings can help minimize

the risks of today's wage-price spiral. Many companies have put "total rewards" roles in place, recognizing that compensation and benefits can no longer be considered separately. They are asking themselves: When the singular focus on pay fades, what will our organization be known for? *With 77% of employees trusting that their employer will help them afford medical care, and 66% with unforeseen expenses, it's often the small things that linger in an employee's mind, like a loan for a child's education, support to navigate personal tax liabilities or caregiving assistance.*

Innovation in benefits requires constant listening and external analysis. Three years ago, an employer was innovative simply by offering access to telemedicine; today, telemedicine is table stakes. The same will soon occur with caregiving solutions or in-home care (particularly important for remote/hybrid workers), which was unheard of a couple of years ago. The moments that matter to people have also evolved. While it is important for employers to offer

meaningful support during the birth of a child or the death of a loved one, so too is supporting a lifelong education dream or helping to manage the loss from a catastrophic climate event.

Are you okay? Taking mental well-being seriously

COVID-19 exacerbated the burden of mental health for workers and their families and shone a light on areas that had previously been shortchanged. Continued outbreaks, lockdowns and social restrictions led to a spike in symptoms of stress, anxiety and depression worldwide.²⁶ The numbers this year are staggering: *81% of employees feel at risk of burnout (a prolonged response to ongoing occupational stressors), up from an already concerning 63% before the pandemic. HR leaders recognize employee exhaustion as the number-one risk to the transformation agenda. And nearly six in 10 executives are concerned about high employee sickness/absence rates and remote worker fatigue, ranking both in their top five workforce concerns for 2022.*

²⁶ Marsh McLennan. *Digital Tools for Mental Health*, 2020. Available at www.marshmclennan.com.



8 in 10 employees say they are at risk of burnout this year



Figure 19. Plans to promote long-term employee well-being





With more than one in three organizations planning to introduce an emotional well-being strategy this year, leaders are starting to make mental health a priority (see Figure 20), recognizing that the most effective solutions address a broad range of issues, from resilience and social support to treatment access and support for crises, such as suicide and violence.²⁶ Leading companies are being ever-vigilant to ensure their programs do not become another “check-the-box” exercise, an issue that has plagued well-being offerings in the past. Setting minimum standards across the mental health continuum, and taking a DEI lens to ensure the needs of all employee populations are met, are integral parts of an impactful well-being strategy.

Digital health offers great promise in opening up access to new forms of support. Another strategy to move the needle is designing work with well-being in mind. Employees are speaking out in greater numbers about toxic work cultures and unbearable workloads. And although HR leaders remain concerned about remote working, with six in 10 believing it negatively impacts employee mental health and heightens anxiety, employees are not so sure: Over half say that remote working has had a positive impact on their well-being (59% of men and 54% of women), and only 12% say the impact has been negative. Key to making progress is recognizing the negative consequences of prolonged remote or digital working, while acknowledging the benefits it brings in support of the whole person agenda.

Figure 20. Top strategies to support for mental health



²⁷ Gascón Enriquez O. “Using Benefits Plans to Mitigate the Mental Health Crisis.” Available at www.mercer.com.

Fast-track financial wellness

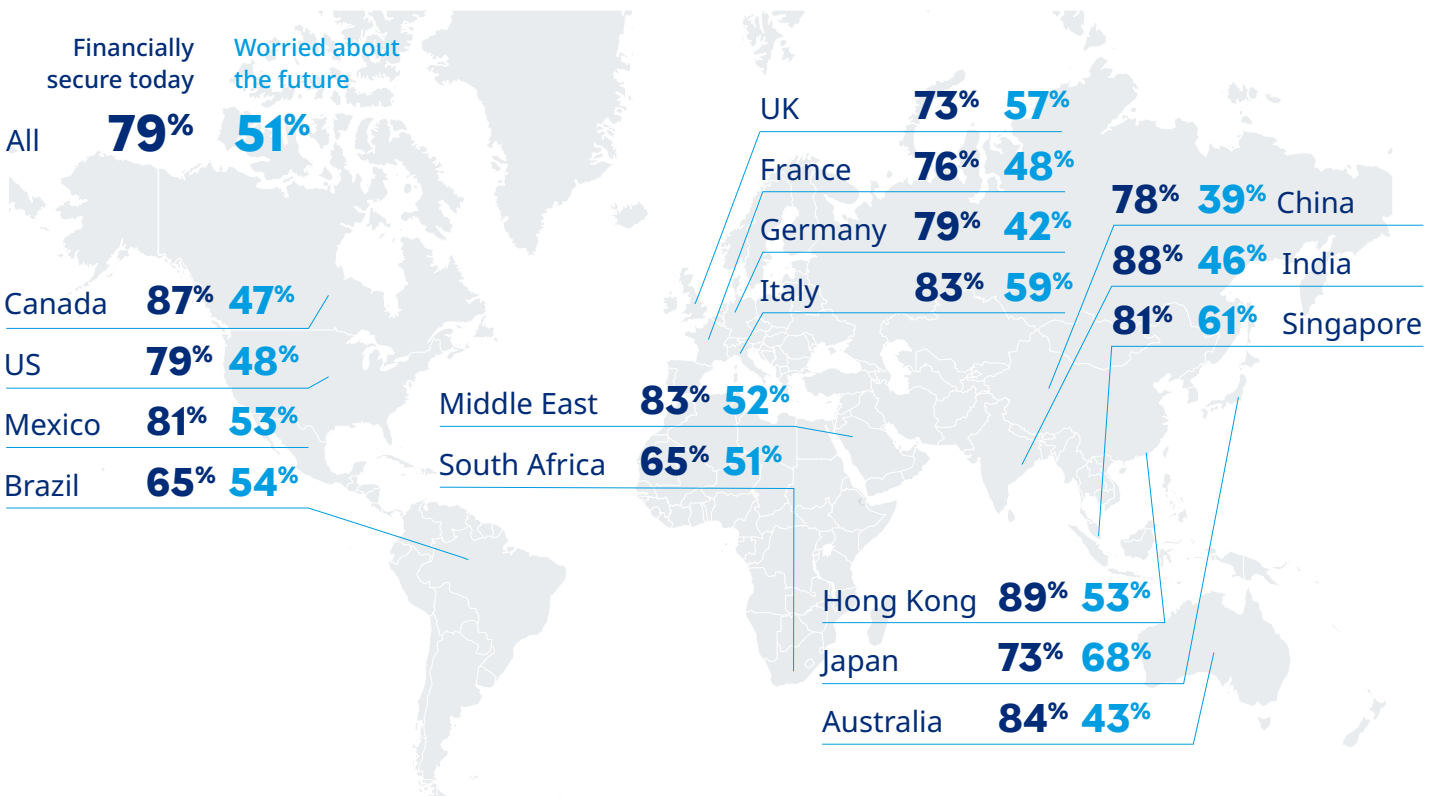
Employees across generations, geographies and industries worry about money: *More than half are concerned about their future financial security* (see Figure 21), even more so in Japan (68%) and Singapore (61%), as well as in the retail (59%), manufacturing (58%) and healthcare (57%) sectors. Despite these concerns, *only 33% of organizations ensure a living wage for all workers, and only 30% plan to re-segment the workforce to better tailor financial benefits*. It is worth noting that lower-wage workers have benefited more from pay adjustments during the pandemic.²⁷ Once compensation is right-sized, elevating the discussion from pay to wealth can make a difference to employees' outlook.

Financial uncertainty is also putting retirement at risk, driving *two of the top five reasons people plan to continue working past retirement age*. In response, *39% of companies are enabling employees to adapt retirement benefits to their personal circumstances and 38% are proactively offering older*

workers different employment options, including phased retirement. Yet these efforts may not be enough to ensure retirement adequacy, especially in markets with fewer government protections.

Relatable organizations are committed to understanding their people in ever more nuanced ways and individualizing benefits to meet their needs. Technology plays an increasingly important role in enabling benefits strategy. *Four in five companies (both midsize domestics and large multinationals) are already using or are planning to implement an AI-driven benefits enrollment platform* (up from 51% in 2020). These tools are making it possible to bring hyper-personalized total rewards to life and help employees understand how the choices they make today can impact their well-being tomorrow. Leveraging an increased awareness of total well-being indicators and enhanced analytics capabilities, leading companies are able to forecast the future trajectory of their employees' wealth, retirement and long-term health outcomes.

Figure 21. Most people feel financially secure today, but more than half are concerned about the future



²⁸ Federal Reserve Bank of Atlanta. "Wage Growth Tracker." Available at www.atlantafed.org.

Recommendations

Getting Started

1. **Engage senior business leaders** (including C-suite, operations and risk leaders) in assessing how employee health and well-being impacts the business. Look for opportunities to collaborate in mitigating key people risks that lead to business continuity, brand and customer service threats.
2. **Conduct employee listening** exercises and develop personas to redesign your total rewards and employee value proposition. Consider what employees need and value (instead of market indexed practices) as a beacon.
3. **Ensure your total well-being strategy covers physical, mental, social and financial aspects** and that it is culturally relevant and fit for the post-pandemic era. Enhance the benefits you offer and how they are offered based on what matters most to your people and when.
4. **Move away from the market medium and stand out on benefits.** Consider the needs of talent populations who have been left out in the past (e.g., women, early career, single parents, shift workers, lower earners, etc). Review your well-being proposition against digital standards and against your company's values.
5. **Question whether your benefits plans have unintended bias built in.** Are medical networks sufficiently diverse? Do communications reach disadvantaged populations? Do transportation, housing or other barriers exist?
6. **Communicate, communicate, communicate especially on benefits** and other elements of your EVP through enhanced digital employee tools and platforms. Offer bite-sized communications and socially driven interactions from in-house influencers.

Suggestions to Accelerate

1. **Lead with people sustainability.** Protect psychological and mental health as a priority, and monitor social indicators, engagement and presenteeism to measure the impact of benefits plans. Consider robust benefit management approaches to build organizational resilience in the face of crisis.
2. **Make benefits and a healthy culture core to your EVP.** Provide digital/mobile approaches to access benefits, advance well-being through leadership messaging and deliver the EVP throughout the employee lifecycle (from virtual fairs for jobs and benefits, to onboarding to lifestyle changes). Measure touchpoints and activity to stay alert to changes in workforce preferences.
3. **Focus on impacting health outcomes** by using health, death and disability data to understand your workforce's most prevalent health issues. Look for opportunities to open up access, especially in markets where public systems are less robust and private programs are limited. Engage the workforce in identifying ways to improve financial well-being and pensions adequacy.
4. **Look for ways to add choice without adding complexity.** Consider marketplace solutions, spending accounts and voluntary benefits. Use dynamic nudging to help employees make healthy choices.
5. **Embed digital solutions and health innovations** including self-care options. Factor these into plans to enhance the employee experience.
6. **Delegate non-core responsibilities** such as global benefits management and design/vendor/utilization changes to lessen HR's administrative burden and ensure consistent governance, while laying the groundwork for more data-led benefits and personalization.

Designing financial futures

How creative software company Adobe built a template for employee financial wellness

Financial wellness programs at Adobe are focused on helping employees feel empowered with information and confident to take action to secure their financial futures. Via the benefits.adobe.com portal, employees have one-stop access to resources such as financial coaching, identity protection and credit monitoring, retirement planning, and more. There are also “speak with an expert” live events, which have drawn over 2,000 employees on topics such as investment diversification, managing finances through uncertain times and home purchasing.

To supplement the corporate resources, Adobe employees created their own “personal finance” digital community. What started as a group of a few hundred employees has grown to over 5,000 active users, who discuss topics from budgeting basics to managing student loans to

Adobe’s employee stock purchase plan. The company now looks to the community for insights to understand and respond to what is top of mind for employees in real time.

Since engaging with employees and helping them on their financial journeys, Adobe has seen significant participation increases in US programs such as the deferred compensation plan, 401(k) retirement plan, Health Savings Account and similar programs outside the US.

Recognizing the diverse financial needs of its global employees and understanding that those needs will change over time, the company continues to update resources to stay relevant. A key priority is making sure these resources are easy to find — meeting employees where they are and during moments that matter.



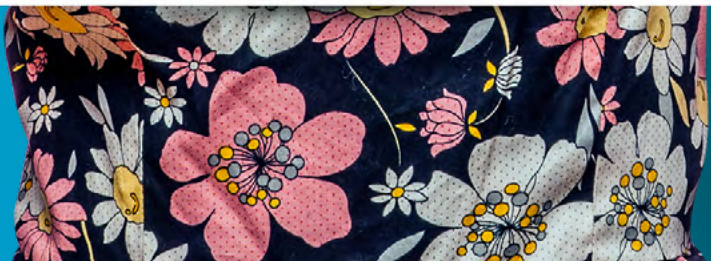
4

build for **employability**

Meet future work needs with a skills-based organization

The significant supply and demand gap in both skills and workers has highlighted the role that organizations play not just in ensuring their own sustainability but also in safeguarding the future employability of their people. The pandemic underscored the importance of a skills-based talent model and agile work design in building the workforce of the future. More than ever, organizations are instilling a mindset of lifelong learning, democratizing work opportunities, and helping workers of all backgrounds and generations pave a pathway to prosperity.





Secure the future with skills

The pandemic supercharged companies' race to reskill, but has the investment paid off? On average, organizations around the world invested more than US\$2,800 per learner in reskilling last year, up from US\$1,400 in 2020. Despite 91% of employees saying they learned a new skill recently, 98% of companies still report significant skill gaps. HR and risk managers alike rank skills obsolescence as a top-10 risk.²⁹

As HR's maturity around skills has increased, it has brought a greater appreciation for the agility that a skills-based organization can offer during times of disruption. At the start of 2020, two in five companies did not have a good sense of the skills in their workforce; today, that number is down to one in four. Those organizations that were already operating in a skills-based model were able to uncover "hidden" skillsets and more easily move talent to meet new demands during the pandemic. They not only reconfigured their infrastructure and processes to allow a seamless match of jobs to skills, they also laid the foundation of skills to fuel jobs that do not yet exist.

High-growth companies are twice as change-agile as lower-growth firms and twice as likely to have made great

Companies that expect their employees to be highly energized this year spent 61% more on reskilling efforts in 2021

inroads in adapting to changing skill requirements. So it is no surprise that better workforce planning and designing talent processes around skills top HR's priority list this year. Today's workforce planning is often about matching talent supply to forecasted demand, and nearly half of companies plan to deploy workforce planning technology centered on skills (not headcount) in 2022.

Figure 22. 98% of companies have significant skills shortages.

Which strategies do HR leaders believe are most impactful in closing skills gaps?



²⁹ Mercer Marsh Benefits. *The Five Pillars of People Risk*, 2021. Available at www.mercer.com.



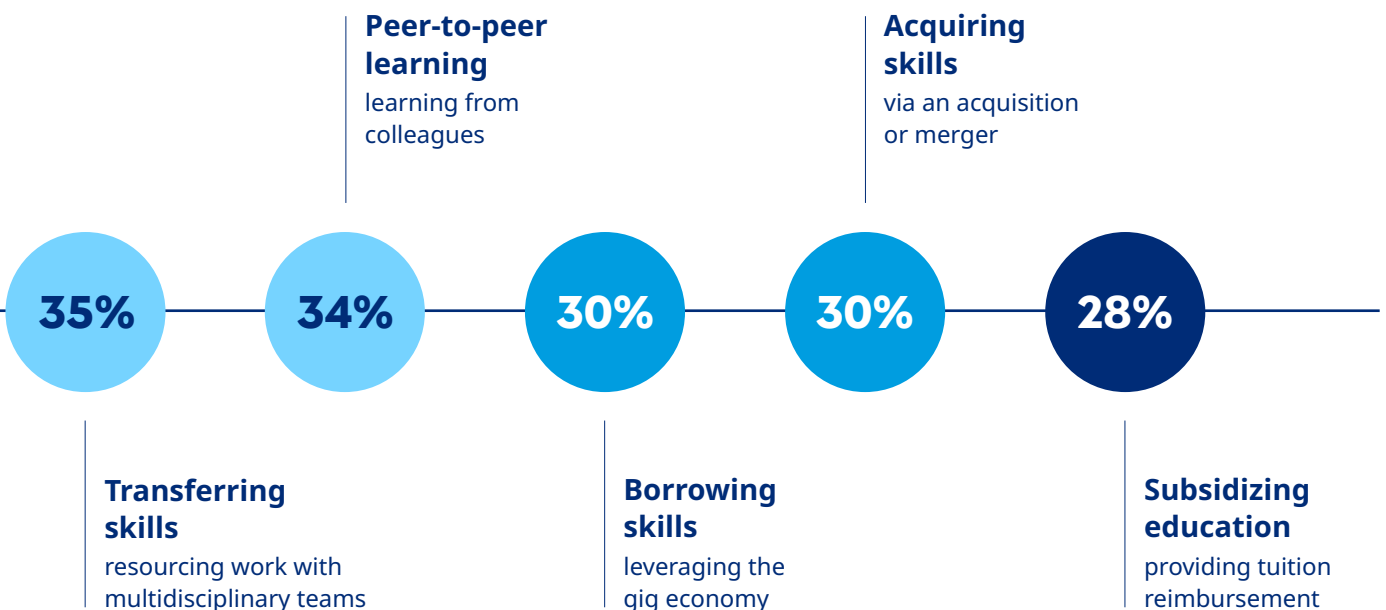
Align skills to the work of the future

In many cases, reskilling initiatives during the pandemic fell short because jobs could not be filled internally. In effect, the skills agenda became divorced from the organization’s future needs, with *adding critical workforce skills last on a list of expected outcomes from the work redesign efforts undertaken by 97% of companies since 2020*. This year will

be characterized by more ambitious attempts to move to a skills-based organization and truly make skills the currency of the labor market. The imperative is to build a vibrant and resilient talent ecosystem that can meet the company’s skill needs. Aligning skill-building with the jobs — or, more accurately, the *work* — of the future can help fuel a ready supply of skilled talent. Transparency on which skills are most needed and

most valued can also help employees ensure their own employability.³⁰

The top four strategies that have been most successful in closing skill gaps, according to HR leaders, are all related to internal skill building, with buying skills further down the list (see Figure 22). This is a significant shift from pre-pandemic, when 60% of HR leaders named “acquiring talent” as the preferred choice to close the gap.



³⁰ Mercer and Eightfold. *Future-Proof Your Organization: Spotlight on Pay for Skills*, 2021. Available at www.mercer.com.



Talent marketplaces are important. But if you don't work on the learning culture first, you're not going to get talent sharing at scale. Technology is there to help us realize the ambition we have; technology is not the ambition.

Tripti Jha, Chief Talent and People Solutions Officer, Novartis



Building from within requires employees to continuously add to their skillsets. So what keeps employees from learning a new skill? *One in three blames lack of dedicated time and one in four says that the available resources are not effective.* A combination of social and financial incentives can help: KPIs that encourage learning, rewards for skill acquisition, credentialing and ways to give kudos are trending high. Personalized and gamified content that is easy to digest is also key. But perhaps most important is “social learning” — taking advantage of the organization's talent ecosystem for peer-to-peer and expert-to-novice knowledge transfer. This can be facilitated by an AI-powered talent marketplace platform,³¹ which *40% of companies put in place last year. An additional 48% plan to invest in 2022, bringing talent marketplace*

adoption intent close to 90% in the space of 24 months. Fostering a mindset of meta-learning is key to building “skills by design,” as is addressing the structural barriers and legacies of prior work models that did not facilitate a skills-based approach to developing, moving and rewarding talent.

Get ahead by focusing on skills that move the needle

One-third of companies are seeing *higher-than-expected turnover in employees with valued digital skills.* A recent report indicates the most sought-after technology skills this year are front-end programming frameworks (such as AngularJS, React, Vue.JS, jQuery, and Bootstrap), Java-based APIs, and database and data science skills.³² Worryingly, these types of IT

skills are also seen as the most difficult to recruit.³³ On the non-technical side, companies recognize that a growth mindset, people development, and resilience are critical to cultivate internally.³⁴ Leading firms are leveraging forecasting tools for a dynamic view of the skills that are trending up or down in value and using this data to inform their buy, build and borrow strategies. As they seek to embrace “new collar” workers³⁵ who acquire both technical and soft skills together, it will be important for organizations to see themselves as skill developers and certifiers, not just skills movers. This is a fundamental reset of an organization's role in building talent, focused not only on reskilling/ upskilling but also on learning that leverages employees' interests, and it requires managers to be ready to embrace workers that do not have the typical background and experience.

³¹ Mercer and Eightfold. *Unlock Skills and Build Future Capacity: Spotlight on the Internal Talent Marketplace*, 2021. Available at www.mercer.com.

³² Mercer-Mettl. *Tech Skills and Trends Report*, 2022. Available at www.mettl.com.

³³ Mercer. *Future Skills Survey Report*, 2021. Available at www.mercer.com.

³⁴ *Ibid.*

³⁵ Madell R. “What Are New Collar Jobs?” Available at www.usnews.com.



Stay ahead with a circular talent economy

There is an increased expectation that employers play a leading role in helping people remain employable. Many HR leaders are still skeptical. They see the value of skills-based talent models in enhancing business agility but fear that investing in skill-building makes their employees more attractive to competitors. While this remains the number one barrier to reskilling employees, *the percentage of HR leaders concerned is down from 58% in 2020 to 36% this year*. Employees are clear — while a focus on skill-building increases their marketability, investing in their development actually makes them want to stay. Employees who plan to leave this year are less likely to say their current employer provides *opportunities for horizontal career moves, access to a career portal or communications on possible career steps*. Talent mobility inside and even outside the organization is part of a healthy talent flow— with the possibility of alumni converting into clients, partners or suppliers.

Investments in learning will never be lost if organizations embrace the concept of a circular talent economy, one where skill development is

continuous and talent is perpetually redeployed in step with new opportunities and an evolving tech/human workplace. To truly deliver on this vision will require companies to think broader than L&D and appreciate that skills — whether bought, borrowed or built from within — are the bedrock of robust future-of-work plans.

The imperative this year is to shift the focus from upskilling/reskilling to approaching the entire employee lifecycle — from hiring to exiting — with a skills lens. How can we hire people with different skillsets? How can we train them to do the jobs and tasks we need? How can we redeploy existing talent? How can we future proof their careers? How can we enable the circular talent economy by sharing and utilizing talent in new ways that keep more people in the workforce for longer?

Relatable organizations are rethinking site selection and tapping into non-traditional candidate pools (*a top priority for 31% of organizations this year*) by reconsidering experience requirements, educational requisites and other “stand-ins” that are notoriously poor predictors of skills and performance, but often

used as a proxy for skills. These organizations are removing barriers to internal mobility such as time-in-role requirements (*42% plan to enable employees to move up a grade/level at any time*), and investing in technology to facilitate mentorships and match roles/projects with “hidden” talent. They are committing to paying for skills that align to the company’s growth strategy, so employees do not get disillusioned when their upskilling efforts do not lead to pay or promotion (*one in five employees remains unconvinced that reskilling will increase their chances of promotion*).

Enabling talent moves both internally and externally is part of a company’s continuous commitment to upskill not just its employees, but the workforces of the nations in which it operates. An example is IBM, which in October 2021 committed to providing 30 million people of all ages with new skills needed for the jobs of tomorrow. To achieve this goal by 2030, they set out a clear roadmap with more than 170 new academic and industry partnerships.³⁶ Only when skills have truly become the currency of work will it be possible to deliver on a circular talent economy and secure employability for all.

³⁶ IBM. “IBM Commits to Skill 30 Million People Globally by 2030.” Available at newsroom.ibm.com.

Enlightened path

Western Governors University turns its educational model inward and reimagines the careers of its own people

When Western Governors University set out to build an online-only university in 1997, expanding access to opportunity became part of its DNA. So it is no surprise that the same non-traditional approach to educating its 160,000 students was instrumental in rethinking how to shape jobs and careers for its 8,000 employees. Anticipating significant growth over the next few years, WGU was keen to ensure its talent understood it was possible to advance their career and grow into new opportunities without leaving the university.

In just nine months, WGU created the Career Pathfinder program, which leverages Fuel50's AI-driven platform to identify employee skills and map out career aspirations. To ensure the program meets both current and future needs, WGU reimagined its job architecture and reduced the number of jobs from 1,400 to about 500. This was not just a simplification exercise; the HR team was also focused on aligning the architecture with future growth plans and

building agility into the system. This meant deconstructing some jobs and reimagining others, taking into account feedback from employees on what aspects of their work they found most meaningful and energizing.

A great example is WGU faculty roles, which were split into three skill stacks: instructor, evaluator and mentor. Breaking down the Professor role, for example, allows everyone to lean into their strengths and interests, with a choice to flex into one, two or all three stacks as their lives permit.

The next evolution of Career Pathfinder will incorporate another innovation from the student side: a transcript built on the blockchain that allows students to carry evidence of skills between education systems and between employers. Soon, this "persistent learner record" will also be available to WGU employees, enabling them to create verifiable digital records of their credentials and skills.



Build pathways to prosperity

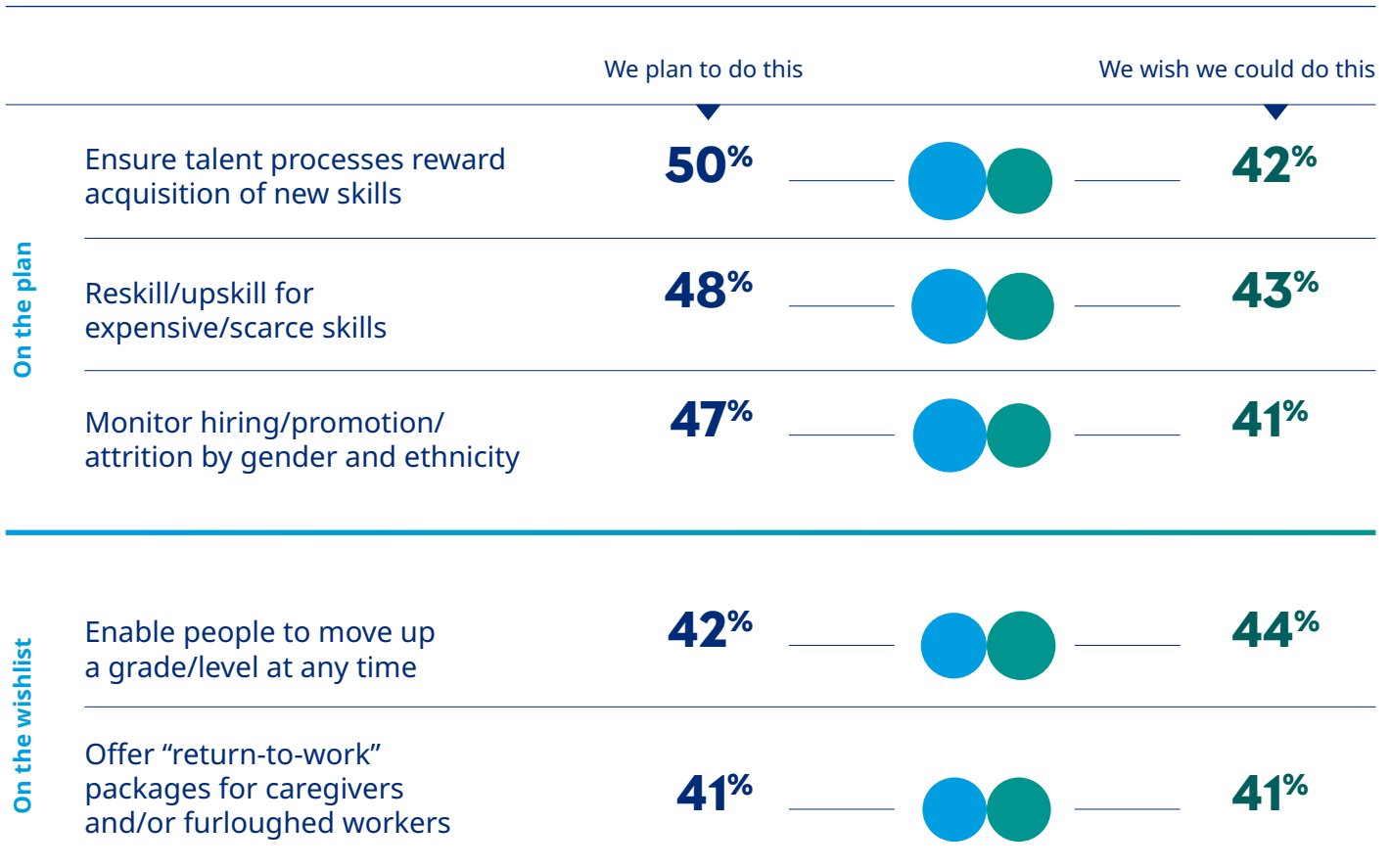
Equal access to opportunities is top of mind for employers that are serious about the multistakeholder agenda, with a concerted effort to address groups (such as women, older workers, caregivers, returning parents, mid-level employees and those whose jobs have been displaced or outsourced) who may be inadvertently missing out. *Nearly half (47%) of companies are planning to monitor hiring, promotion and attrition trends for diverse groups — the next step is to do the same for reskilling trends and broaden the diversity dimensions beyond gender and ethnicity.*

Thriving employees feel more confident about where their future is headed

Crucially, relatable organizations recognize that many employees feel stagnant in their careers. On the one hand, the pandemic closed off some opportunities — for example, expat assignments were put on hold (and may be falling out of favor). On the other hand, *two in five companies are bringing jobs to people* (identifying jobs that could be done from new locations) and *opening up jobs and/or assignments to a broader group of internal applicants*, understanding that movement is a motivator. HR leaders recognize there are many levers they can pull to ensure a ready flow of talent, but not all are feasible to execute (see Figure 23).

Being transparent on which skills are important to the company’s future, explaining why reskilling matters, and

Figure 23. Ensuring a ready flow of talent: On the plan or wishlist only?



equipping managers to have broader “where next” conversations (not only focused on promotion) will be vital in the year ahead. *While 89% of employees say that moving to another business unit or geography in their organization is not difficult, only 27% are keen to work in areas outside their functional/technical background and only 37% believe their skills would make them suitable for a role in a different part of the organization (men significantly more than women).* When done well, talent movement rewards employees for building skills in areas that create future opportunities for them and builds a sustainable pipeline of talent inclusive of all.³⁷

Making progress on employability means revitalizing talent mobility

Talent mobility programs used to be a great way of building and disseminating skills around the organization. The pandemic pressed pause on most traditional mobility assignments, but what is emerging in their place is a more vibrant and developmentally focused approach. Historically, expat assignments were the preserve of rising professionals or senior leaders; now, as companies build back their mobility practices, they are focusing on skill building for all experience levels and age groups. They are tapping into future-of-work skills planning, to fuel a revitalized talent mobility program that not only moves people to jobs, but also brings jobs to people (identifying jobs that can be done from new locations, which is on the agenda for 41% of companies today) and manages “work from anywhere” offerings (which are on the agenda for 46%). In fact, while one out of 67 job postings on LinkedIn allowed remote work in March 2020, by early 2022 that number had jumped to about one in six.³⁸ Talent mobility teams are well equipped to handle the complexities of new work models, including those preferred by “virtual natives” who do not feel tied to a particular location.³⁹ A holistic approach to skills at all junctures will power up workforce transformation and drive agility that is fueled with a vision towards being a skills-based organization.

³⁷ Nalbantian H. “The Underrated Barriers that Keep Women from Reaching the C-Suite.” Available at www.financialallianceforwomen.org.

³⁸ Kimbrough K. “LinkedIn Economist: 3 Ways the Pandemic Has Dramatically Changed the Labor Market.” Available at www.cnn.com.

³⁹ Oliver Wyman Forum. *The New People Shaping Our Future*. Available at www.oliverwymanforum.com.



Employers have fallen short in building compelling futures for all

As we explore the possibility of a world without jobs,⁴⁰ how do people remain employable without the traditional signposts of job descriptions and fixed positions? There is an opportunity, especially with younger workers, to reshape how they think about their career journeys. *Over half of Gen Z employees say they are satisfied but still plan to leave this year in search of*

better opportunities (compared to an average of 37%). At the same time, *71% of Gen Zs expect to get promoted within 18 months*. Companies can take advantage of their enthusiasm by making it easy for them to find exciting internal opportunities and think about career movement not only tied to promotion, but also about exposure to broader experiences. Giving people the choice of where they want to earn and learn is part of the emerging Lifestyle contract.

Relatable organizations are not just focused on younger generations; they are also enabling their employees to contribute for longer. As governments increase the mandatory retirement age (or eliminate it altogether), employees will work longer and are less likely to stop working completely at retirement age. If people need to remain employable for longer, the imperative for companies is to proactively design career paths that are more open-minded about older workers. If their skillsets are no longer a fit for the future or their motivations change, leading companies are providing opportunities to make an internal move to reskill, re-career and regrow.

Figure 24. How are employers becoming “Age-Ready”?



Innovations abound, especially in geographies with a rapidly aging workforce like Japan, where a startup is using AI to take over routine tasks thus enabling them to redeploy older workers elsewhere.⁴¹ The good news is that *three-quarters of companies are looking at phased retirement options*, and nearly two in five are looking at new employment models for older workers (see Figure 24). Driving this change often requires a new narrative around careers to surface.

Relatable organizations are taking on new roles as educators, enablers and exporters of talent. They are establishing learning cultures that expand work eligibility (who can do the work) and challenge legacy notions of vertical and lateral movement. They recognize that skill-building happens in the flow of work. In redesigning talent processes, they are able to unlock latent skillsets and build a future-ready workforce.

⁴⁰ Jesuthasan R and Boudreau J. *Work Without Jobs: How to Reboot Your Organization's Work Operating System*, Boston: MIT Press, 2022.

⁴¹ Lewis L. "Who Benefits From Japan's Panic Over Ageing?" Available at www.ft.com.



In 2019, 25% of employees said they intend to stop working completely at retirement age; in 2022, the number is down to 16%

Recommendations

Getting Started

1. **Audit your readiness to become a skills-based organization.** What are the most pressing use cases for using skills in your organization — hiring, retention, development, internal mobility, succession, sharing talent? Ask yourself: Do we have skills linked to jobs? Do we know what skills are growing in importance? What skills are getting more expensive to buy? How easy is it for talent to move and for departments to share talent?
2. **Know your skills advantage.** Consider which skills are part of your company's unique value proposition and must be kept in-house, versus which can be borrowed. Target critical skills for acquisition, development and rewards.
3. **Help managers know the skills they have on their team.** Ask employees to share their profiles and complete self-assessments to understand current skillsets especially on trending skills. Consider portable certifications and assessments such as Mercer Mettl that audit and build technical and digital skills remotely.
4. **Understand the skills-work gap.** Work with managers to ensure their plans for the future are detailed enough to map skills and evaluate where gaps are most easily and impactfully addressed.
5. **Enable employees to develop.** Make skill development an expectation of work and formalize time for learning. Address barriers for mid-career moves.
6. **Develop a pay-for-skills approach** aligned to your company's future skill needs. Work with the business to define hot skills and communicate to the workforce that you will pay a premium for the development and application of these skills.

Suggestions to Accelerate

1. **Build pathways to prosperity for at-risk populations.** Review employees in at-risk jobs to look for skills that overlap with hard-to-fill vacancies. Map learning pathways to help people move from one job family to another. Consider what support returning parents or furloughed workers might need to build back careers.
2. **Retain and transfer knowledge from experienced workers to mitigate talent loss.** Consider how to keep older workers employed and allow them to step back without stepping out (phased retirement, mentorship roles, etc).
3. **Introduce skills-based pay across the employee lifecycle.** Understand the market value and availability of in-demand skills, reward the use of critical skills on projects, and activate cash or equity programs for those with future-critical skills.
4. **Build the infrastructure and culture to support talent movement.** Refresh your infrastructure and processes to seamlessly match jobs to skills and motivation. Enable managers to see the skills of employees and freelancers together to enable informed decision making. Update your Mobility practice to support not only those on expat assignment but also on short-term projects and work-at-ions.
5. **Move from quantitative workforce planning to a skills-based model** that lays the foundation for acquisition of skills to fuel jobs that do not yet exist. Consider site selection data to reconsider locations for talent acquisition and talent hubs.
6. **Examine your M&A skills inheritance/liability.** During due diligence, identify what skills are being acquired and quantify the costs of upskilling as needed. Consider the target's role in transferring new skills to the acquiring company.

Flexing retirement

Financial firm Swiss Re retains its experienced, late-career talent with an innovative, targeted flex working program

With an average employee tenure of around 10 years, on the surface Swiss Re does not appear to have a retention problem. Yet when employees reach their late 50s, retention rates drop dramatically, with most employees retiring early. With 30% of the employees in its Zurich office above the age of 50, Swiss Re was losing vital institutional knowledge every day. To address this challenge, the firm looked to expand its existing flexible working framework to meet the needs of this population.

The resulting program, Flex+, grew out of conversations with older employees who felt they were missing development opportunities. Flex+ allows older employees to gradually pull back on their responsibilities through reductions in hours and/or stepping down a job level. These changes do come with pro-rated lower

salaries; however, Swiss Re offsets these reductions by maintaining the company's pension contribution at the previous full-time compensation level.

To successfully position Flex+ in the right light, Swiss Re took a storytelling approach to show how the program can enable people to contribute longer by removing some stress from their daily schedule and giving them space to pursue other interests. This required a mindset shift — from employees and managers of all ages — to reconsider what it means to add value to the firm.

The program has been well adopted by the firm's employees within the first year of its launch. Participants have reported less stress and improved well-being, and they appreciate that the company listened to their needs and translated them into tangible solutions.

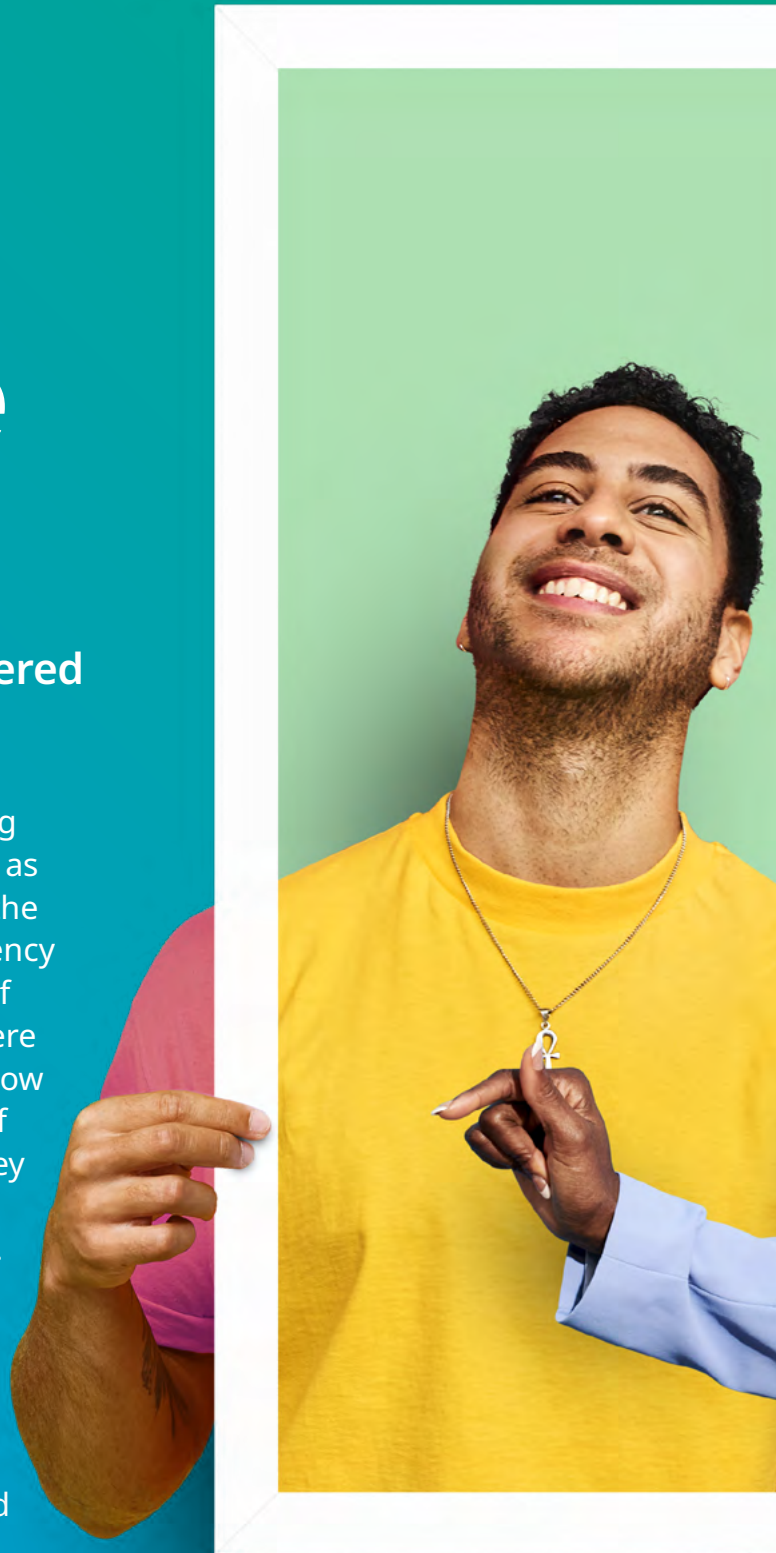


5

harness **collective energy**

Unlock potential with human-centered work environments

The “future of work” was already challenging enterprises before COVID-19, but it was seen as a long-term play. The pandemic accelerated the timeline and exponentially increased the urgency to adopt new business models, new ways of working and new technologies. Ideas that were once met with skepticism and reluctance are now solutions to some of the biggest challenges of our time — and while people are exhausted, they are also more optimistic that these changes will ultimately drive a more balanced future of work. Today, companies have a unique opportunity to unlock employee energy by redesigning work, working and the workplace. Key to delivering on this ambition is building an HR function that is relevant and relatable, and ensuring that transformation is centered around employees’ lifestyle considerations.





Design human-centric work experiences

The volatility of the last two years provided the best proof of how important it is to have an energized and resilient workforce. The physical and emotional energy required to ride out the waves of the pandemic — restrictions on daily activities, the human loss, balancing home and caregiving responsibilities with delivering results at work — has sapped people's reserves and left many feeling that they are running on empty. The percentage of energized employees has dropped significantly — from 74% in 2019 to 63% this year, the lowest level in this study's seven-year history (see Figure 25).

In the midst of the worst labor crisis and the worst global health crisis in recent memory, enterprise transformation efforts have not

paused; in fact, the deployment of new strategies, processes, practices and social norms has continued to accelerate both in number and pace. Bold transformation is needed to stay relevant, but how will organizations ensure that these changes give back energy to their people, rather than sap it even further? The challenge is front of mind for C-suite executives, who acknowledge that *employee exhaustion is a top barrier to driving change this year*. HR is also predicting low energy reserves this year: *45% expect their organization's workforce will have just enough energy for their work* (but not to go above and beyond), and *24% predict even less energy across the board*.

Today more than ever, the key to unlocking collective energy is to balance productivity and empathy. It can be a difficult balance to get right, as there are often different groups working on different aspects of transformation: An organization may simultaneously be addressing work design, workforce planning, skills shortages and the employee experience, but as isolated workstreams. The cumulative impact can be significant. There is also the age-old disconnect between leaders and rank-and-file employees.⁴² Employees cite organizational

complexity as the number-two reason slowing down transformation, which does not even make the top 10 from the C-suite executives' point of view. While the C-suite acknowledges burnout as a blocker, employees cite something deeper: a lack of trust in the company's strategic direction. This suggests that leaders — who are exhausted themselves — are not selling a vision of the future with impact. An illustration of this disconnect is return-to-office plans. Companies solely focused on defining their vaccination policy or figuring out the logistics of getting people back onsite are missing the bigger picture — how to get people back emotionally (hearts, minds and spirit).

Energized employees are:

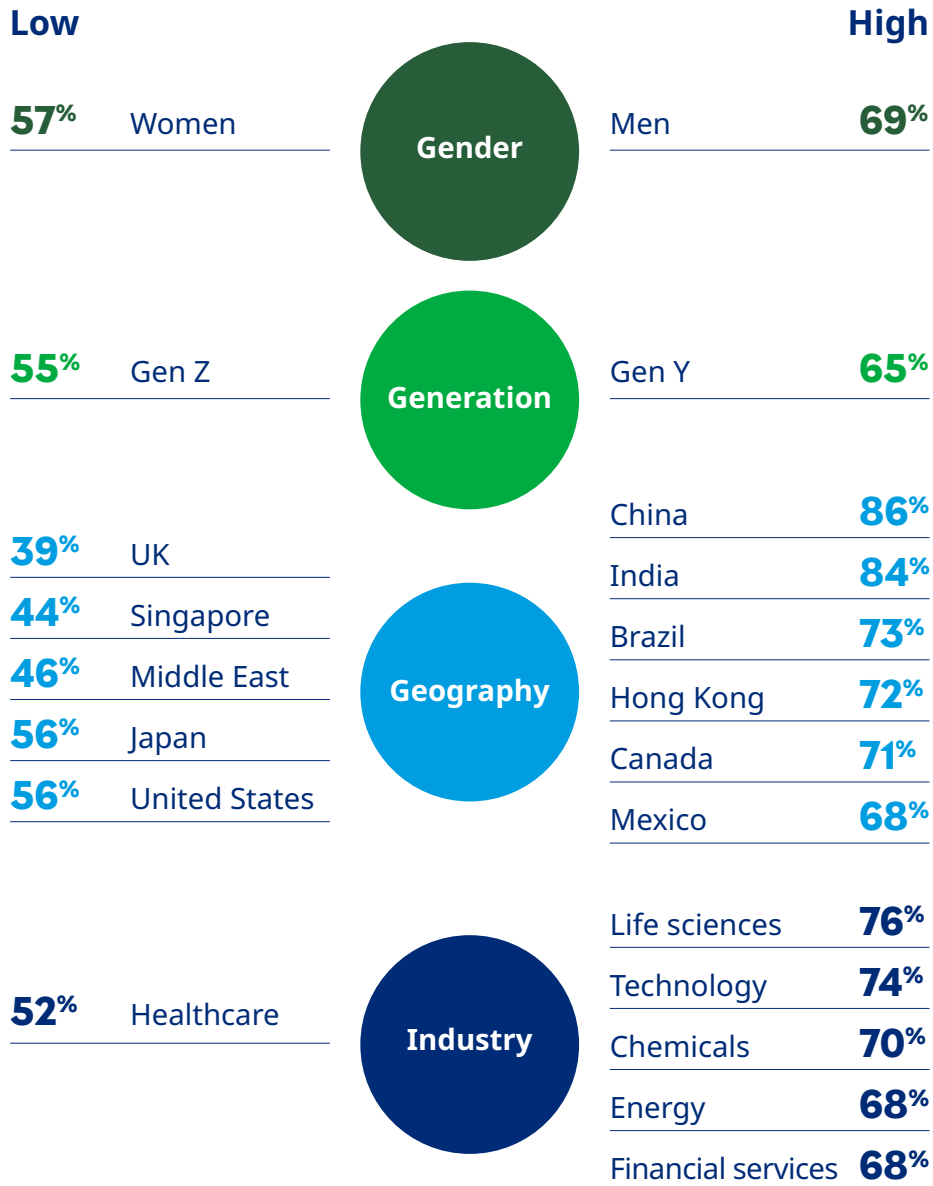
- 2x** less likely to leave their company
- 3x** more supportive of leadership
- 3x** more positive on work-life balance

⁴² Hyland P and Reeves D. "Want to Become a More Engaging Leader? Start Partnering with Your People." Available at www.mercer.us.



Figure 25. Employee energy levels are at an all-time low

Percentage of employees who feel energized at work



Design work to channel energy, not deplete it

Employees crave a balanced future — one where work has been redesigned to allow time and energy for family, hobbies, health and learning too (see Figure 26). And they are not necessarily willing to wait. In response to employees’ desire for more choice and freedom, companies are resetting how employees relate to their organization — seeking to help them rediscover the joy of working, learning and laughing together. Key to unlocking collective energy is ensuring that business transformation and employees’ life experience are considered together. Today’s crisis of energy depletion and, consequently, attrition (*energized employees are less likely to plan to leave their employer*) is partly due to organizations struggling

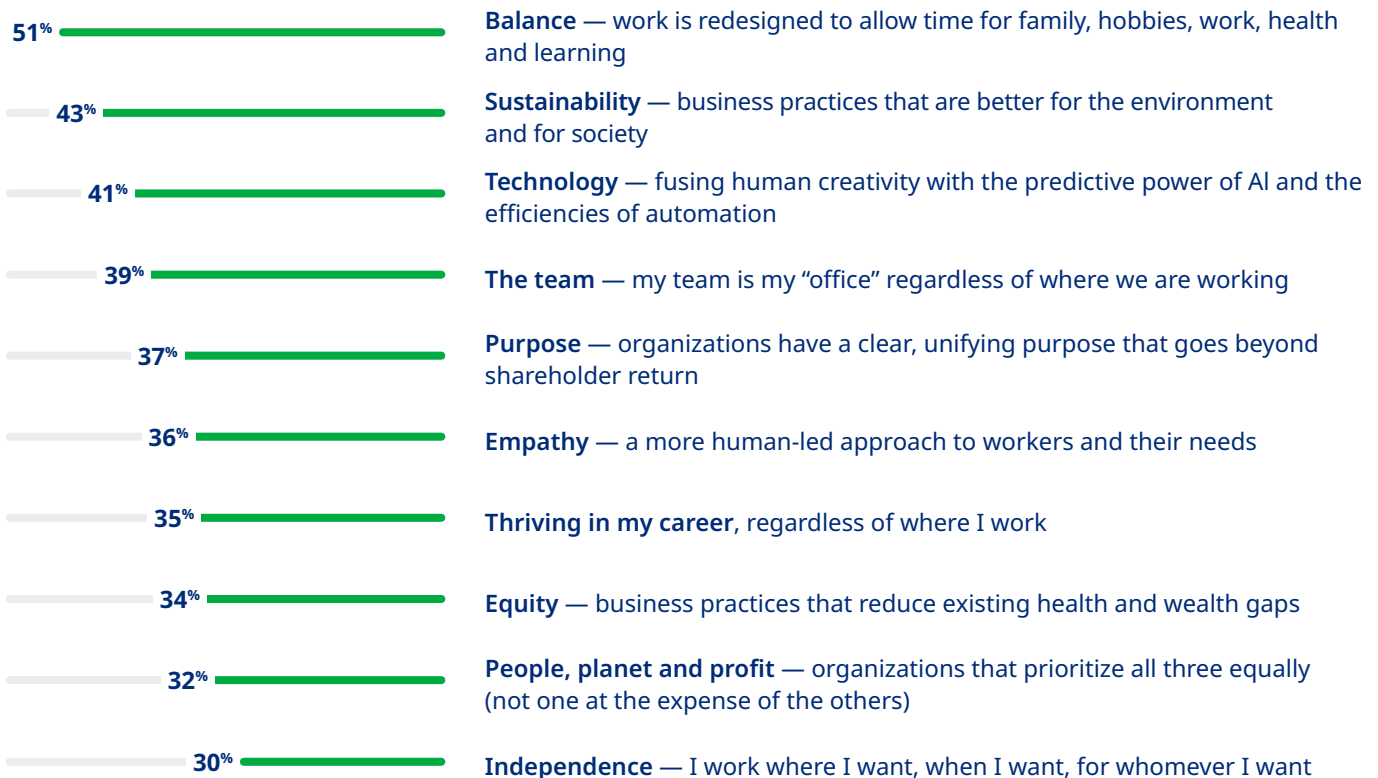
to give equal weight to both.

Energy gets sapped by *bureaucracy, inefficient technology, siloed working and teams cut too lean to keep up with demand*. Energy can be replenished by clarifying ways of working, addressing organizational complexity and designing a digital frictionless environment. It can be maintained by reducing noise in the system and increasing focus, and by making it easier for people to concentrate, contribute and collaborate. Employee outlook is optimistic: *77% trust their company to redesign work experiences that bring out the best in them*. High-growth companies are more likely to be *reevaluating the purpose of work*. They are seeking to preserve the progress made in the last two years — digital collaboration, less siloed thinking and local decision

making — and ensure these new ways of working are scalable and do not contribute to inefficiencies. The danger is that the hyper-localized crisis response strategies needed during the pandemic will become part of the fabric of the organization, which can be a barrier to transformation.

As a rethinking of work is underway, the key is to continue to empower employees while reducing complexity, clarifying expectations and being honest about workload. To some extent, this requires letting go of control — liberating workers from fixed jobs and burdensome bureaucracy to allow energy to flow to the right places. Equally important is ensuring people feel they are doing value-adding work, not just “busywork.” Meaningful work has always been one of the top

Figure 26. Employees say the future of work is about ...

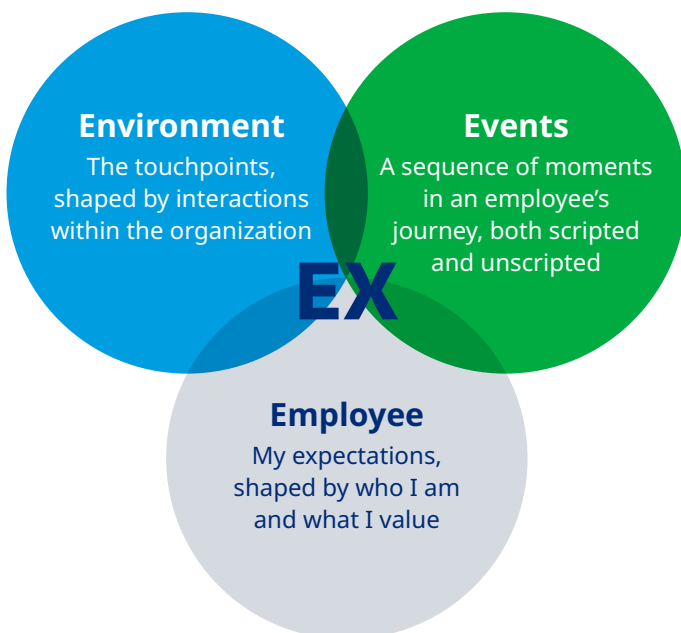


contributors to helping employees thrive (see Figure 5), but it became even more important during the pandemic as people reconsidered the purpose of work and how it fits into their lives. Of course, what feels meaningful to one person is busywork for another, which is why relatable organizations are applying a DEI lens to work transformation.

Energy can be diverted if employees do not feel they can really be themselves. *Energized employees are twice as likely to feel comfortable bringing their authentic self to work.* This is good news, but only if companies are ready to embrace the diversity of their people. Importantly, high-growth companies are intentionally ensuring *equity is baked into the career experience.* Given these findings, it is no surprise that HR leaders who believe their workforce will have very high energy reserves in 2022 are more focused on *embedding DEI metrics into departmental goals and integrating accessibility and inclusivity across virtual and physical workspaces.*

Ultimately, the employee experience is the intersection of an employee's expectations (as reflected in the emerging Lifestyle contract), their environment (culture, coworkers, leaders, processes, technology, workspaces) and the events (both work and life) that shape their journey (see Figure 27). When viewed through this lens, co-creating the employee experience together with employees (something 85% of HR teams are doing today) becomes critical to fully embracing human-centric organizations.

Figure 27. The employee experience (EX)



Equipping cultural transformation

Global forklift and warehouse equipment provider KION Group seized an opportunity to embark on a holistic cultural transformation

KION Group was going through a lot of change at once: It was rolling out a new corporate strategy and a new organizational model, and had recently completed a major acquisition. With seven brands under one roof, reliance on legacy organizational structures exposed a lack of a common culture and identity and called out for a new spirit of cooperation across the enterprise. At the risk of trying to tackle too much at once, KION combined its business transformation, HR redesign, and communication strategy into one project. This allowed the company to center its transformation agenda around its people, laying the foundation for a common culture, values and leadership guidelines.

To better understand the employee experience, HR embarked on extensive, local-level conversations. As the CHRO and his team headed around the globe, they found that employees on the manufacturing and warehouse floors were particularly engaged in the strategy and future of the business. Together, they co-created personalized messages to support the launch of the new strategy and ensure it feels relevant to each employee.

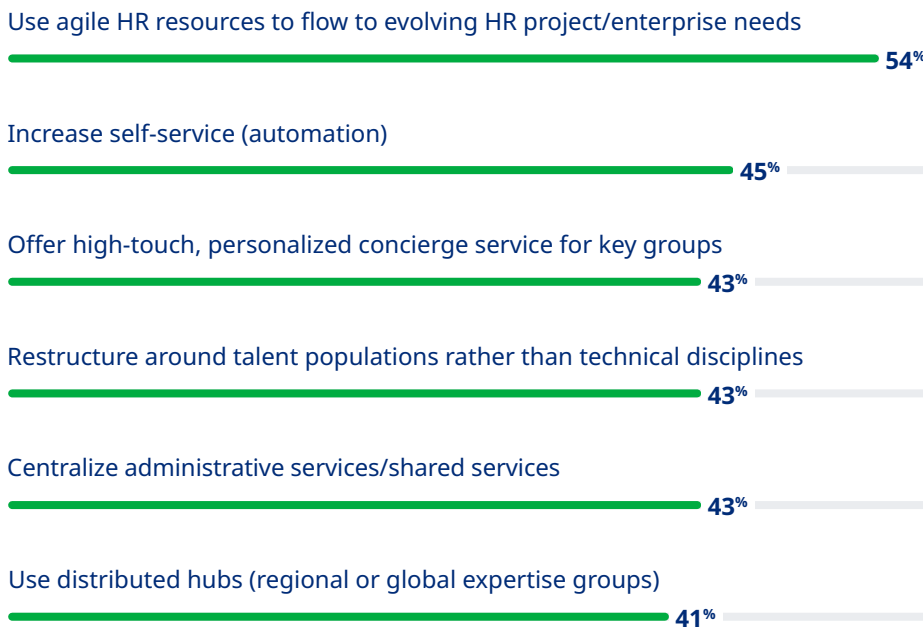
Taking a decentralized, dialogue-rich approach to the transformation journey generated 1,000 touchpoints that now form a global network embedded throughout the organization, as well as a new HR communications process with tools that facilitate “always-on” conversations and gather continuous feedback. This will serve KION well as it continuously evolves its strategy and culture, united by a shared purpose and identity.



Build a relatable People function

This year, *three in four HR leaders say their responsibilities are becoming blurred*. Not a surprise, given that *81% of business executives think the business agenda and the People agenda have never been more intertwined*. But with CEOs expecting even more of their HR leaders this year, the key to success will be a more human-centered HR function. Many of the HR models in use today were born over 30 years ago, and most companies recognize that a redesign is long overdue (see Figure 28).

Figure 28. 96% of companies will redesign their HR function in 2022



In 2022, design changes are underpinned by a drive for agility, resilience and adaptability. At the top of the list is the need for *agile HR resources and more self-service options supported by automation*. Caution is advised: *Two in three executives say that as HR processes have been automated, valuable contact between HR and the business has been lost*.

Structuring HR for impact by thinking through the Target Interaction Model (TIM)⁴³ can help mitigate these concerns. This starts with examining how key populations interact with HR today and doing a gap analysis with the desired future state. The goal is to overhaul the classic HR service model to better support the new work operating system — less friction, more agility, more speed, but also a better experience. A focus on interactions helps to illustrate just how much HR can impact an employee’s day-to-day experience — from how new hires are onboarded, to how people move around the organization, to how managers are equipped to support their teams — and ultimately the extent to which employees feel that their work fits well into their lives. An understanding of the future business agenda and key populations’ needs is critical to deciding where centralized versus localized structures make sense and where humans versus digital touchpoints should prevail. Getting the balance right results in engaging HR interactions that allow employees to go full speed ahead.

⁴³ von Rohrscheidt A and Bravery K. *Transforming HR: Why a Target Interaction Model (TIM) Is the Key to Unlocking the Employee Experience*, 2021. Available at www.mercer.com.



By reframing ourselves from HR experts to customer-centric partners, we were able to shift our focus to employee and manager energy. Our new target interaction model will allow us to give back time to value makers and change how we collaborate and co-create in all aspects of HR.

Moritz Kippenberger, Head of Global HR Services, BMW Group



76% of executives say that HR has been the hero of the past year. Being this year's hero will require HR to manage its own energy.



Figure 29. 80% of companies are introducing new People-related roles

New roles dedicated to:



Transform the HR function to actively manage energy

Driving and sustaining people (and therefore organizational) energy will require taking time to reflect and manage HR's own energy. In no small part because HR teams are stretched thin: *One in four HR leaders says they and their teams are exhausted, suffering from high turnover and being pulled in too many directions this year.* Working smarter (not longer or harder) requires understanding how the needs of target population groups will change and identifying how to unlock their potential.

No longer standing as an “independent body” on the sidelines, HR is in pole position to combine ESG and DEI efforts with transformation. Business leaders see the heightened reputational risks of failing to deliver on stated values and commitments, and are increasingly turning to HR for direction. In fact, *82% of C-suite leaders now say that HR effectively advises the executive team on human capital risks and opportunities*, up nine percentage points over pre-pandemic levels. An indication of where HR redesign efforts are headed can be found in new roles being added. The focus for leadership roles (see Figure 29) is flexible working, the employee experience and well-being, while new roles within HR departments (such as Leadership Partners and agile HR Project Management Officers) are embedding HR into the rhythm of the business.

These new HR roles complement planned investments in HR technology — where the focus is shifting from collaboration and communication tools (top investments in 2021) to strategic workforce planning and analytics platforms, AI-based productivity

tools, and solutions that enable skill identification and skill-building at scale (see Figure 30). The challenge now is ensuring that technology decisions made at the height of the pandemic are still right for the times. Under hub-and-spoke strategies, local teams were empowered to implement new solutions that solved for today, but created challenges for tomorrow (such as inconsistency and under-optimized

resourcing). These decisions were often tech-led; a reset is needed to bring back a human-led, tech-enabled strategy and consolidate the best platforms to support manager and employee interactions.

Relatable organizations are marrying their transformation agendas with an acute focus on the employee experience. They are prioritizing

well-being and making progress on the lifestyle contract in order to better manage their workforce's energy. The exciting frontier being crossed is the elevation and expansion of the human capital agenda and remit of the People function. Today, mitigating people risks and unlocking unrealized potential are the focus as companies move from a period of recovery to one of reinvigoration.

Figure 30. HR technology investments reveal a shift in focus



Recommendations

Getting Started

1. **Design work and working to unlock motivation.** Engage talent in the design of their work. Consider each person's true value-add and how automation and work design can maximize the return on their time and enhance their work.
2. **Employ the company's energy to collectively minimize drains on employees' time,** like emails and internal meetings. Leverage technology to simplify tasks and adopt automation that has increasing employee satisfaction as an outcome of implementation.
3. **Help employees make intentional choices to manage energy and minimize burnout risk** by sharing expectations on what is critical to attend and what is optional. Define spans of influence, not just spans of control, to help people navigate collaboration.
4. **Ensure HR does not lag on its own workforce transformation.** Consider how well current HR roles support your business's future business strategy. Design a roadmap for HR service delivery that takes into account target interactions with key populations, not just a target operating model, to boost the experience. Apply a skills-based lens to the HR team and prioritize areas to enhance capability so they can "walk the talk" on new ways of working.
5. **Improve internal partnering.** Ask yourself 'How do we get in our way today? How can we get out of our own way in the future? How can we break down institutional silos in our organization and within HR?'
6. **Start with a future state vision for what a reliable HR function can look like.** What kind of positive experiences can we create? What are our expected outcomes? In a perfect world, what would be the user experience? What level of digital versus human interaction is optimal? How can we evolve?

Suggestions to Accelerate

1. **HR as the employee advocate.** Reflect on the lessons learned from HR as a crisis manager during the pandemic and apply them to a new business-as-usual model. Consider how HR can strengthen workforce agility and help leaders support their teams during challenging times.
2. **Consider where a regional/global advantage is needed to ensure a reliable People function.** Which centers of competence might complement your centers of excellence? Where has too much administrative burden been transferred to employees/managers? Where is it critical to uphold a consistent brand experience?
3. **Invest in building human capabilities that match the pace of digital transformation.** Consider new jobs that can optimally combine humans and automation. Start small and scale.
4. **Encourage people managers to understand each employee's sources of energy** and to reflect on how best to align work with their interests/motivations. Help them empower their workforce to optimize their LifeX.
5. **Act on indicators of stress and fatigue.** Analyze workforce data for indicators of tiredness and frustration. Review new technologies to ensure they bolster productivity, foster interconnectivity and do not add to the burden. Work with real people, not just personas. Define the situations that need to change and quantify the cost of doing nothing.
6. **Address complexity and refocus HR.** As pandemic-era needs recede, step back and take a fresh look at how local, regional and global teams can work together within and outside HR. Build champions and address naysayers as you redesign processes and teams for tomorrow.

HR designer challenge

Germany-based grocery retailer ALDI took a multidimensional approach to HR redesign to support the international IT function

As ALDI embarked on its digital transformation journey, it realized that in order to digitize and scale the business, it would have to fundamentally change the way HR supported new ways of working in the international IT department. Updating the HR delivery model while driving overall personnel growth and other organizational changes was no easy feat.

ALDI kicked off the project with an analysis of what the business valued most from HR, followed by a map of the current interactions HR has with different populations — taking into account global and local, candidate and employee, employee and manager, etc. The results formed the basis of a business-oriented Target Interaction Model (TIM), driven by a need for higher business proximity and for HR partners to be more embedded into local team dynamics.

Built through a massive co-creation effort (HR, business leaders and senior management), the redesigned HR model included new roles such as People Strategy Advisors and Leadership Partners, as well as Communities of Excellence (COE) that provide guidance to local HR

and centralized Communities of Competence (COC) with specialists who deliver in key areas.

One of these areas is talent acquisition. As business and supply chain digitalization were underway, ALDI was recruiting up to 500 high-profile IT professionals per year — a big uptick from just a few years earlier. Before the pandemic, they were hired to work mainly in ALDI's IT headquarters in the Ruhr region. Now, with mobile working opportunities in place, many can work virtually within Germany, which opens the opportunity for more applicants. Talent is being hired from all over the world, which brings further challenges to the recruiting process. After understanding the business needs and how candidates wanted to interact during the application process, ALDI set up a COC dedicated to talent acquisition and saw significant improvements in hiring metrics.

Redesigning the delivery model shifted HR from operational work to "talent thriving" work. Now a more relevant and strategic partner to the business, HR is in a better position to contribute to strong company growth and support the acceleration of the digital agenda.





Figuring out how to earn, learn and laugh together

As organizations seek to become more human — listening intently to their stakeholders, using data to uncover patterns and guide action, speaking out on issues that matter — they will become more open and easier to relate to. Employees who have the privilege of choice will be able to decide which organization(s) they want to spend time with. Both employers and employees are using the Great Reassessment as an opportunity to find their voice on what they want from work, working and the workplace.

Delivering on the new shape of work requires demolishing the old (e.g., brick-and-mortar offices, slogans and structures) and building back from a foundation of collaboration, diversity and sustainability. Leading organizations are responding to employees' expectations of greater transparency and trust — one where

leadership is distributed, ideas are crowdsourced, and skills and interests (not roles and relationships) shape careers.

Continued volatility and uncertainty are driving even greater urgency for adaptability and resilience, both at the enterprise level and for individuals. Because there is more change ahead, getting the balance right between humanizing and transforming will be key in 2022.

As such, the People function remains center stage. Human capital discussions (from people risk and workforce planning, to purpose and skills) are dominating every C-suite discussion and board-level debate. After being the hero of the pandemic, HR has proven itself critical to business success. Now is the time to be truly transformative. Powered by tools such as AI, blockchain and insight-rich data science, HR leaders can act on their ambitions to design cultures and programs based around how people can, and want, to work.

As we look toward the new generations filling our workplaces and workspaces, it is evident that they see a future that is not just brighter, but more balanced. This year, relatable organizations will be the ones helping their people figure out how to earn, learn and laugh together.

Contributors

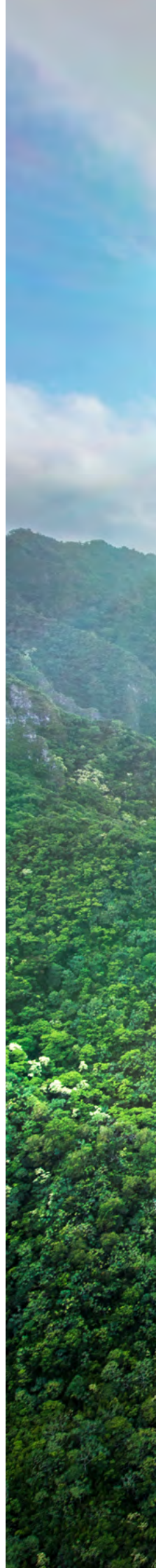
We would like to recognize everyone from across the Mercer and Marsh McLennan community who contributed to this year's Global Talent Trends Study. A special thank you to Adobe, AIC, ALDI, Beckers Group, Dell, KION Group, Swiss Re, Unilever and Western Governors University for sharing their stories. We are also grateful to the World Economic Forum and Occula Group for their thoughtful input. And of course none of this would be possible without the involvement of over 10,900 employees, HR leaders and C-suite executives who participated in this year's study.

Core Team

Kate Bravery	<i>Senior Partner, lead author</i>	Molly Cline	<i>Research Coordinator</i>
Adrienne Cernigoi	<i>Research Manager, co-author</i>	Anca de Maio	<i>Global Activation Lead</i>
Joana Silva	<i>Operations Leader, co-author</i>	Dawid Gutowski	<i>Graphic Designer</i>
Queenie Chan	<i>Program Manager</i>	Tamar Hudson	<i>Project Coordinator</i>
Stefani Baldwin	<i>Content Strategist</i>	Kate Janota	<i>Senior Marketing Specialist</i>
		Meredeth Johnson	<i>Client Liaison</i>

Contributors

Ilya Bonic	Susan Haberman	Lauren Mason	Karen Shellenback
Nigel Carter	Rich Hewitt	Daniel McGovern	Yvonne Sonsino
Blair Chalmers	Patrick Hyland	Ephraim Patrick	Marvin Stokes
Paulina Cieřlikiewicz	Ravin Jesuthasan	Graham Pearce	Melissa Swift
Eduardo Córdoba	Rachel Juay	Stephanie Penner	Yolanda Taravilla
Matt Duffy	Charlie Kershaw	Amram Perez	Ivette Vargas
Will Ferguson	Amy Laverock	Olivier Renaudin	Armin von Rohrscheidt
Brian Fisher	Joe List	Rafael Ricarte	Cara Williams
Lorna Friedman	Jean Martin	Amy Richards	





About Mercer

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.

Welcome to brighter.

