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Global Talent Trends 2020

Executive summary

Continuing business when business continuity is threatened

Is today's approach to work sustainable? According to Mercer's *2020 Global Talent Trends Study*, thriving employees are twice as likely to work for an organization that balances economics with empathy in their decision-making. In the current climate of economic uncertainty, organizations' capacity to focus on both the financial and physical health of their employees has never been more vital.

As we move into a new decade, there is fear and excitement. In the short term, from the unknown business fall out of a pandemic and, in the medium term, from the continued impact and opportunities of AI and technology. In our survey, 77% of executives see contingent working playing a far greater role in the future, and 34% of employees expect their jobs to disappear in the next three years.

From the response to COVID-19, it is clear that workers expect their employers to look after their health and hold them accountable for making decisions in their interest. With this more expansive view of an organization's purpose — one that delivers positive outcomes for society, customers, employees and shareholders — firms have a renewed mandate to invest both in people's well-being and in their future market value. Sixty-one percent of employees trust their employer to look after their health, and 55% trust their organization to teach them the new skills they will require should their job change or disappear.

Executives have no desire to hold back the technological wave, even during unfavorable macroeconomic conditions. Only 29% said they would pull back on digital transformation in the event of a potential downturn. Rather, companies are planning to increase strategic partnerships (40%), use more variable talent pools (39%) and invest in automation (34%). In other words, downturn plans signal that future of work strategies will become survival tactics. The adoption of digitally enabled working and social distancing efforts, such as remote working, in business models is evidence of the changes underway.

With headwinds to navigate, companies are looking for a beacon to guide their actions. Our research shows that organizations will win if they place empathy at the heart of their decisions. Leading firms listen and use data and insights to understand their employees, colleagues and customers' concerns. And they take action to improve individuals' futures while enhancing their present-day experience. By investigating what enables people to thrive and be energized, and what organizations are doing effectively to balance economics and empathy, the study identifies four trends to enable companies to stay ahead in 2020.

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focus on **futures**

With a new, more responsible mandate emerging, the challenge for business is to rethink what makes corporations successful. Although 85% of executives agree that the organization's purpose should extend beyond shareholder primacy, only 35% deliver on a multi-stakeholder model today.

The majority of the C-suite agrees more needs to be done: 68% of executives want to accelerate progress on environmental, social and governance (ESG) metrics in 2020, and 69% believe HR should update its success models to reflect the experience economy. However, with responsibility for many ESG metrics and culture change outcomes sitting primarily with HR (71% of CHROs shoulder the responsibility for culture change, compared with between 16% and 29% of other executives), more shared responsibility is required.

Much of an organization's success depends on employees trusting that their company is taking a holistic view of their careers, wealth and well-being. Yet career pipelines have tightened in recent years. As many as 72% of older workers say they plan to work past retirement age and 55% of Gen X say longevity in the workplace is limiting progression. Gen Z also want more transparency on the effect of career choices and the long-term outlook. An intriguing finding of this year's report is that employees who know the lifespan of their skills feel more positive about the future. Employees whose companies are transparent about which jobs will change are more likely to be thriving (72% versus 56%).

As the COVID-19 pandemic impacts productivity, better management of older workers and good financial advice for all generations will be part of creating shared value. More than three-quarters (78%) of employees want long-term financial planning initiatives. Meanwhile 75% of employees who feel in control of designing their retirement say they are thriving, compared with 29% who lack the control they desire. Yet, with just 23% of companies providing financial education for employees today, there is a long way to go. Pandemic-driven disruption demands that organizations urgently rethink financial support and ensure that decisions include both economic and empathetic considerations (a balance that only 37% of employees say their company is currently well equipped to do).

race to **reskill**

With 99% of organizations saying they want to embark on transformation in 2020, and almost all reporting significant skills gaps, the C-suite regards reskilling as the top talent investment capable of driving business success. Workforce capability and lack of future skills are seen as primary reasons why transformations fail, and reskilling is one of the investments they hope to maintain in a downturn. Just 28% identified cutting back on reskilling initiatives as a tactic to mitigate economic softening.

Employees also see reskilling as an emerging part of the deal (rising in importance as an attraction and a retention driver this year). And although more than three-quarters of employees say they are ready to learn new skills, two in five say they lack the time to take advantage of reskilling. In this respect, the COVID-19 pandemic may offer the opportunity required to kick-start reskilling. Some business areas will have more time to spare, and firms can take advantage by directing those employees toward online learning courses and career exploration.

However, just 34% of HR leaders are investing in workforce learning and reskilling as part of their future of work strategy. Moreover, 40% of HR leaders do not know what skills their workforce possesses. We consider this a worrying lack of insight, given executives' gut feeling that less than half (45%) of their workers are capable of adapting to the future of work.

Without redesigning roles and career options for those at risk of displacement, HR cannot address firm-wide needs to fill new roles with reskilled internal talent. The concern is that without an integrated approach to strategic workforce planning (which takes account of how skills may change) and limited data on existing skills, companies may inadvertently lose valued talent. Long-term planning would enable firms to imagine brighter futures for their employees and boost their competitiveness once economic conditions improve.

sense with **science**

The good news is that the workforce science discipline is gathering momentum. The use of predictive analytics has nearly quadrupled in five years, from 10% in 2016 to 39% today, and the use of metrics on pay inequities and total rewards usage has more than doubled. That said, insights into workforce management could be adopted more widely. Only 43% of organizations use metrics to identify employees likely to leave, 18% know the impact of pay strategies on performance, and just 12% use analytics to correct inequities and prevent them from recurring. Moreover, in the current disruption are companies looking in the right places to ensure sustainability? Only 24% have data on who is at risk of burnout, and only 15% can determine whether it is better to buy/build/borrow employees.

The next wave of maturity requires HR to lean in to structure analytics such that it can answer key strategic questions, like: In a downturn, which strategy offers the best chance of maintaining performance? Which departments could deliver a similar level of output with more contingent staff? Where should we locate talent hubs to take advantage of skilled talent pools?

In parallel, advances in machine learning continue to filter through departments, including HR. Although machines outperform humans at tasks related to scale and speed, humans still outpace machines in sense-checking and judgment. Sixty-seven percent of HR leaders are confident they can ensure AI is not institutionalizing bias. However, ethics codes about the collection, application and implications of data analytics are still in their infancy.

Talent assessment is an area where human intuition is needed alongside psychometrics to qualify findings. Today, only one in two employees have a positive assessment experience. This is just one example of data collection that will attract more scrutiny as data-informed decision-making becomes common. Leading companies are on the front foot sharing data-driven insights with employees to help them make health, wealth and career decisions: 38% of organizations today apply intelligent "nudging" technology to help employees make better choices. Further, exploring relevant metrics and sharing them with employees shows how the new climate of remote working affects productivity.

energize the **experience**

Delivering on the employee experience is a top priority for HR in 2020. Fifty-eight percent of organizations are redesigning their structures to become more people-centric. Yet only 27% of the C-suite believe their investment in the employee experience will yield a business return. Why? Because executives are yet to be convinced of the link between the employee experience and productivity. Almost half (48%) of executives rank employees' well-being as a top workforce concern, but only 29% of HR leaders have a health and well-being strategy. Feeling depleted is a worrying trend (particularly for employees in Japan and the UK), and two-thirds of employees globally feel at risk of burnout in the year ahead. Burnout risk will only be exacerbated as employees now balance work with social distancing, remote working, closures and quarantines.

Our study shows that action is vital, given that energized employees are four times more likely to report a healthy, flexible and inclusive workplace. Employees who are energized by their job are essential to transformation agendas: Energized employees say they are more likely to stay, more resilient and more ready to reskill. Energized employees work in cultures that are empathetic, in environments they find enriching, and in work cultures that are both efficient and embracing. Seamless interactions and better enablement of digital working in times of social distancing have a clear role to play, yet only two in five companies say they are mostly or fully digital, the same proportion as in 2018. This will remain a C-suite priority.

Focusing on the desired interactions between HR and the business is key to unlocking energy and enhancing the employee experience. Delivering on this aspiration requires HR to step out of its traditional functional silos. Despite the benefits associated with a more joined up approach, just 40% of HR leaders say they have an integrated people strategy today. The good news is that 50% of HR respondents have moved away from traditional structures to meet their businesses' escalating need for agility and 26% say they have built a fluid team to respond to different business priorities. Grappling with stability and agility will be a key theme in 2020.

Win with empathy

Necessity breeds innovation, and it is clear that we are already embracing new ways of working and living. Companies are transforming their structures to attract new generations, reinvigorate their businesses, and promote employee health and well-being. In short, difficult circumstances are challenging firms to do things differently: To care enough to put people and productivity metrics side by side, to put responsibility for shared futures above short-term gains, and to build better, brighter futures for all stakeholders. This is empathy. And we need it to win in an evolving and unpredictable world.

Download Mercer's *2020 Global Talent Trends Study* for our complete findings, as well as strategies to win with empathy.

www.mercer.com/global-talent-trends

This year's study includes insights from more than 7,300 senior business executives, HR leaders, and employees from nine key industries and 16 geographies.

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