

win with

empathy

Global Talent Trends 2020–2021
Local Companion Report



welcome to brighter

Introduction

Given the events of 2020, US organizations will be investing in:

Top priorities



Diversity, equity and inclusion analytics and insights



Defining future workforce needs and/or restructuring



Reinventing flexibility and fluid careers

Areas requiring more attention



Incentivizing transformation — rewarding skill adoption/change



Evolving retirement plan structure and governance to improve employee outcomes



Embracing experiments in HR

The year 2020 is sure to leave a lasting mark on the shape and feel of work. No matter the degree to which COVID-19 affected an industry or organization's ability to operate, the pandemic opened many organizations' eyes to new possibilities — from flexible working to telemedicine and the changes that skills-based talent models and digital transformation can deliver. In turn, this has prompted deeper reflection: What pandemic people practices will endure? What flexible, sustainable people models will serve as a bedrock for growth? How can we reinvent a brighter future for all?

At the dawn of the new decade, companies were looking for new paths to success. There was renewed focus on the futures of people and the planet, active reskilling for new career paths and evolving roles, delivering a workforce edge by combining human intuition with workforce science, and taking a holistic view of employees' health and wellbeing, retirement planning and financial wellness, and career and professional development. As it turned out, marrying economics and empathy across these dimensions was key to business survival during the pandemic. This approach and these values are certain to endure.

We have all had to rise to the challenge of the unprecedented health and economic crises and recognize that geographies, industries and individuals experienced this period in unique ways that set us on different courses. The question now is how can we take the learnings of this period and channel the innovations born of necessity into a new way of working and a plan for reinvention?

In the United States, as organizations strove to shore up their businesses and supply chains, many also started to question long-held business truths. Silos began to vanish amid unprecedented cross-functional collaboration. Early adopters of digitally enabled working (such as virtual onboarding and remote working) were in better shape than others; those who had lagged pressed fast-forward on digitalization plans, with one in three US companies deciding to pursue technological transformation due to COVID-19.¹ Digital health also came into its own. Some employers added telemedicine benefits mid-year as usage of virtual healthcare exploded — one in four US firms expanded digital wellness this year, and two-thirds anticipate these programs will become permanent fixtures.² Meanwhile, the shadow of cost containment loomed large over everything from hiring to the size of HR teams. This climate of prudence and prioritization will continue.

Combine these challenges with a reckoning on social inequality and racial justice, and it's no wonder investing in *diversity, equity and inclusion (DEI) analytics* will be US companies' top priority for 2021. Interrupting gender and race inequities will prove vital to attractiveness and future resilience as investors and stakeholders expect their organizations to make significant headway on DEI.

According to the 163 US HR leaders who participated in this year's survey, grappling with immediate priorities — *workforce restructuring* followed by *reinventing flexibility* — are next on US companies' priority list (see sidebar). This is no surprise given the *majority (56%) expect COVID-19 to negatively impact their business*. Initiatives that stimulate a more fundamental reshaping of work, such as *incentivizing transformation* or *rethinking retirement*, are lower on the list (10th and 12th, respectively, out of 12). HR leaders recognize that a successful shake-up of work requires trust on all sides: *71% say they have a process in place to keep a trusting company culture intact as a hybrid model of remote and onsite workers emerges*. Trust and empathy are the foundations of success for long-term reinvention strategies, such as aligning benefit goals to business priorities, delivering on flexibility for all, and engineering a step change in the employee experience through radical HR transformation.

In our 2020 Global Talent Trends Study, four key trends set the agenda. Since COVID-19, it's clear that some of these have sped up, while others have stalled. Let's explore how each trend fared during 2020 and how companies have found a way forward amid the disruption.

To read the 2020–2021 Global Talent Trends Study, visit www.mercer.com/global-talent-trends.

Progress on the four talent trends varied sharply in 2020. Which sped up and which got neglected provides clues to set you apart from the competition in 2021.

- **Focus on futures** saw action on gender and wealth gaps and a multi-stakeholder model on the agenda. While progress on stakeholder capitalism paused during 2020, COVID-19 actually thrust stakeholder empathy (particularly of employees) forward. US employers stepped up to protect pay during business closures, support caregivers and provide sick leave. In contrast to the 2008 global financial crisis, organizations have placed the criticality of people and their well-being firmly in the spotlight during this downturn.
- **Race to reskill** highlighted that reskilling would be both this decade's biggest opportunity and its greatest challenge. Companies that understood the skillsets of their people were able to rapidly redeploy them to critical areas of the business. Those that can deliver skills at scale will outpace competitors and start to build the learning organization vital to staying ahead.
- **Sense with science** showcased the progress that organizations have made in harnessing the power of data and outlined HR's role in upholding ethical practices on AI and analytics. Yet data privacy and security took a backseat in 2020 as companies rushed to develop digital capabilities such as contact tracing and digital HR. With greater health and workplace surveillance an accepted reality for many, how data on employees is collected, used and secured will require much more attention in 2021.
- **Energize the experience** outlined the need to inspire people with an energizing and empathetic employee experience (EX). Delivering on flexible working at scale dominates today's EX conversation. Staying ahead will require taking an even broader view: redefining the employee value proposition fit for today's needs and tomorrow's generations — upending what “being at work” means even as work and work arrangements remain in flux.

Focus on futures

Work together to ensure people thrive now and in the future

After a hiatus during the second and third quarters of 2020, the mandate to align business practices to a multi-stakeholder model is back. With less volatile markets freeing up attention and the explosion of diversity concerns spurred by the Black Lives Matter movement, we saw renewed impetus at the end of 2020 to make progress on responsible investing and environmental, social and governance (ESG) metrics. *Some 60% of HR leaders in the US say their companies have continued or stepped up the pace toward an ESG and multi-stakeholder business approach.* The majority of those now moving forward with stakeholder capitalism are *tying ESG goals to their purpose (53%),* and about a quarter (26%) *are embedding ESG metrics into executive scorecards* — one approach to driving action (see Figure 1). In 2021, getting beyond the surface level on sustainability and DEI will be vital for growth — organizations that integrate ESG metrics into the CEO's agenda are more likely to report high revenue growth.³ The biggest opportunity in sustainability strategies? *To rethink how investments such as retirement portfolios can be directed toward sustainability — something just 8% of US companies do today.*

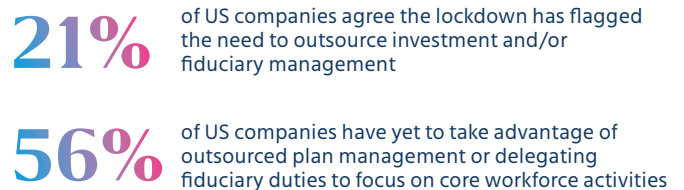
Stakeholder empathy (particularly of employees) was a feature that emerged during 2020 — and is likely to persist. *Two in five American companies say managing inclusively and with empathy has become more critical for future resilience.* Clearly, employee health and well-being took center stage during the pandemic. And with COVID-19 revealing that not everyone's future is equal, *55% of companies are reexamining what is most relevant to different persona groups* — a welcome segue from prepandemic intentions toward greater personalization to inclusive benefits, which will be vital given that offering more varied health and well-being resources leads to more energized workers who are less likely to leave.⁴ Yet with only 26% *offering more financial education* than before the pandemic and just 19% *resegmenting the*

workforce to tailor benefits to new realities, putting stopgap measures (such as enhanced benefits for caregivers) on a more permanent footing will need more attention in 2021.⁵

Do less to do more

Focusing on futures, redesigning benefits and evolving the employee value proposition for a more inclusive work model will all require significant time investment. How can you work smarter in the next 12 months? Outsource noncore activities, such as expensive pension and benefits expertise, well-being strategy support or certain investment responsibilities. For example, the outsourcing of fiduciary duties started in the US and sped up after the 2008 global financial crisis. This could be one avenue for companies that didn't take advantage during the previous downturn: *Only one in five US companies is considering third-party arrangements for investment and/or fiduciary management,* compared to two in five among global peers (see Figure 2).

Figure 2. Creating space for reinvention



By delegating activities, such as the management of investment portfolios, the organization is free to focus on where it can add the most value and on urgent issues, such as diversity or workforce skills.

Figure 1. Talent and investors care about ESG — how are companies evolving their practice?



Race to reskill

Transform the workforce for a new world economy

Given the experience of remote working and the need to adjust capacity swiftly, it's no surprise that 2021 transformation plans are concentrated on *reinventing flexibility in all its guises* (48%), followed by *expanding talent and learning ecosystems* (43%) — which also can be an accelerator of flexibility. Although just 17% of companies say their transformation plans include significant workforce transformation (see Figure 3), the near-term focus is understandable: Their people are fatigued given many live where they work. HR says the top barriers to transformation are *employee exhaustion* (60%) and *too many distracting priorities* (56%).

Focus on skills to speed up transformation

Before the pandemic, companies reported that the primary challenge to successful organizational transformation was lacking the right skillset to execute. As COVID-19 proved, rapidly adjusting capacity and redeploying resources is not only possible but critical to success. *One in three organizations* (36%) *made it easier to share talent internally as a result of COVID-19, and a further one in five will do so in 2021* (21%). This makes sense: Looking at work and people through a skills lens enables companies to act fast and business models to flex, a trait which is now a key competitive differentiator.

But adopting a skills-based talent model has been difficult in practice. Despite the hype, just 9% of HR leaders have implemented skills-based talent strategies such as *pay-for-skills* or *skills frameworks*. Deciding whether to buy or develop a skill in-house depends on knowing what you already have — knowledge that separates companies that can rapidly

flow talent to demand from those who cannot. Yet only 28% of companies are gathering information on individuals' current skills, a finding that has remained stubbornly low year over year. The good news is that technology and information has progressed to include skills databases and AI technology to identify and support use cases, like pay-for-skills.

Getting employees on board with new ways to quantify their value and build capability will be necessary for skills-based talent strategies to work. Employees need to see that learning new skills leads to career opportunities, tangible rewards, recognition or promotion, something leading companies are just starting to explore: Only 12% plan to reward skill acquisition to sustain transformation. Companies that link career trajectories and/or compensation to the development of targeted future skills will democratize learning opportunities and create a culture that proactively incentivizes business transformation.

Which skills are critical for future resilience?

What is HR's opinion of skills of the future? *Collaboration skills* (#1) and *openness to change* (#2) are predictably high on the list given the continued prevalence of remote working (see Figure 4). Upskilling managers to lead remote teams will be key to success in the new era. Meanwhile, skills that spur employees to adapt for the future are less in focus in the US: Just 12% of US HR leaders cite *innovation* as critical and 4% *market sensing*. This is a concern, as the ability to spot weak signals is critical in uncertain times. Leading organizations are not waiting. They are conducting strategic workforce planning to identify the business's future-critical skills and pinpoint its supply of, and demand for, those skills.

Figure 3. Transformation plans are focused on immediate priorities

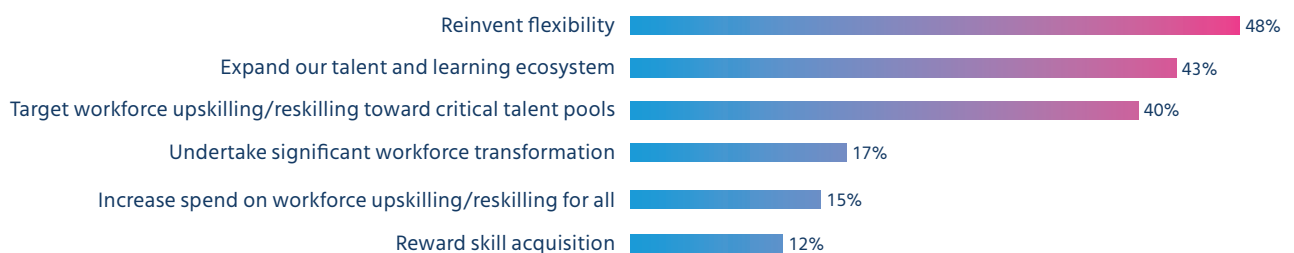
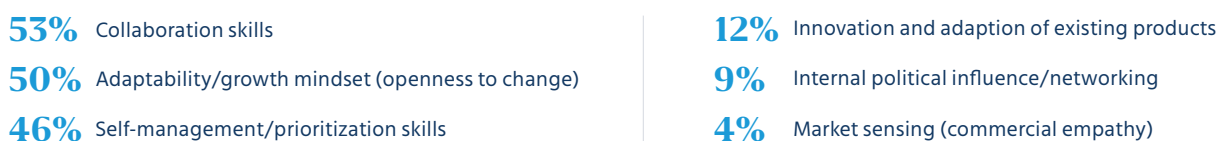


Figure 4. Which skills are critical for future resilience? (top 3 and bottom 3)



Sense with science

See ahead by augmenting AI with human intuition

Last year, HR made significant strides in gathering operational insights. This year, HR intends to emphasize forward-looking insights, with nearly *half of HR leaders focused on improving their analytics capabilities to support strategic workforce planning*. The need to right size and adapt the shape of work is clear. Equally, recent events around DEI have increased the urgency for improved analytics on *pay equity* and *health trends* when redesigning the workforce (see Figure 5). It is heartening to see *one in three companies have understanding employees' mental health* on their agendas — a concern brought into sharp relief by prolonged remote working and economic insecurity.⁶

Drive DEI progress with data

Many past initiatives to advance DEI have fallen short of real accountability. In 2021, clear, consistent and quality data will be essential to shoring up positive trajectories and answering the mandate to report publicly on DEI. Increasingly, investors evaluate companies based on their human capital management and DEI metrics, such as representation, pay and benefits, or attrition rates by demographic group. What is the right level of information to share? Which analytical methods will identify pathways to improve outcomes? Equally, companies that want to pay more than lip service to diversity are considering linking DEI goals to executive incentive plans, although few have taken action yet. While 58% of US companies have set up a DEI council or taskforce to promote inclusivity, only 7% measure DEI performance in incentive compensation plans today.⁷ Employees, too, are watching how organizations address widening inequalities. There is much room for improvement. As HR leaders map out future workforce strategies, only 16% are *taking into account the impact of 2020's transformation or rightsizing plans on various minority groups*, and just 15% are *considering the pandemic's impact on these populations*.

Inclusive benefits in their infancy

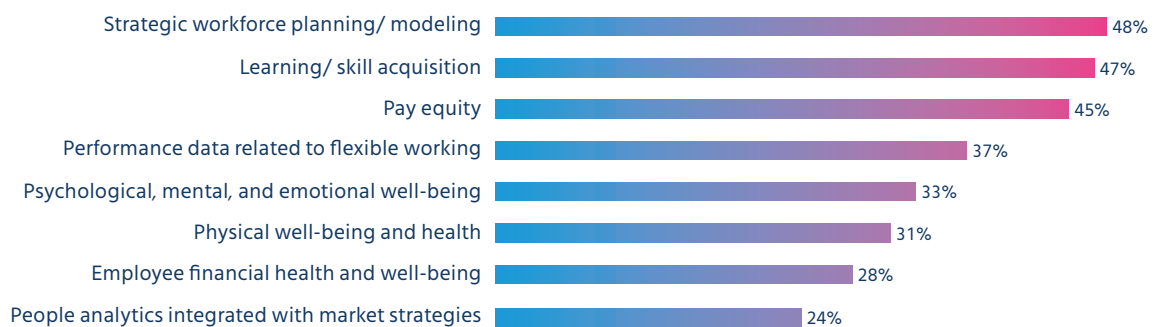
Leveraging AI to offer inclusive benefits is the next step on the maturity curve after understanding different employee group needs. AI can be a potent tool to eradicate unconscious bias in plan design or investment policy. AI can perform cluster demographic analysis to identify gaps in financial benefits in certain segments (such as older workers or minorities), enabling companies to set a strategy to address gaps and target education and communication at those more likely to miss retirement goals. The good news? Leading organizations are asking for more data on utilization of financial benefits by age, gender and ethnicity (see Figure 6) and *one in four companies are moving toward AI-driven nudges that prompt employees to advance their health, wealth and career prospects*.

Figure 6. US companies lead the way on employee investment insights, but there's a hill still to climb

16% use AI today to support financial investment insights for employees (compared to just 4% globally)

Analytics in health has also been gathering momentum. This year, firms will need to lean into data science to become intelligent benefit consumers for their employees and understand how their vendors are performing. Yet just 29% of HR leaders use, or plan to use, *predictive analytics that dynamically model healthcare costs and financial outcomes*. With interoperability regulations around the corner, US employers will have the opportunity to demand access to greater data troves from hospitals and providers. Learning about what people truly value in benefits will be vital to offering cost-effective programs that make sense for diverse employee populations.

Figure 5. 2021 plans to improve analytics reveal HR transitioning to a new normal



6 MMC. *Digital Tools for Mental Health*, 2020, available at <https://www.mmc.com/insights/publications/2020/december/digital-tools-for-mental-health.html>.
7 Mercer. "Global COVID-19 Surveys," 2020, available at <https://taap.mercer.com/live-results>.

Energize the experience

Inspire and invigorate people by redesigning the work experience

Flexible working has proved central to the new EX. The jolt to HR's thinking on how the EX has been changed by *how we work flexibly* (74%), *how we manage virtual workers* (70%) and *how we onboard* (68%) will be one of COVID-19's enduring legacies.

Still, the flexible working experiment is ongoing. Even companies who previously had no appetite for flexible working recognize that employee expectations have shifted; those that revert to prepandemic norms and fail to embrace flexibility will lose their appeal among talent. Yet what's getting lost in the conversation is how to create flexibility for all employees and sustain it at scale. All jobs can flex in some way. The challenge is identifying how certain jobs can flex productively — for the business and the individual — and building the culture that supports blended models. This can be done by assessing what flexibility is possible, what is desirable and the people processes that will make it sustainable.⁸

Into the limelight: Digital takes center stage

Digital health usage has likewise been accelerated by COVID-19. The result? Telehealth is no longer an afterthought in employee health offerings: *more than half (56%) of US companies plan to offer increased access to remote health and benefit options*, compared to 47% of their global peers. And it's clear that digital care delivery will become the

centerpiece of programs to reengage employees in their well-being (see Figure 7). The dark spot on the horizon is the sheer volume of virtual health options, app fatigue, and overlapping services implemented hurriedly. Improving the benefit experience will be crucial in delivering against new employee expectations, as US employers have some catching up to do with peers: *Only two in five (38%) hope to expand the use of global benefits management to enhance the EX*, compared to half (50%) globally.

New expectations demand a new HR

What can HR teams do to deliver an enhanced EX aligned to how we live digitally now? COVID-19 taught us that mountains can move in a crisis. Leading firms are analyzing the desired interactions between HR and employee groups to inform how HR organizes for a more human-tech model. Most of the pressure on digital tools and digital working methods during the pandemic was felt in HR, accelerating HR digitalization plans. Already, many HR teams have moved to hybrid ways of working and increasingly agile work practices.⁹ The challenge will be to make these learnings stick in a new operating model and work style. HR leaders say *accelerating programs for flexibility and redesigning processes for a remote work experience* are their top two priorities for the HR function. But transforming the function to support flexibility for all and accelerating HR's own digitalization will need to take the top spots to sustain the new world of work (see Figure 8).

Figure 7. Digital health dominates employee well-being plans

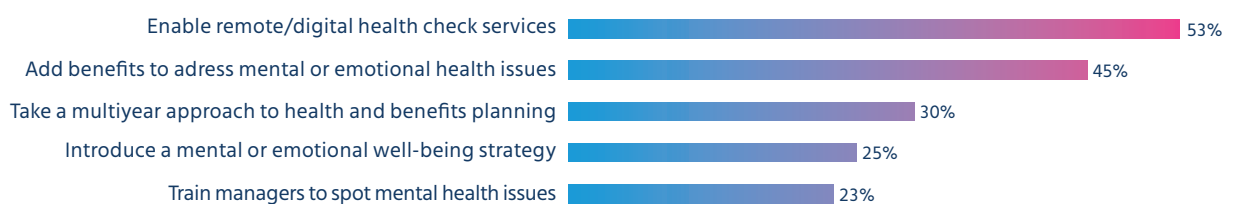
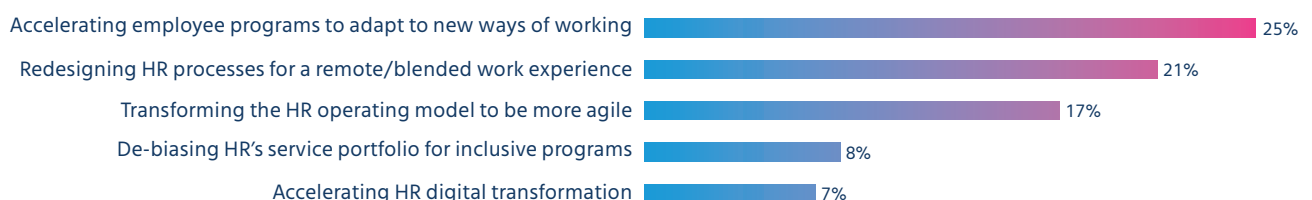


Figure 8. Adapting to new ways of working is top of mind — for that, HR will have to be agile



⁸Mercer. *The New Shape of Work Is Flexibility for All*, 2020, available at <https://www.mercer.com/our-thinking/career/the-new-shape-of-work-is-flexibility-for-all-global.html>.

⁹Mercer. *Designing for Remote Employee Experiences: A Refreshed Approach to HR Transformation*, 2020, available at <https://www.mercer.com/our-thinking/career/designing-for-remote-employee-experiences.html>.



Recommendations


Moving forward

Getting started

- 1 Develop a sustainability strategy.** Solicit input from various workforce groups on what responsible employment, responsible investment and sustainable business practices could look like for the organization. Weave ESG goals into your transformation agenda for optimal impact.
- 2 Establish clear organizational ownership of skill information.** Understand the skills available across your organization today and what new skills you will require. Align the workforce to skills using databases, like Mercer Skills Library, aligning skills to jobs.
- 3 Commit to DEI goals.** Know where you are today on diversity, equity and inclusion, benchmark your desired state for tomorrow and create a strategy to get there. Identify the talent practices that need to change, or areas in which to improve governance, to close the gap. Consider introducing DEI into incentive plans.
- 4 Make flexible working a promise and a practice.** The pandemic has given permanence to the idea of flexible working and employee preferences regarding flexible working have changed in the current environment. Explore how to embed longer-term flexibility in your company by assessing roles, employee preferences and the people programs that will sustain it.
- 5 Prioritize health and well-being.** Move beyond activity and usage metrics to understanding what affects employees most. Use digital services and advice, including nudges and prompts, to improve experiences. Make it easy to understand total rewards and coaching for optimal financial paths and personal wellness.

Suggestions to accelerate

- 1 Outsource noncore activities.** Consider taking advantage of third party arrangements to free up resources to focus on core expertise areas. For example, look for expert services in risk management, investment management and pandemic management.
- 2 Make employee welfare protections fit for the long-term.** Protecting employees' welfare in 2021 requires companies to put stopgap measures (such as enhanced benefits for caregivers and parents) on a more permanent footing.
- 3 Get on the journey toward skills-based talent processes.** Consider starting with Pay-for-Skills intelligence and automating the profiling and management of people's skills. Establish the link between skill clusters and job opportunities.
- 4 Speed up DEI progress.** Better employee listening techniques — such as engagement surveys and digital focus groups — coupled with design thinking with target groups will be required to accelerate true progress on diversity, equity and inclusion. Actively audit compliance with DEI policies across your organization.
- 5 Prioritize HR transformation.** Look at how the HR model needs to change — and break away from traditional HR models — to reflect how we live digitally now, new ways of working and the new shape of work.



Nearly half (45%)
of executives in the US use
or are considering using
diversity, equity and inclusion
metrics (DEI) in their
incentive plans. Against the
backdrop of 2020's social
movements, DEI metrics
are being discussed widely
across boardrooms. And
an increasing number of
North American companies
are opting to use incentive
plans to drive and measure
progress toward their
organizations' goals.

2020 North America Executive Rewards Year End Survey



Conclusion

How will we remember 2021? Will a once-in-a-generation pandemic impel a genuine watershed moment in which companies reset their focus to redesign their purpose and rethink how to drive a more equitable and inclusive society? Or will we slip back into old ways of working?

Time will tell. While 2021 will see companies transition from a “return to normal” phase to a “reinvention” phase, seeing that journey as a long-term endeavor will require relinquishing the crisis mindset. Doing so will make the year ahead one of sustainability and productive recovery.

As organizations start to define a new shape of work,¹⁰ we see them exploring different avenues for reinvention, each with its own challenges and opportunities. Key shifts have emerged from the global pandemic, which are influencing reinvention plans. With perceptions changing about what’s important, consumers, employees and employers *value* different things than before, which will drive a rethink of the benefits and talent value proposition that can inspire. Organizations will place a premium on *flexibility* in business and work models to remain in business and thrive. And a new climate of responsibility for investors and employers means transforming business practices for *sustainability*, characterized by responsible investment, empathetic leadership and the equitable treatment of people.

To learn more about the innovations in people practices influencing reinvention plans, visit www.mercer.com/global-talent-trends.

¹⁰Mercer. “The New Shape of Work,” available at <https://www.mercer.com/our-thinking/career/the-new-shape-of-work-covid-19.html>.



