

HEALTH WEALTH CAREER

MERCER

TALENT TRENDS

2017 GLOBAL STUDY
EMPOWERMENT IN A
DISRUPTED WORLD

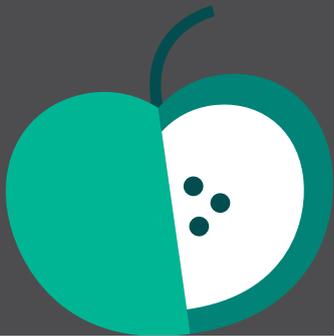


MAKE TOMORROW, TODAY



THREE PERSPECTIVES ON

THE FUTURE OF WORK



HEALTH



WEALTH



CAREER

400+ business executives
1,700+ HR professionals
5,400+ employees
From 37 countries
and 20 industries

We asked about topics as diverse as:

- The biggest disrupters on the horizon
- What executives are planning in the next few years
- How HR thinks jobs will change
- Which skills are most in-demand and how best to develop them
- What employees want more/less of in the workplace

WHAT'S INSIDE

4 TRENDS TO WATCH IN 2017

- GROWTH BY DESIGN
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LEAP FORWARD: ADVICE TO STAY AHEAD

- ATTRACT & RETAIN TOMORROW'S TALENT
- BUILD FOR AN UNKNOWN FUTURE
- CULTIVATE A THRIVING WORKFORCE

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- TOP TIPS TO WIN THE TALENT WAR
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SETTING THE CONTEXT

2017 has kicked off with a bang, but the optimism shown in the markets has not appeased the lingering concerns from HR and employees following a year of uncertainty and volatility. Conflict in the Middle East continues unabated, the fate of the European Union is in question, and anti-establishment sentiment is at an all-time high. Across the world, disruptive events at the ballot box and on the streets have provided a wake-up call to political and business leaders.

Rising nationalism is straining global cooperation, and economic problems have resulted in stagnant growth, unemployment, and productivity challenges. Fiscal fragility in many emerging markets and the pressure on social protection systems is compounding the stress on individuals and families.

IN THIS CLIMATE, IT IS MORE IMPORTANT THAN EVER BEFORE FOR COMPANIES TO TAKE A LEADING ROLE IN CARING FOR THE HEALTH, WEALTH, AND CAREERS OF THEIR WORKFORCE.

The fourth industrial revolution is upon us and is fast becoming a workplace reality. Artificial intelligence, robotics, 3-D printing, drones, and wearables are rapidly integrating into the work environment. Technology is enabling us to stay connected and give real-time feedback more than ever before. At the same time, business models are adjusting to take advantage of contract or contingent workers – in part to address the talent scarcity challenge but also in response to what people say they want out of a job. These forces are changing the notion of what it means to be an “employee,” which has far-reaching implications and demands a re-think of how we prepare for the future.

The critical trends that are reshaping the world of work are colliding with the changing demographic profile of employees and shifting expectations of the work experience. Despite an uncertain future, there is optimism in the air. The events of 2016 and early 2017 have set a course of change that brings the promise of more equity and transparency and more accountable decision making. An overarching theme of *Empowerment* permeates how business leaders, HR professionals, and employees are viewing the world of work, both today and in the future.

C-SUITE CONCERNS: VIEW FROM THE TOP



TECHNOLOGY AT WORK

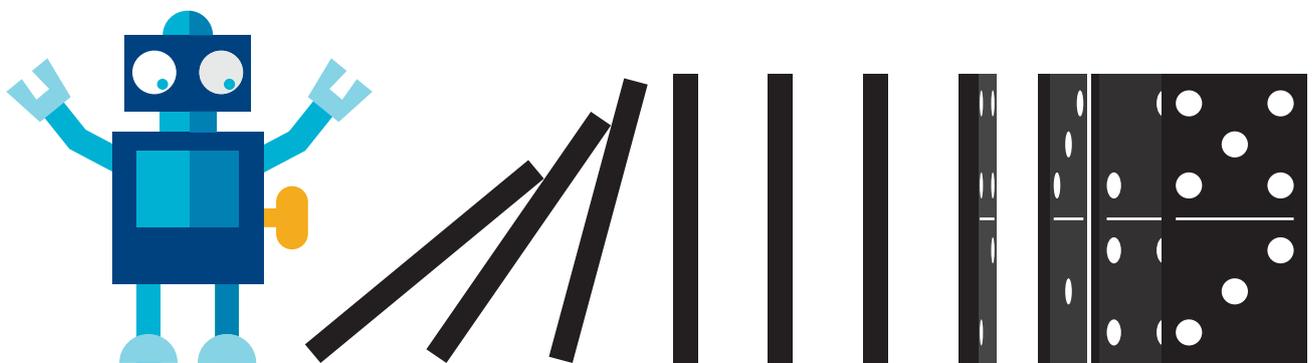
TALENT DRAIN

AGING WORKFORCE

GENERATION Z

92%

of employers expect an increase in competition for talent this year



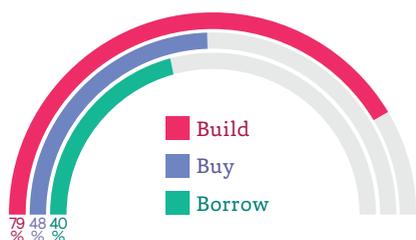
The talent scarcity challenge is keeping everyone awake at night. The C-suite and HR agree that the competition for talent will continue to increase this year, but executives see this even more acutely – 43% of C-suite respondents expect the competition to be significant, compared to 34% of HR professionals.

How are companies planning to respond? Just like in 2016, most are focused on a “Build” strategy to grow and promote their own talent from within – but nearly half are also increasing their recruitment from the external labor pool. Both strategies are reflected in the HR priorities for 2017:

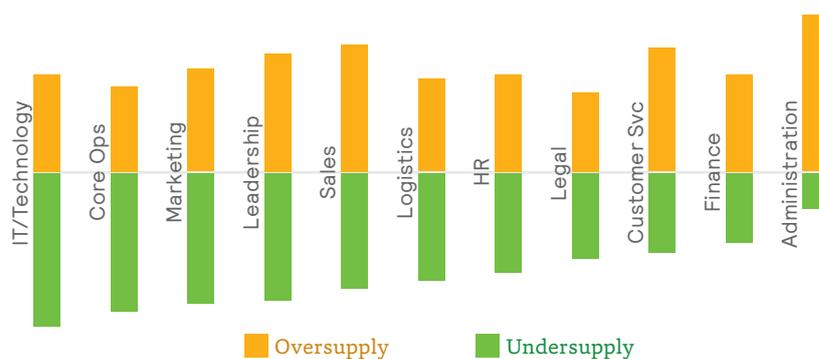


The disconnect between supply and demand affects all industries, geographies, and functions, but it is predicted to be especially acute in leadership, core operations, sales & marketing, and IT.

BUILD, BUY, BORROW PLANNING TO INCREASE IN THE NEXT 12 MONTHS



HR EXPECTS A DEARTH OF QUALITY TALENT DUE TO WORKPLACE DISRUPTION IN THE NEXT TWO YEARS



IN THE SPOTLIGHT (REPORTED OVERSUPPLY)

In areas with oversupply, competition for jobs will increase and there is potential for job displacement. However, for organizations that are able to move people to jobs, or jobs to people, this can be a great world-sourcing opportunity.



1. GROWTH BY DESIGN

DRIVING A BOLD CHANGE AGENDA

It's no longer about evolution – organizations are transforming structures and jobs with an eye towards the future. Ensuring that the People agenda is not lost amid the drive for change will be critical to sustainable growth.

REDESIGNING THE ORGANIZATION

Executives globally recognize that stasis is a formidable enemy of business growth. They acknowledge that existing structures often impede, rather than accelerate, change and that the heavily layered organization of yesteryear has proved a hindrance to the agility needed in today's competitive markets. Thus, they are driving an aggressive change agenda – 93% of business executives plan to make a design change in their company within the next two years. This trend is consistent across all geographies and industries.

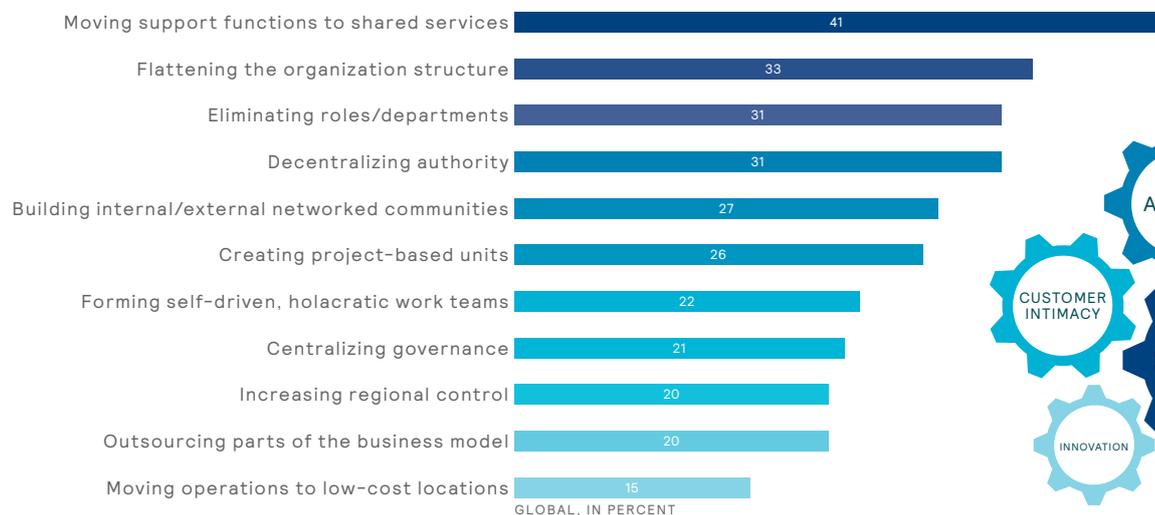
Vertical hierarchies are being replaced by simpler, more horizontal organizational structures. This change reflects a desire for greater efficiency and lower costs, closer relationships with customers, and increased agility and innovation. Companies in different industries are going about this in different ways. Executives in the Auto, Energy, and Healthcare sectors are flattening their organization structures, while those in Financial Services and Logistics are focused more on moving support functions to shared services. Consumer Goods organizations are also creating special units to handle project-based work.

There are interesting differences by geography as well. While greater efficiency is the number one driver of organization design changes in the majority of the countries we studied (including US and UK), it is less of a focus for executives in Japan (who are committed to improving collaboration) and in Hong Kong (for whom innovation is paramount).

The organization in a “world is flat” universe pushes decision-making authority further down the chain, thus employees must be more self-reliant and skilled enough to independently make day-to-day decisions. This requires a shift in how we support employees at different stages of readiness, career, engagement, and work status.

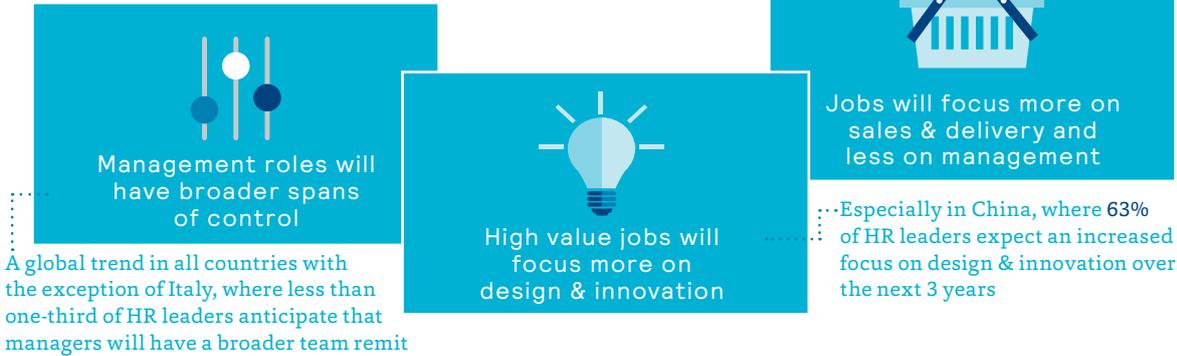
What do employees say they want? When asked in which areas their company should provide more support, simplified approval chains to enable quick decision making ranked third globally. This may reflect their company's current challenges in this area – with only 15% of employees saying that their company excels at this today.

93% WILL MAKE ORGANIZATION DESIGN CHANGES IN THE NEXT 2 YEARS WHAT CHANGES ARE YOU PLANNING TO MAKE?



Redesign of organizational structures and jobs was among the top three areas of investment executives felt would create the most sizable difference to business performance in the near future. However, only 11% of HR professionals indicated that redesigning jobs, roles, and responsibilities is a priority this year. With structural redesign being driven from the top, lack of definition around what behaviors to leave behind, preserve, or adopt will undermine the impact of these organizational changes.

CHANGING NATURE OF JOBS TOP THREE TRENDS



THE VALUE OF JOBS IS SHIFTING – ARE YOU SET UP FOR SUCCESS?

Companies are seeking to eliminate the barriers to productivity growth that have crept into their internal business practices. One way is to redesign roles and reporting lines for simplicity, faster decision making, and team-based working. Today, HR is spending a significant amount of time classifying and cataloguing jobs (often driven by the implementation of a new HR technology system). HR leaders will be the first to agree that documenting current state is not enough. New style work arrangements require new style job frameworks that take into account not only the jobs of today, but also what will be needed in the future. The rapid pace of change and C-suite’s focus on organization redesign mean that a very different future is not far off. **Without an underlying framework, the goals of agility, simplicity, and innovation will remain elusive;** the key is developing a strategic framework that can flex and adapt to the evolving needs of an agile workplace.

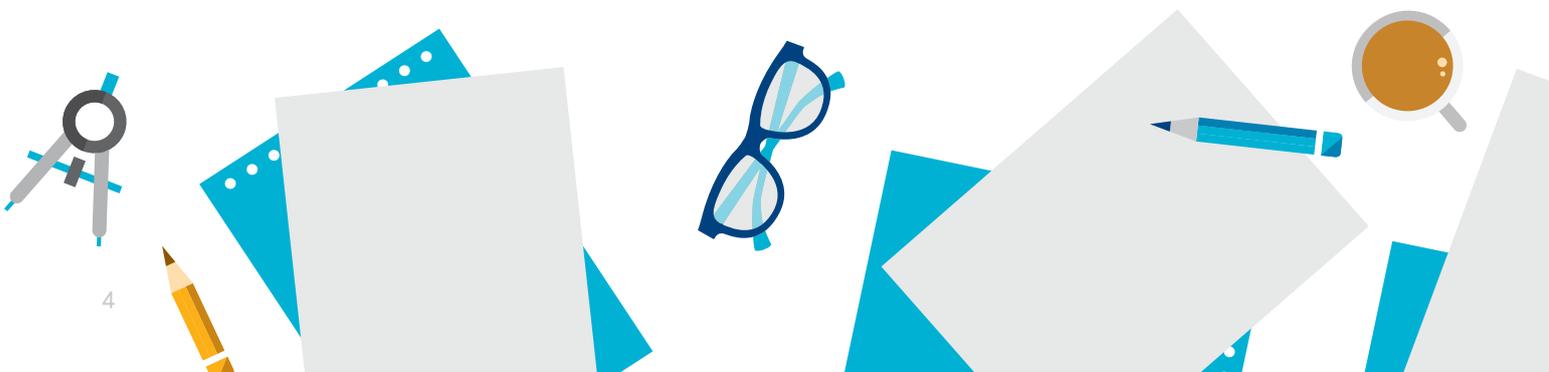
Having a strong decision science underpinning job design has never been more critical, especially as new jobs are emerging faster than ever before. Job design is where HR can truly add business value:

- How do you define jobs for which no precedents exist?
- How do you evaluate new jobs when you have no reference benchmarks?

The challenge is to consider the job’s contribution to the creation of value in the organization. We all know that business leaders do not have the patience for a lengthy job evaluation exercise, so the process must be quick, intuitive, and accessible for all line managers. The good news is that HR realizes the need for change – **50% of HR leaders indicated that they will change their job evaluation methodology this year.** The majority are implementing a more scientific approach to valuing contribution.

In a recent Mercer snapshot survey¹, respondents were asked how job evaluation will contribute to the business agenda in the next 10 years; the most common response was “to enable flexibility.”

¹2016 Mercer Global Job Evaluation ROI Snapshot Survey



THE DIGITAL JOURNEY

Business executives see technology at work as the workforce trend likely to have the most impact on their organization over the next two years. Yet most are not doing enough to realize the benefits and head off the risks.

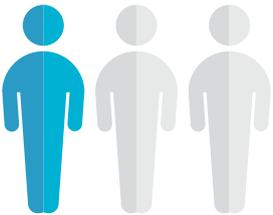
“Doing business without digital is like smiling at someone in the dark. You know what you’re doing, but nobody else does.”

~Adapted from Stuart Henderson Britt~

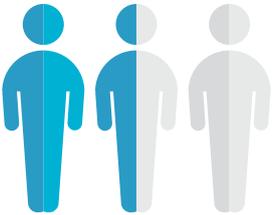
WHERE ARE YOU ON THE JOURNEY TO BECOMING A DIGITAL ORGANIZATION?

| | | | | | |
|-----------------------------------------------|-------------------------------|----------------------------------|----------------|-----------------------|-------------------------------|
| INTERNAL How we shape the employee experience | We are a digital organization | | | 1% | 5% |
| | Making great progress | | 8% | 14% | 1% |
| | Long way to go | 4% | 37% | 12% | 1% |
| | Not yet on the journey | 8% | 6% | | |
| | | Not yet on the journey | Long way to go | Making great progress | We are a digital organization |
| | | EXTERNAL How we conduct business | | | |

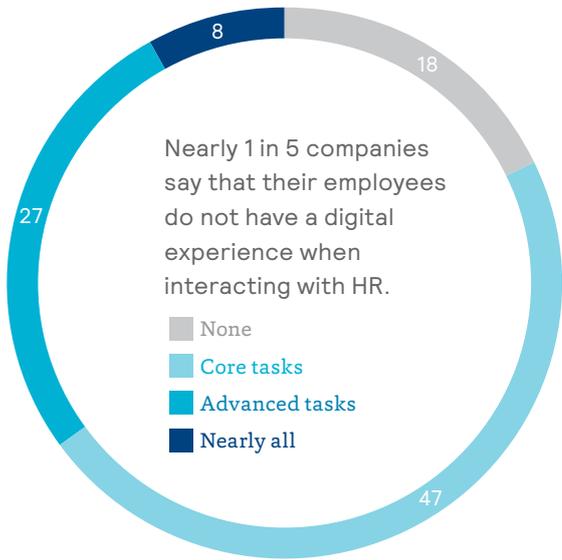
Less than 10% consider themselves a **Digital Organization** today. Companies that have begun their digital journey tend to focus first on external competitive forces, and later turn their attention internally toward the employee experience.



Only 35% of executives believe that HR provides a digital experience for employees.



Only 54% of employees say that they have access to state-of-the-art and innovative tools & technology to support their training and development.



2. A SHIFT IN WHAT WE VALUE

A NEW REWARDS PARADIGM IS NEEDED

Fair & competitive pay and opportunities for promotion are top priorities for employees this year, which is not surprising given the climate of uncertainty and change.

The rapid rise of smart machines and the exponential increase in the complexity of organizations and roles are just some of the ways in which today's workplace is unrecognizable from 30 years ago. What it means to be an employee – and the value of an employee to an enterprise – must necessarily be adjusted. It's no longer just about output. In fact, **97% of employees want to be recognized and rewarded for a wide range of contributions**, not just financial results or activity metrics – but only 51% say that their company does this well today. How rewards are managed reflects an organization's culture and can send powerful signals about what is valued. The same principle applies to executive rewards.

Responsible and responsive leadership was the lead topic at the 2017 World Economic Forum Annual Meeting. The theme of inequality and income disparity is forcing policy discussions on minimum wage and living wage, the gender pay gap, and the pay ratio between the C-suite and the average employee. As organizations are being challenged to consider their societal impact, performance metrics have been broadened to include sustainability measures such as diversity and social responsibility rankings. The trend towards more effective and relevant disclosure of executive remuneration also shows that companies are responding



to the demand for greater transparency – **83% of companies are planning to make changes to increase transparency of executive pay**. Market volatility is also adding pressure on executive pay levels – but at the same time, companies are unsure whether to make adjustments as the economic winds can change rapidly. For example, whether to shift to a currency-neutral approach for incentive plans is a hot topic for debate.

47%

of employees globally say the number one thing that would make a positive impact to their work situation is compensation that is fair & market competitive. Below are the top seven responses globally.



FAIR & COMPETITIVE COMPENSATION

#1 for employees in Canada, China, France, Germany, Italy, Singapore, and US

OPPORTUNITY TO GET PROMOTED

#1 for employees in Brazil, Mexico, India, and South Africa

LEADERS WHO SET CLEAR DIRECTION

#1 for employees in Australia, Canada, Hong Kong, and UK

WORKING WITH THE BEST & BRIGHTEST

TRANSPARENCY ON PAY CALCULATIONS

#1 for employees in Japan

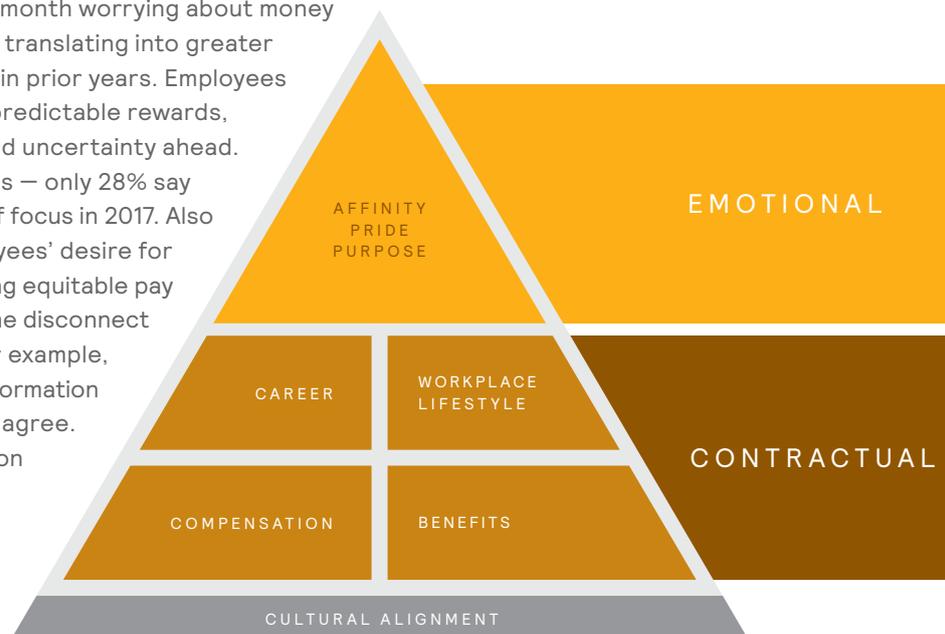
CAREER PATH INFORMATION

MORE FLEXIBLE WORK OPTIONS

People spend an average of 13 hours per month worrying about money matters at work¹. A preoccupation that is translating into greater concern over base pay and benefits than in prior years. Employees are seeking the security of tangible and predictable rewards, which is not a surprise given the perceived uncertainty ahead.

However, this is not reflected in HR's plans — only 28% say rewards competitiveness will be an area of focus in 2017. Also not reflected in this year's plans is employees' desire for fair pay, with only 16% of HR leaders putting equitable pay on their list of top five priorities. Part of the disconnect may be due to lack of communication. For example, 51% of companies say that they provide information on pay bands, but only 34% of employees agree. This can also impact employees' perception of their own "promotability" within the organization — lack of clarity around rewards at the next level can lead people to believe there is no path forward.

¹Inside Employees' Minds Study, Mercer 2016



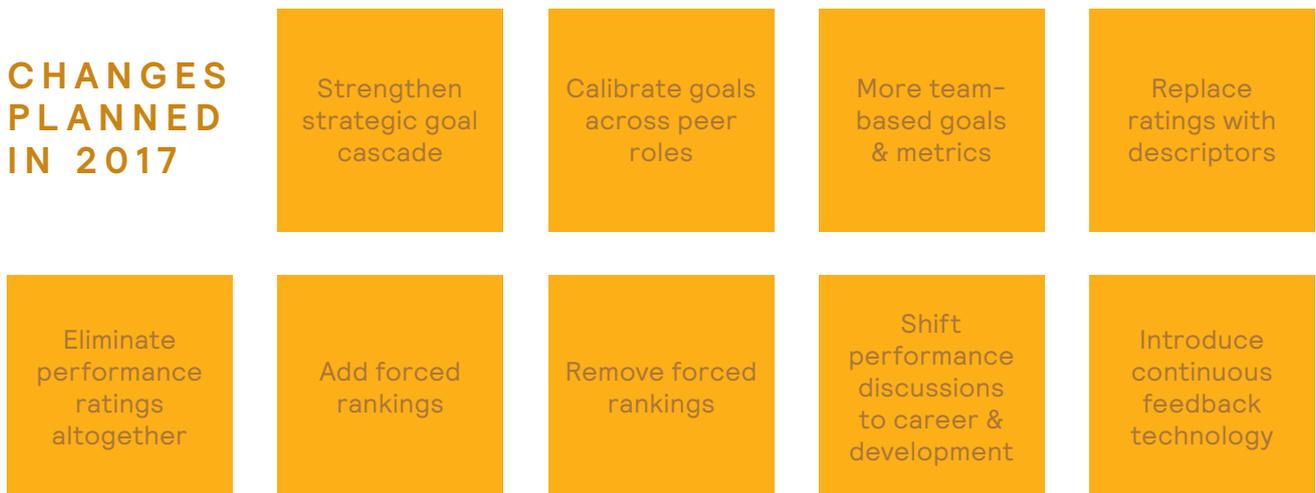
Even though employees are focused on the *contractual* aspects of the deal, we know that a greater *emotional* connection with the organization leads to less dependence on components such as compensation and benefits.



88% OF COMPANIES MADE CHANGES TO THEIR PERFORMANCE MANAGEMENT APPROACH LAST YEAR... AND THERE'S MORE TO COME

The climate of uncertainty is driving decisions about where employees want to work and what they value in the employment deal. So how are companies planning to respond? Changes to performance management processes lead the way and often have implications for rewards. This year, companies will continue to use performance ratings to drive annual base salary adjustments, but there is also a move towards greater manager discretion in how employees are paid.

CHANGES PLANNED IN 2017



There continues to be a focus on goal calibration and cascade, with 83% of companies having made or planning to make a change to their goal setting process. Continuous feedback is also becoming more prevalent, no doubt enabled by technology, with 81% of companies having already put in place an “anytime feedback” tool or planning to do so this year. Managers are also being encouraged to balance backward-looking performance reviews with more future-focused career and development conversations – 81% of companies have made this shift or plan to do so this year. Companies are taking the opportunity to determine whether their performance management processes are “fit for purpose” and inspiring for employees.

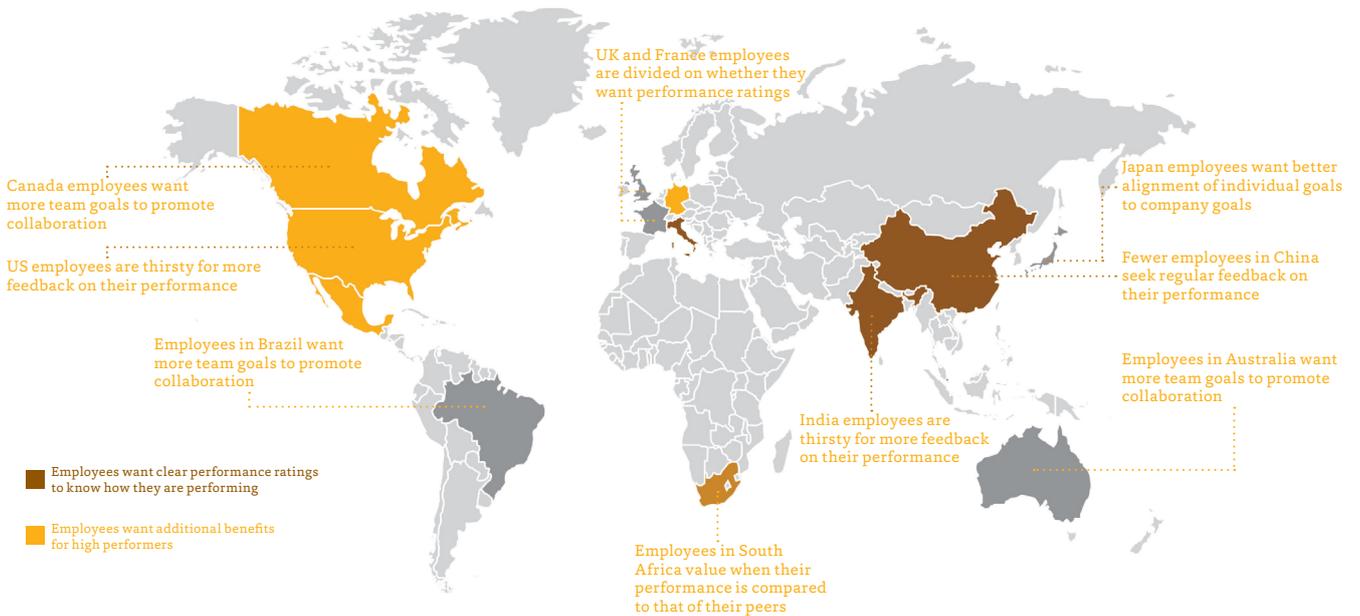


Employees are clear on one thing: performance ratings give them clarity on how they are performing and motivate them to do better work. In addition to individual work contributions, they also want to be measured on team goals to promote collaboration. This is a trend set to continue, with 40% of employees expecting that their workplace will become even more team-based over the next two years.



GIVE ME CLEAR PERFORMANCE RATINGS
 COMPARE MY PERFORMANCE TO THAT OF MY PEERS
 CREATE TEAM GOALS TO PROMOTE COLLABORATION
 PROVIDE ADDITIONAL BENEFITS TO HIGH PERFORMERS

UNIQUE VIEWS FROM AROUND THE WORLD



TO RATE OR NOT TO RATE?

61% of organizations eliminated performance ratings last year or are planning to do so this year.

NUMBERS OR WORDS?

75% replaced numerical ratings with descriptions or are planning to do so this year.

FORCED RANKINGS... OR NOT?

39% of companies that either added or removed forced rankings in 2016 are now planning to reverse their decision in 2017.

Industry sectors making the most changes:
Energy, Life Sciences

Countries satisfied with the status quo:
Japan, China, UK

3. A WORKPLACE FOR ME

PERSONALIZATION OF THE EMPLOYEE EXPERIENCE

People expect their employer to “make work work” for their individual circumstances. Companies are starting to respond by taking a “whole person” approach and increasing the flexible work options available to their workforce. Advances in technology are enabling individualized choice without adding an undue administrative burden for HR.

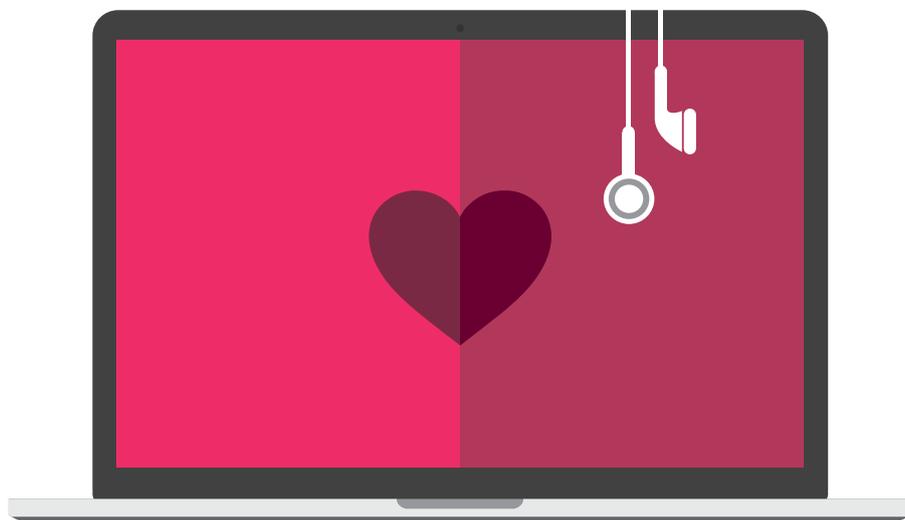
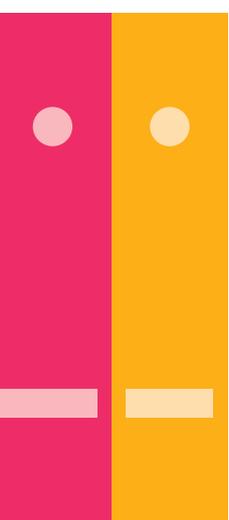
While clarity on job responsibilities, rewards, and promotion criteria are fundamentals, there is another workplace revolution underway. Globalization and technology are making the world smaller and shaping employees’ expectations of when and how they want to work. As part of the Era of the Individual and the rise of the free agent, employees are seeking more flexible and personalized work arrangements. Organizations are realizing that developing one employee value proposition that resonates across five generations, men and women, white and blue collar, working at the office or from home... is nearly impossible to achieve.

Personalization is not a new concept, but it’s one that in the past has been difficult to address. The good news is that advances in technology (from employee portals to career matching apps to benefit management platforms) are making it much easier to bridge the gap. Responsive and intelligent software can adapt to the needs of each unique employee to provide the right support at exactly the right time. Additionally, the micro-segmentation science of personas commonly used in marketing is starting to be applied to people strategy. These realistic representations of employee “types” can enable HR to better target employee benefits and communications.

More than a list of cool benefits and perks, personalization itself is fast becoming a differentiator.

One way to achieve this is through flexible work options. This year’s study showed that the majority of employees want more flexibility, and 40% of HR respondents acknowledge that offering more flexible ways to work would improve their employees’ ability to thrive. Sixty-two percent of companies already have pockets of flexibility in place, but only 35% say that it is a core part of their value proposition. An additional 27% offer flexible work options only when requested by individuals and sanctioned by managers.

We also asked employees about their experiences with flexible working in practice. They generally reported support from their managers (61%) and colleagues (64%). However, 1 in 3 employees indicated that they had requested a flexible work arrangement in the past and were turned down, and **1 in 2 expressed concern that working part-time or remotely would negatively impact their promotion opportunities**. Certainly there is more work to be done to create a culture where flexibility is not seen as a benefit, but as an opportunity for workforce optimization and personalization.



Flexibility comes down to finding a way to integrate one’s work and personal life. We asked what would make employees choose one company over another – providing an exhaustive list and taking pay out of the equation. Time off was the clear winner – either more of it, or at least the flexibility to spread it out or even work fewer hours for less pay. Perks such as fitness and recreation facilities, well-being services, and financial advice were all present, but ranked lower down the list.

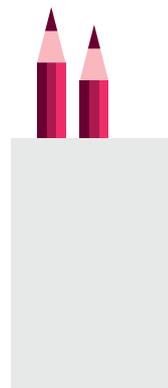


This focus makes sense when viewed alongside employee priorities. When asked about their biggest concerns in the near future, the themes across geographies and generations were all the same: first Health, then Wealth, and then Career. The findings were clear-cut, with 61% globally choosing Health as their top concern, followed by 23% choosing Wealth, and 16% choosing Career.

However, employees are expecting the opposite, at least when it comes to stress on the job – only 19% predict that their workplace will become less stressful over the next two years. Finding ways to seamlessly integrate all areas of one’s life (home, family, job, community, etc.) through flexible working and creative time off arrangements can help mitigate this growing trend.

Staying healthy is directly tied to minimizing stress.

Ultimately, people want to fit work into their unique lives. Personalization, then, becomes the key to creating an employee experience that resonates with each individual.



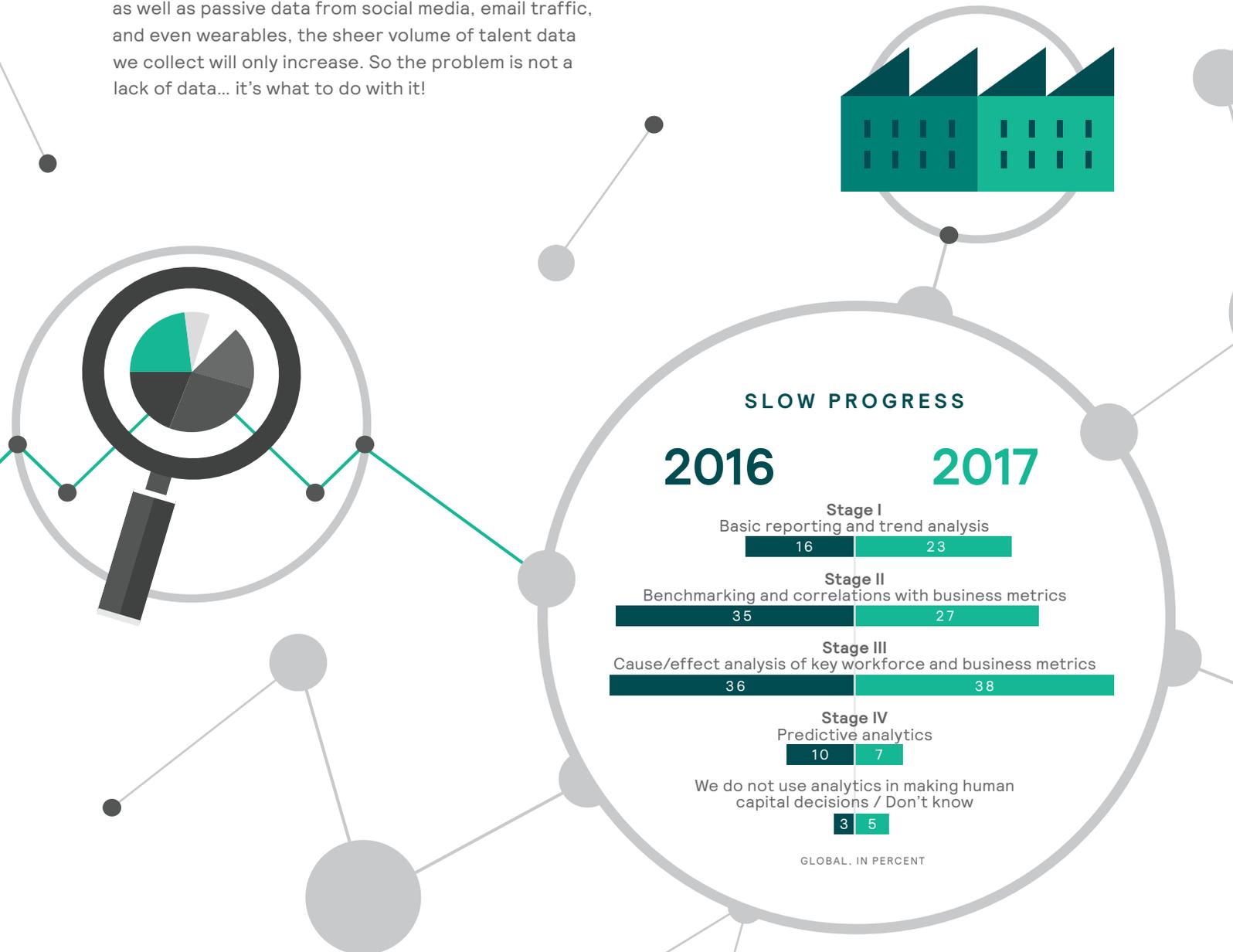
4. THE QUEST FOR INSIGHT

PREDICTIVE ANALYTICS ARE STILL OUT OF REACH

An empowered organization that is agile and responsive is one that listens and learns. The quest to derive actionable insights from talent analytics and big data is a core element of the empowerment agenda.

Just as marketing data and buyer insights are leading business transformation efforts, **talent analytics has the potential to deliver accelerated success on the people agenda** – both to enhance the employee experience and drive better decisions. But do companies have what they need? Certainly companies are collecting more information from both candidates and employees than ever before. As we add feeds from HRIS systems and candidate screening assessments, as well as passive data from social media, email traffic, and even wearables, the sheer volume of talent data we collect will only increase. So the problem is not a lack of data... it's what to do with it!

Companies around the world are making slow progress in using analytics to inform human capital decisions. Very few are able to translate data into predictive insights, and nearly 1 in 4 are still only able to produce basic descriptive reporting and historical trend analysis. Companies in the Life Sciences and Logistics industries are ahead of the curve, but still have a long way to go in delivering actionable insights that impact managers' day-to-day decisions.



Even with all of the data that is being collected, senior executives are not getting the kind of talent metrics they need to make better business decisions. For example, executives say that understanding the key drivers of engagement would be the insight that is most value adding to their business, but only 35% of HR leaders are able to provide this information. This is especially surprising given that most companies today have at least some form of engagement survey in place. Predictive analytics – such as identifying which employees are likely to leave or what causes one team to out-perform another – are even less common.

MISMATCH IN TALENT ANALYTICS



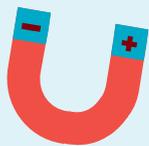
HR and employees recognize that the disconnect may be due in part to a capability gap – both groups ranked “data analytics & predictive modeling” in the top three in-demand skills for the next 12 months, with HR professionals in Canada, France, and the UK ranking it number one.

The risk of not leveraging talent data is especially acute when there is so much organizational change on the horizon. **When decisions are informed only by financial and marketing data, there can be unintended people consequences.** For example, the World Economic Forum’s *Future of Jobs*¹ report found that “women are at risk of losing out on tomorrow’s best job opportunities” as disruption and displacement are likely to occur in job families with the largest share of female employees. When HR is able to partner with business operations to facilitate an evidence-based decision making process, they help mitigate these risks and ensure that the talent implications are being considered, especially during organizational redesign.

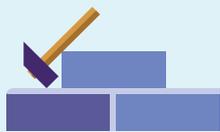
¹World Economic Forum (2016). The Future of Jobs: Employment, Skills and Workforce Strategy for the Fourth Industrial Revolution.



LEAP FORWARD: ADVICE TO STAY AHEAD



**ATTRACT & RETAIN
TOMORROW'S TALENT**



**BUILD FOR AN
UNKNOWN FUTURE**



**CULTIVATE A THRIVING
WORKFORCE**



ATTRACT & RETAIN TOMORROW'S TALENT

In a talent-led economy, the employee experience has never been more critical to attracting the best and brightest. Getting it right is even more challenging now, in a more diverse workplace that must embrace five generations with different norms and expectations. The interactions that candidates have during the recruitment process, how employees engage with the organization during their tenure, and how they are treated after they leave — these are all vital opportunities to shape the “experience.” **Notably, half of all employees rated their application and hiring process as average or below average.** Not to mention the candidates that fell out of the process along the way!

Increasingly, HR is being asked to leverage tools and techniques once reserved for the marketing function to build and sustain a strong employer brand. Anyone who has contact with the organization is a potential ambassador for the brand, and word of a less-than-stellar interaction can spread quickly. An often overlooked group is candidates who apply but are unsuccessful. They are a vocal majority who — if handled with care and provided with career advice — can serve as a source of positive word-of-mouth and a potential candidate pool for future recruitment drives.

**DO YOU HAVE
A STRATEGY IN
PLACE TO MAKE
YOUR COMPANY
ATTRACTIVE FOR**



A strong digital presence is now becoming a corporate imperative, especially when trying to reach the elusive, “great-fit” passive candidate pool. The power of brand attraction is strongest when the interactions that candidates, employees, and alumni have leverage the company’s external brand. Technology is shaping this landscape, not only to increase efficiency and decrease time-to-hire, but also to ensure a positive candidate experience. Some examples include:

- **Chatbots** — Create a more scalable and engaging recruitment process by answering candidates’ questions and gathering background information without the need for lengthy application forms.
- **Algorithms** — Enable more targeted sourcing by generating a list of qualified candidates in seconds by scraping social data.
- **Online assessments** — Drive more intelligent decisions through games that tap into employee judgment and shorter psychometrics that predict future potential.

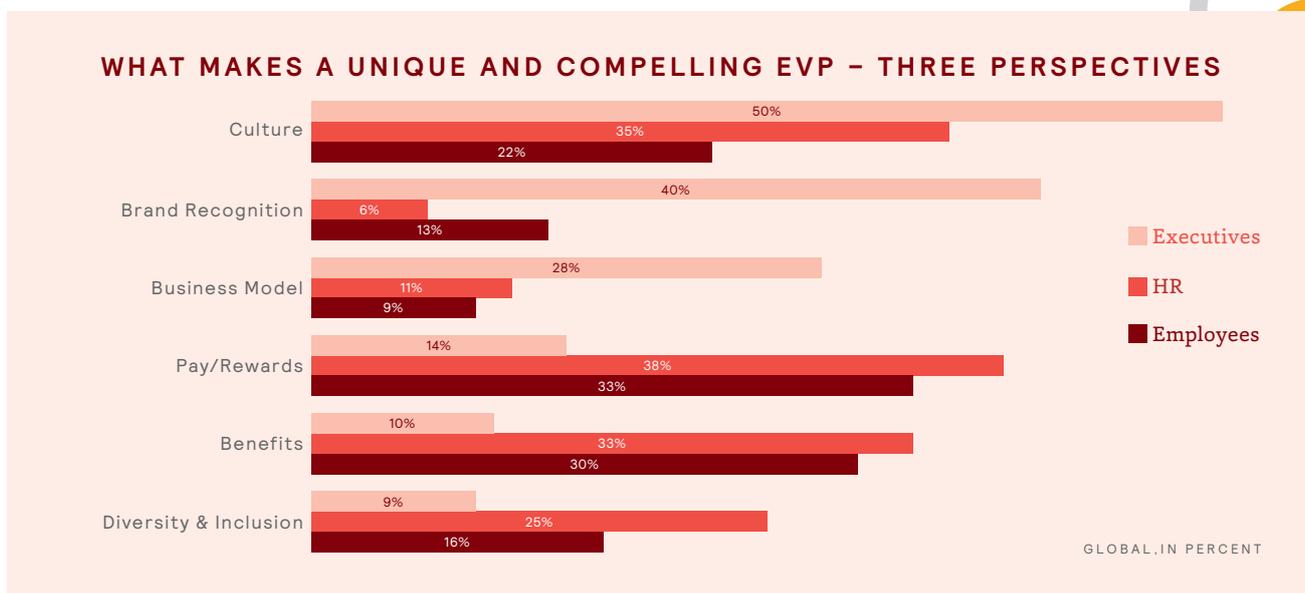
In a shifting job landscape, recruiting on future-focused criteria may prove more fruitful than reviewing an applicant’s current capabilities or past experience.

Goldman Sachs is leveraging innovative technology and a competency-based interviewing method to reach more candidates while continuing to make informed, data-driven hiring decisions. Undergraduate candidates now submit online, pre-recorded video interviews as their first round evaluation for internship positions. Candidates record answers to a set of pre-defined questions that align to core competencies such as teamwork, analytical thinking, judgment, etc. Interviewers then assess the extent to which the candidate’s answer demonstrates that particular competency and can rank and compare candidates against one another, ensuring that objectivity and consistency remain key elements of the hiring process.

COURTING IS ONE THING, MARRIAGE IS ANOTHER

If the Employee Value Proposition (EVP) is not authentic to the company’s DNA (i.e., how we do things around here), then this passion of attraction will not be translated into a passion for the job. Business executives, HR leaders, and employees have differing perspectives on what makes their company’s EVP unique and compelling. HR and employees agree that compensation and benefits – the contractual aspects of the “deal”

– are a core component. Leading on responsible rewards and pay equity can help, as can focusing on health and flexible work options. Companies that want to cut away from the pack should not rely on industry benchmarking, but rather choose one or two areas in which they can truly differentiate themselves. One recent example is companies setting global parental leave standards (regardless of country norms).



All three groups agree on the importance of organizational culture. The line manager’s role in shaping how employees experience the organizational culture is pivotal to delivering the brand promise, as well as translating the EVP into an individual value proposition (IVP). Smart HR platforms can use talent

analytics to nudge managers when employees might be an engagement or retention risk. But ultimately, it is managers’ ability to have effective “stay” conversations and engage their team in future-focused career planning that will shape employees’ perceptions of how they are valued.

COMMUNICATION – THE BASIS OF ALL GOOD RELATIONSHIPS

Delivering and sustaining a compelling EVP again draws on HR’s “marketing” skills, in particular their ability to define personas and leverage digital channels for a responsive relationship with employees. An integrated communication strategy can bring an EVP to life, and resources that people can access on-demand and on-the-go put key messages at their fingertips. Targeted messaging can be pushed to the most relevant

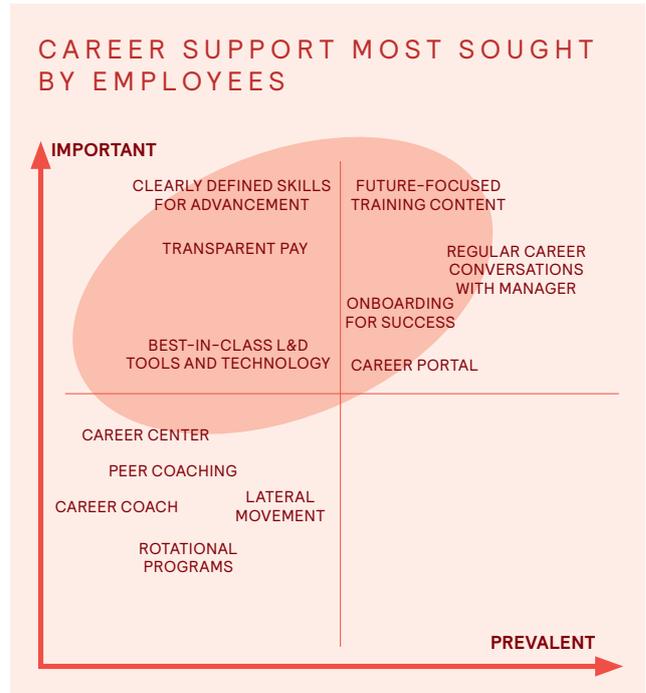
groups at the right times, meeting employees where they are today. **Simplicity is key** – get to the heart of the message quickly or put the content no more than three clicks away. Personal reminders and easy-to-use apps can encourage employees to make healthier choices, invest more wisely, and explore career possibilities. Together, these solutions deliver the consumer-grade work experience that employees today are craving.



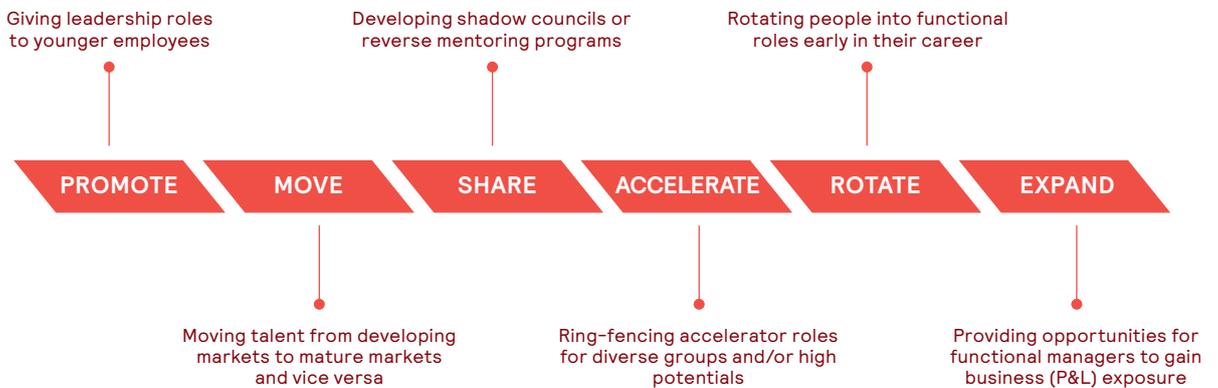
HOW TO PREVENT THE SEVEN-YEAR ITCH

With the contractual aspects of the deal sharply in focus, it's never been more critical to effectively communicate the total reward proposition. Pay disparity and unbalanced promotion rates are often accompanied by retention challenges and serve as early indicators of when the career engine is failing to fire.

Part of this equation is employees' desire for more flexibility. Organizations are now evaluating the type and degree of flexibility inherent in each role and intentionally modeling flexibility into job design. Another part of the equation is that employees want to understand their career options and the criteria for promotion. We asked employees what support is most important in moving their career forward. Setting aside pay, future-focused training, regular manager conversations, and clarity around skills came out on top. Lateral moves and rotation programs seem to be missing the mark, perhaps because they are not as prevalent or are perceived to be less effective career development tools.



One of the hallmarks of a healthy career framework is its ability to facilitate pathways for non-traditional talent. The usual suspects – often those who “look good on paper” – are always considered for new assignments, promotion, or rotation opportunities. But taking a chance on those with less experience or a different background can be beneficial in bringing diversity of thought and increasing retention in under-represented populations.



THE POWER OF DATA

Companies are recognizing that to attract and retain tomorrow's talent HR needs easy access to quality and actionable data to combine what people say with what they are actually likely to do.

General Electric has experienced the power of putting data in the hands of those who can translate it into meaningful predictive insights. This has been pivotal in staying connected with future trends and building a dynamic relationship between insight and action.



By democratizing access to non-sensitive people data, all of HR can now more easily surface workforce insights and improve planning capacity globally.

Travis Barton, Workforce Planning, GE International



ASK YOURSELF

Do candidates who apply to our company have a brand-enhancing experience?

Do our performance metrics reflect the wide range of contributions that employees can make?

Do we take a "whole person" perspective when designing benefits programs, flexible work policies, and training for managers?

Is it easy for individuals to understand the available career paths, compensation for roles of interest, and skills & experiences needed for promotion?

Do we consider non-traditional talent (including younger and older workers) for development assignments, promotion opportunities, and internal mobility?

If you answered "no" to two or more of the above, attracting and retaining tomorrow's talent may be a focus area for your organization this year.





BUILD FOR AN UNKNOWN FUTURE

Everyone agrees – the future of work will look very different, and iterative changes won't be enough to generate sustainable growth and value. In particular, the skills, culture, and work models of today will likely not be relevant three years from now – and the effects will be felt even before that. But how do you prepare for the future if you don't know what it's going to look like? For companies struggling to get started, one way to demystify the unknown is by laying out a few tangible scenarios.

FUTURE THINKING:

- Q:** How can our strategy be shaped by non-traditional competitors? What can we learn from industry adjacencies and start-ups?
- Q:** What strategic capabilities are essential to delivering sustainable value to the business?
- Q:** What culture do we need to have in place to facilitate success? How does that translate into leader and colleague behavior?
- Q:** What is the desired work model – human or machine, full-time or freelance, virtual or on-site? How does the work model affect learning and culture?

PLANNING FOR GROWTH

This kind of integrated people strategy goes beyond capacity planning. It helps to clearly define the gap between today and the future state being modeled. Most organizations are planning to close the gap by building from within. Taking a future-focused approach means it's important to identify the people who will be able to drive the business forward – even if they are not in positions of influence today. The good news is that nearly **3 in 4 organizations globally have a clear method for identifying high potentials** and they are drawing on the rigor of talent assessments as part of the process. Psychometric measures of personality and cognitive ability are providing insight into the foundational attributes of potential, and Virtual Assessment Centers are answering the question of who is ready to take on a stretch assignment or move to the next level. These same assessment methodologies can also ensure that external candidates are being hired not only because they have the skills for the immediate job but also the underlying qualities to be successful in future roles, including some that may not yet exist.



PREPARING FOR CHANGE

There is an inherent tension between the C-suite’s desire to flatten structures and employees’ appetite for promotion.

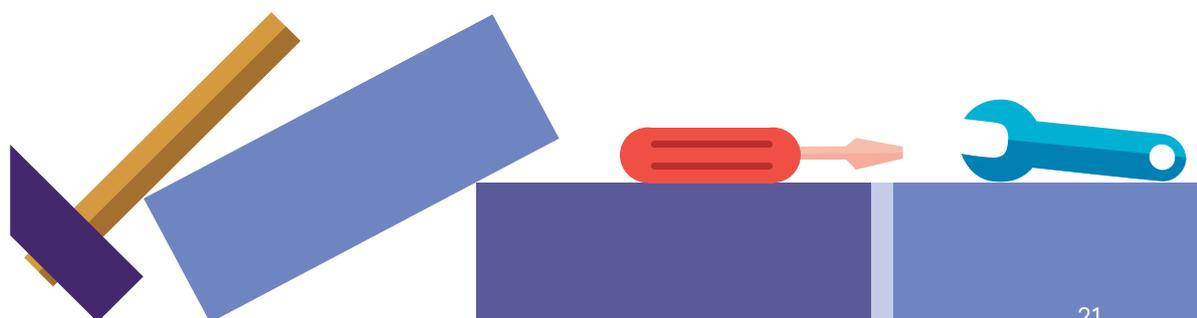
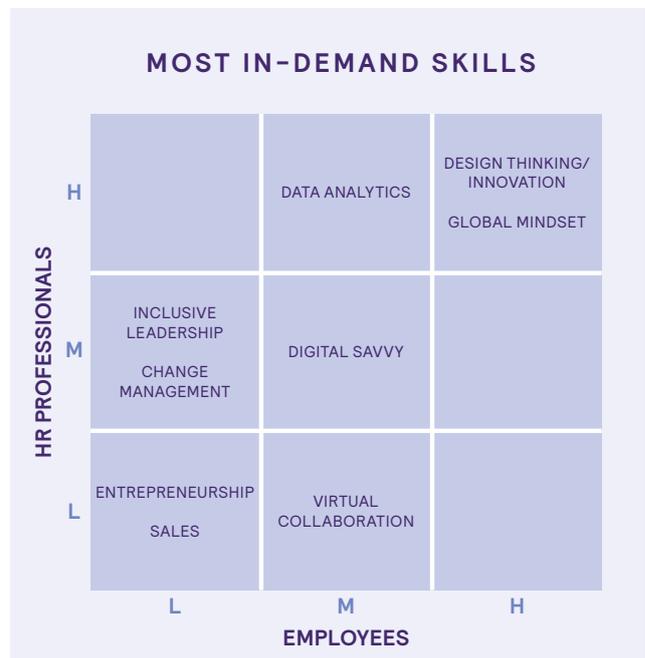
The skills and knowledge that underlie success are constantly changing; thus, a company’s career framework must be both structured and responsive to cope with this constant evolution. Portals and apps can seamlessly deliver updates directly to employees, keeping role profiles relevant and helping to drive forward-looking development efforts. These vehicles can also facilitate two-way conversation; for example, by crowdsourcing new and emerging competencies that can then be incorporated into existing frameworks and learning agendas.

Dynamic career paths are key to embracing the pervasion of digital competence across every organizational function. “Digital” is not a standalone skill but a set of competencies that is needed in every functional area. For example, researchers in the pharmaceutical industry who are trained in biochemistry will now need to acquire skills to operate advanced robotics to stay relevant.

DEVELOPING DIVERSE SKILLSETS

Whether through external hiring or internal development, **assembling talent with a diverse set of skills allows organizations to pivot in response to market demands**. Both HR and employees named design thinking & innovation, as well as a global mindset, as the top in-demand skills for the year ahead.

Competencies to accelerate innovation include an entrepreneurial spirit, a sense of adventure, scanning the market for new ideas, challenging the status quo, calculated risk tasking, and taking a long-range perspective. Tenacity and resilience – the building blocks of “grit” – are not things you learn in the classroom. Instead, they require hands-on experience and trial-and-error, whether through internal mobility or immersion learning. By creating a culture that fosters these traits, organizations can build agility and tolerance for an ambiguous future.





EMBRACE THE UNKNOWN

There is an imperative to support stronger accountability and decision making throughout the organization and more quickly cultivate a commercial mindset earlier in people's careers. This imperative requires a shift in how employees are supported at different stages of their skill-readiness, engagement, and work status (full-time, part-time, contingent, etc.). It means being ready to embrace a more fluid workforce and more actively support continuous learning.

Sharing talent across the talent ecosystem, leveraging supplier and customer environments to speed up development, and building a sustainable model for redeployment and reskilling are all part of building an agile workforce capable of renewal. However, executives believe their organizations are lagging in retaining good talent during change.

How many C-suite executives are confident in their organization's ability to:

20% Reskill displaced workers

35% Provide outplacement services

39% Redeploy talent internally

43% Fill newly vacant positions with external talent

Encouraging employees to take control of their own career complements efforts to intentionally build capability. This year's study found that compared to employees who do not feel that they can create their own career success, those who feel "career empowered" describe their work environment differently in two important ways:

8x more likely to give an "A" rating on their manager's ability to **COACH & DEVELOP** them

4x more likely to report that their company supports **INNOVATION** efforts

THE PIVOTAL ROLE OF COACHING

The first aspect of the work environment as perceived by *career empowered* employees underscores once again the importance of the direct manager in creating a positive experience. However, in a world with frequent restructures and supervisory changes, an increase in team- and project-based work, and broader spans of control, placing full responsibility for coaching

and mentoring on the manager's shoulders may be an outdated view. In a horizontal world, coaching must be supported by same-level peers, not just from above, in order to be sustainable. Knowledge sharing platforms and digital mentorship arrangements are helping to create a supportive culture, but more needs to be done to actively coach and develop employees.

Titan, the world's fifth largest watch manufacturer and a part of the Tata conglomerate, truly believes in the philosophy that all individuals have potential to succeed and should be empowered to lead at their level. The company has developed a tiered learning program, which utilizes an individualized approach to leadership assessment and development. This program meets high potentials' requirements at every step of their career. The programs instills not only autonomy but also a deep sense of pride in the employees that work for the organization. The results are clearly visible in the various instances of innovations and turnarounds the company has experienced over the course of its journey.



IDEAS, EVEN GOOD ONES, ARE NOT ENOUGH

Nearly 50% of companies say that they gather innovation ideas from their employees. However, crowd-sourced idea generation can fall flat if it fails to meet employee expectations on execution or doesn't

deliver commercially-viable solutions. Organizations that are committed to building a culture of innovation need to think about the time, investment, and training required to truly embed this into their DNA.

HOW DOES YOUR COMPANY PROMOTE INNOVATION?



Experimentation is an effective way to de-risk innovation. Creating a minimum viable product (MVP) — the most basic version of the idea — extends the learning process and allows for the testing of hypotheses, the identification of various iterations and the opportunity to change course.

Amantha Imber, Chief Innovation Officer, Inventium




ASK YOURSELF

Is our current people strategy process future-focused and based on growth scenarios?

Do we set aside sufficient time and budget for innovation and experimentation?

Do we embrace a continuous learning approach beyond the traditional content that is delivered through classroom and online training?

Do we have mechanisms in place to hire diverse talent, build a wide range of skills, and leverage diverse perspectives on project teams?

Is our Career Framework detailed and dynamic enough to provide guidance on the skills and experiences needed for tomorrow's jobs?

If you answered “no” to two or more of the above, building for an unknown future may be a focus area for your organization this year.



CULTIVATE A THRIVING WORKFORCE

Creating an empowered workforce that responds to the changing work landscape means creating an environment where each individual employee can thrive. This new environment requires fresh styles of leadership, new rules for teaming, and updated thinking on how to develop and inspire.



To cultivate a thriving workforce, three elements must be in place.

Employees who:

1. Are healthy and energized
2. Can grow and contribute
3. Feel a sense of belonging

FOCUS ON HEALTH AND WELL-BEING

Embracing the “whole person” agenda requires attention to all aspects of employees’ lives: their physical, social, financial, professional, and psychological well-being. Demonstrating care for employee health can be a significant attraction and retention strategy, but it also makes good business sense. Stress-related absences alone accounted for 11.7 million lost working days in Great Britain last year.¹

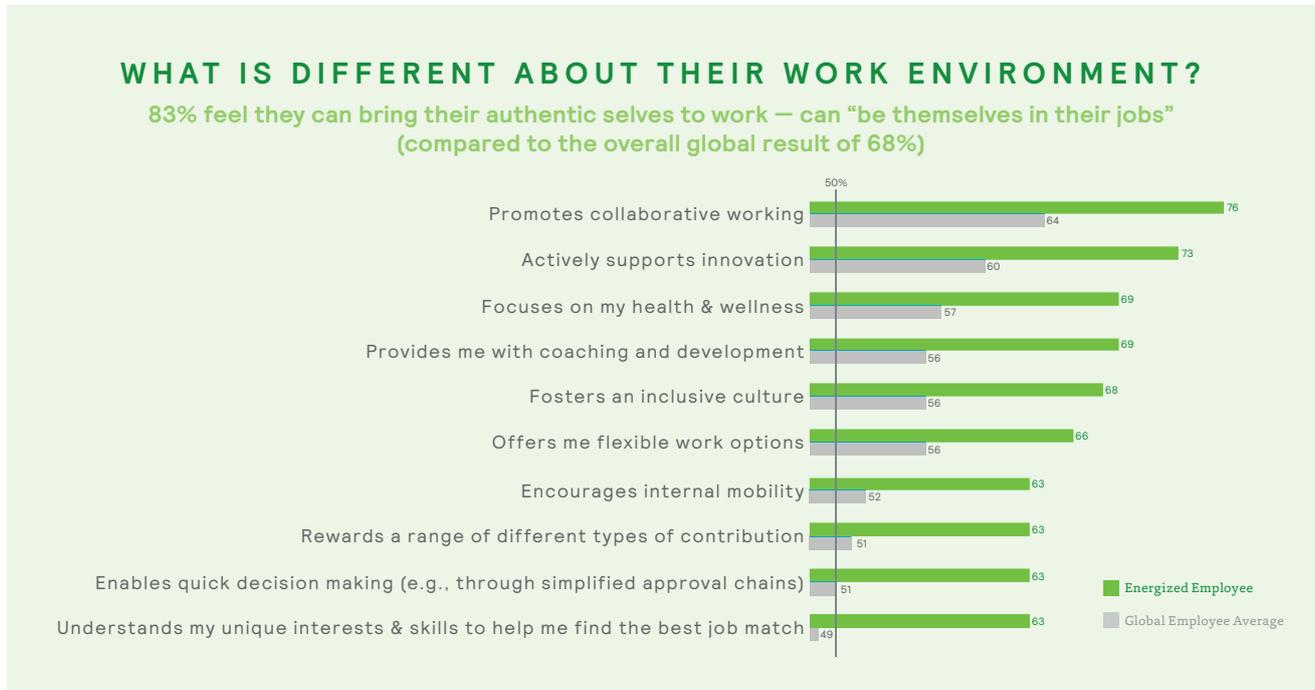
With Health surpassing Wealth and Career as the number one concern for employees, this aspect of the value proposition will continue to grow in importance. Today, only 41% of companies are focusing on the physical well-being of employees, and even fewer have policies for psychological (37%) and financial (35%) well-being.

Johnson & Johnson aspires to have the healthiest workforce by helping its employees live well across their whole lives, providing flexibility and a breadth of whole-life health benefits and wellness resources. It offers innovative programs such as the Energy for Performance® training (which links personal health to an individual’s purpose and mission) and unique digital health tools (that conveniently connect users to their everyday health and well-being). Johnson & Johnson is dedicated to providing an environment that fosters healthy choices so employees can achieve their personal best in body, mind, and spirit, igniting full engagement at work, at home, and in their communities.

¹Health and Safety Executive Statistics. <http://www.hse.gov.uk/statistics/dayslost.htm>. Last accessed March 2017.

FEELING ENERGIZED

People who describe themselves as “energized” at work (7+ on a scale of 1 to 10) view their work environment quite differently from those with lower reported energy levels. Below are the top ten differences.



CREATE A SENSE OF BELONGING

Employees are working more independently than ever before, while at the same time craving more collaboration. Office workers spend hours locked into one-to-one interaction with business machines, yet technology is bringing us closer together. How can organizations harness these opportunities and carve out a work environment that truly inspires? To help foster a sense of belonging,

organizations can create communities of interest and networks that include people inside and outside the organization – experts from suppliers and customers, company alumni, and others in the broader talent ecosystem. Tapping into a broader network can also help employees to blend their social personas with their work personas to create connections without boundaries.





HELPING PEOPLE GROW AND CONTRIBUTE

It is clear that employees want more clarity on career options and more freedom to execute in the way they see fit. This provides each employee with the opportunity to contribute to the company's strategic agenda. A contribution culture does not need to be manager-led; rather, it could mean giving direction and getting out of the way. Setting up the right infrastructure is just the start. Exposing

people to different experiences and reskilling individuals displaced by disruption are key to maintaining a thriving workforce. Removing complexity in decision making, implementing efficient knowledge management systems, and constantly realigning around goals and priorities are other ways that companies can ensure their culture supports employee growth and contribution.



Engagement survey data shows that employees' views on 'opportunity to learn and grow' and 'freedom to use my own judgement' track very consistently with their 'confidence in the future of the company.' These Thrive dimensions show greater levels of movement and sensitivity than standard engagement scores – providing organizations with the ability to see patterns develop before they become business critical.

*Peter Rutigliano, Ph.D., Managing Director of Data Analytics,
Mercer | Sirota*



A WORKPLACE THAT ALLOWS ME TO BE ME

Diversity & Inclusion (D&I) falls well beneath HR's top five priorities for the year:

Building a culture of D&I **16%**

Ensuring equitable pay **16%**

Retaining culturally diverse talent **14%**

Retaining female talent **9%**

While 96% of companies have some form of D&I initiative in place, only 14% of executives indicated that D&I investment would make a sizable difference to their company's performance. Given that the C-suite has identified talent scarcity as their number one concern, a culture where D&I is not a top priority risks alienating a substantial percentage of the working population.

An inclusive culture has the ability to attract diverse and talented individuals, but more critically this environment enables diverse segments to contribute and thrive. Fewer than 1 in 3 HR professionals say that their D&I strategy is aligned to their company's business goals. Making the link between inclusiveness and metrics around engagement and retention (both areas of focus for business executives), as well as articulating the relationship between inclusiveness and customer intimacy, can help to position D&I goals as both a vital risk mitigation strategy and a prerequisite for innovation and growth.

PROMOTING INCLUSIVENESS IN MEETINGS

- ✓ Send materials ahead of time to help people with different styles feel ready to contribute
- ✓ Make it a norm to encourage less outspoken individuals to contribute
- ✓ Set a “no interruptions” rule to allow each person a chance to fully contribute
- ✓ Rotate the meeting chair, starting with someone who has been quieter in the past
- ✓ Summarize all the points (including the divergent ones)
- ✓ Provide an opportunity for counter-challenges before decisions are finalized

ADAPTED FROM “CREATING AN INCLUSIVE CULTURE” REPORT, CORPORATE RESEARCH FORUM, OCTOBER 2016



One of the key reasons that management attention and investment in D&I programmes have not yielded better results is that organisations have focused on increasing the proportion of people from underrepresented groups, rather than tackling the underlying culture.

*Wanda Wallace and Gillian Pillans
Authors of “Creating an Inclusive Culture” report*



ASK YOURSELF

Are managers incentivized to promote a balanced and healthy work environment?

Do we have thriving communities that foster a sense of belonging?

Do our values and behaviors promote a climate of collaboration, inclusion, and contribution?

Is it easy for new hires to join or for existing colleagues to get up-to-speed in a new area?

Are people empowered to make decisions and take swift action based on what they believe is in the best interests of their customers?

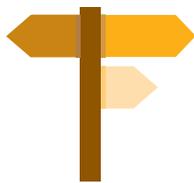
If you answered “no” to two or more of the above, cultivating a thriving workforce may be a focus area for your organization this year.

LEAP FORWARD

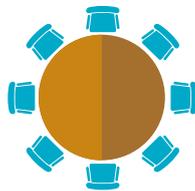
A lot has been said about an organization's ability to bounce back when faced with adversity... but disruption brings adversity *and* opportunity, so let's explore three imperatives to enable organizations to bounce *forward*.

ATTRACT & RETAIN
TOMORROW'S TALENT

OUR COMPANY HAS A COMPELLING & DIFFERENTIATED EVP



61%
HR



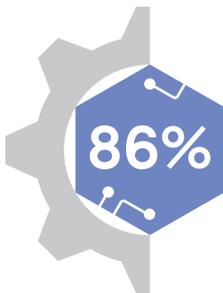
57%
C-suite



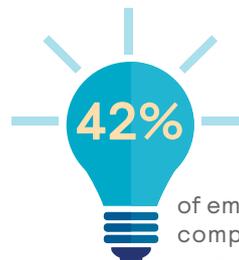
42%
Employee

BUILD FOR AN
UNKNOWN FUTURE

A CULTURE OF INNOVATION – EASIER SAID THAN DONE



86% of organizations say innovation is a core part of their agenda for this year

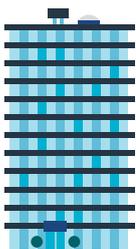


42% of employees say their company makes it easy to

INNOVATE

CULTIVATE A THRIVING
WORKFORCE

WHERE EMPLOYEES FEEL THE GREATEST SENSE OF BELONGING



52%
to company, department, manager, coworkers



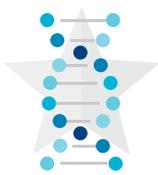
42%
to industry, profession, function



6%
to clients

TOP TIPS TO WIN THE TALENT WAR

EMPOWERING YOUR WORKFORCE IN AN AGE OF DISRUPTION



Align your Employee Value Proposition to your company's core DNA



Focus on the "whole person" agenda, including Health and Wealth benefits



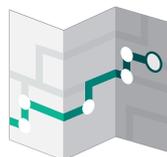
Define exciting career paths for a positive impact on retention



Take a chance on non-traditional talent who have potential but not experience



Mitigate risk by building a diverse portfolio of skills and a culture of innovation



Quantify future-focused capability gaps through integrated people planning



Increase agility by simplifying decision making and encouraging talent mobility



Accelerate progress through intentional developmental experiences and lifelong learning



Differentiate on a healthy workplace to address employees' top concerns



Understand talent flows and address choke points for key talent segments



Promote a contribution culture where everyone feels welcome to give input



Create a sense of belonging that resonates with your diverse workforce

IMPLICATIONS FOR HR

The C-suite certainly has People issues on their agenda this year. In fact, they see the increasing competition for talent even more acutely than HR does, and are planning bold changes to stay ahead. This focus on the talent agenda provides HR leaders with an incredible opportunity to align with business priorities and maximize their impact. To secure a seat at the table, HR leaders must continue to represent the needs of employees, while also keeping a finger on the pulse of external trends. Amplifying their voice requires leveraging data in ever more sophisticated ways to tell a story that is both compelling and relevant. Without talent insights from HR, CEOs' dreams and aspirations will struggle to leave the boardroom.

MEMO

To: All Managers
From: Executive Team
Date: February 2, 2017
Re: 2017 C-suite Agenda



SUMMARY

Over the next two years, we have set out a bold agenda for change. We need support from each of you to address the challenges that lie ahead.

TALENT AGENDA

These are the areas of talent investment that will make the most sizable impact on our business performance over the next few years. Let's make sure we are laser-focused on:

- Retaining our top talent
- Attracting the best from outside
- Redesigning our organization structure & jobs to deliver better value
- Enhancing the employee experience
- Deepening our bench strength at senior levels
- Simplifying talent processes such as performance management and succession planning

EMPLOYEE SURVEY RESULTS
MANAGER DASHBOARD

Summary My Team Impact Download

CORP

Q: WHAT WOULD MAKE A POSITIVE IMPACT?

- Compensation that is fair & competitive
- Opportunities to get promoted
- Leaders who set a clear direction
- Working with the best & brightest
- Transparency on pay calculations
- Clearer career path information
- More flexible work options

KNOW
YOUR
TECH

HR PRIORITIES FOR 2017

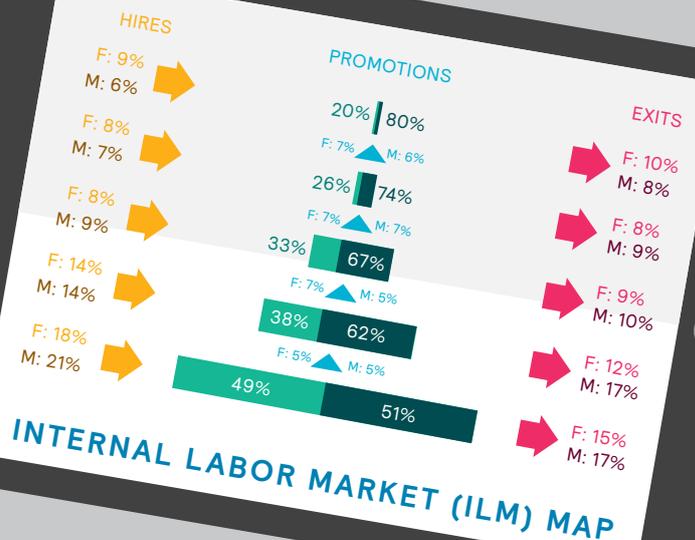
- Attracting top talent externally
- Developing leaders for succession
- Identifying high potentials
- Building skills across the workforce
- Supporting employees' career growth
- Increasing employee engagement
- Org restructure and implications for job redesign
- Review of total rewards proposition
- Flexibility policy update (and possible manager training)
- Employee communication (portal or app?)

BE
BUSINESS
SAVVY

BUILD YOUR CAPABILITIES

- ✓ Agile org design
- ✓ Job redesign
- ✓ Persona development
- ✓ Telling a story with data
- ✓ Design thinking
- ✓ Digital communication
- ✓ Change management

BE A
DATA
NERD



IF DISRUPTION IS THE NEW NORMAL, WHAT CAN WE DO TODAY TO PREPARE FOR TOMORROW?

Start by saying “yes” to flexible ways of working, listening to and trusting in your people, and being inspired by rule breakers from other industries or geographies. Recognize that disruption isn’t something that happens to you, it’s an opportunity to break away from the crowd. Top organizations shape the future through a culture of innovation, contribution, and inclusiveness. They outpace their competitors not by making decisions behind closed doors, but by empowering each and every employee to drive the company forward. These are the “power tools” that help companies not only survive, but thrive.

INDUSTRY REPORTS

Interested in industry-specific findings? This year's Global Talent Trends Study focused on 8 key industry sectors. Individual reports are available for Mercer Select Intelligence members through <http://select.mercer.com> and for non-members through www.imercer.com.



AUTOMOTIVE



CONSUMER GOODS



FINANCIAL SERVICES



ENERGY/MINING



HEALTHCARE



HIGH TECH

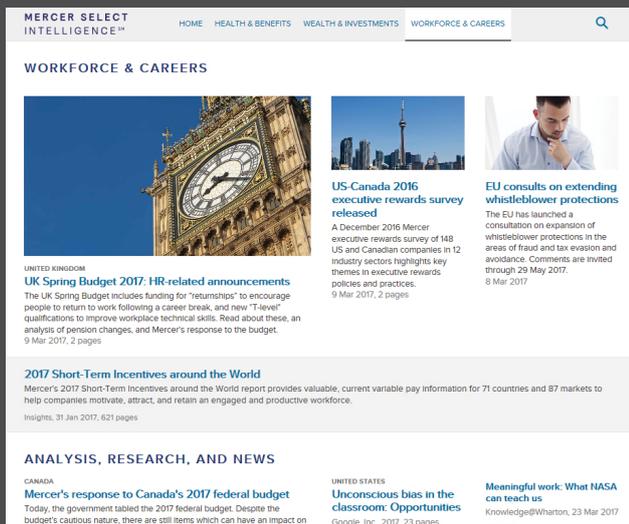


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Mercer Select IntelligenceSM is a one-stop destination for HR and Talent insights. Through the portal, you can gain access to cutting-edge research, breaking news, and other curated content in the areas of talent management, rewards, benefits, health and wellbeing, retirement, HR technology, and other relevant HR topics. We draw on Mercer's 75 years of experience to provide analysis of local and global marketplace developments and enable on-demand access to HR experts and industry leaders.



A one-stop shop for CHRO-level insights
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Legislative expertise
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Join executive peer groups with a focus on today's foremost challenges, benchmarking, and information-sharing in confidential, interactive settings.

Access to Mercer Select Intelligence is via an annual membership, which can be shared across departments and functions. To get started, contact us at selectintel@mercer.com to set up a demo or learn more about how Mercer Select Intelligence can give you Insights Today for Impact Tomorrow.

MERCER CAREER

PROFESSIONAL PRACTICE AREAS

Talent Strategy

Forecast your talent needs and develop the strategies and infrastructure to ensure the right flow of talent to meet current and future business objectives. *Ask us about performance management design, virtual assessment centers, and Mercer Match.*

Talent Mobility

Optimize your talent investments by developing and executing on mobility strategies and maximizing the value of international assignments. *Ask us about AssignmentPro, Quality of Living report, Global Leadership Profile, and Mercer Passport.*

Workforce Rewards

Attract, retain, engage, and motivate your workforce through programs that reward the right behaviors and outcomes using globally consistent methodologies, insights, and data. *Ask us about pay equity/fair pay consulting, total rewards optimization, and Benefits Around the World reports.*

Executive Rewards

Align executive rewards with your business objectives to attract, retain, and motivate the best leadership talent to enhance business performance while meeting governance requirements. *Ask us for advice on executive plan design, performance measurement and goal setting, and pay disclosure.*

HR Transformation

Enhance the efficiency and effectiveness of your HR function and better align HR's focus with business needs to add long-term value. *Ask us about the HR function of the future, HR Capability Builder, and Mercer Learning.*

Workday Services

Go beyond the technical deployment with HR domain expertise and proprietary methodologies to quicken the time to value from your Workday Human Capital Management or Financials platform. *Ask us how technology can improve manager decision making and provide predictive analytics for change.*

Communication

Use proven methodologies and digital solutions to create and deliver results-driven communications to support major HR initiatives and M&A-related change. *Ask us about the Mercer Career View app, Belong portal, and award-winning Darwin benefits platform.*

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Visit us at www.mercer.com/what-we-do/workforce-and-careers.html



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