

the truth about what employees want

A guide to navigating the
hyper-competitive
U.S. labor market

welcome to brighter



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Executive summary

The job market was breaking records before the pandemic hit, the economy came to a screeching halt, and millions of Americans were furloughed or laid off. Then, as the economy began to recover, many employees went back to work - but some didn't. Now, Americans are quitting their jobs at record rates.

It's likely that labor supply issues will persist for the long term. Over the next 10 years, because of changes in the population, the U.S. workforce is only expected to grow slightly—0.7%—while the demand for talent will increase.

Labor market challenges

Employer opinion: What's making it difficult to recruit workers?

Inability to find the right skills at the right price in the market

57%

Higher government stimulus and unemployment benefits

50%

New competitors for talent given flexible working practices of companies outside of normal geographic scope

50%

Fewer qualified employees are available to hire

48%

Insufficient compensation and/or benefits package

28%

Fear of returning to work due to health/safety concerns

20%

All businesses are opening at the same time

14%

Access to childcare or elderly care

12%

Given the expected long-term talent shortage, employers should approach this challenge as a marathon – not a sprint. Responses should be multi-faceted and multi-year to ensure you are meeting the challenges of tomorrow, not just today.

In the near-term, this starts with addressing the supply of talent – how to create a better value proposition to attract new workers and retain existing ones. What worked in 2019 won't work in 2022 – COVID has fundamentally re-shifted worker's expectations at work.

A reset in the value proposition may not suffice – employers must also think differently about how they can source new workers. Strategic workforce plans examining talent pipelines will be critical – and alternative sourcing strategies based on skill adjacencies can help.

The supply of talent will only go so far, however, and thus employers must examine how they can reconstitute demand of their talent. Effective work design can help you get more from the talent you have.



Address supply through the value proposition

Financial fixes

- Pay premiums
- Increasing internal minimum wages
- Referral bonuses
- Retention awards
- Hiring bonuses
- Incentive pay

Benefits and Experiences

- Flexible working
- New/enhanced benefits or perks
- Paid time off
- Total rewards communication and employer branding

Address supply through sourcing

Rethinking talent strategies

- Strategic workforce planning
- Talent acquisition and sourcing strategies
- Identifying skill adjacencies and career pathways

Address demand through new work models

Work design

- Work reinvention to optimize the use of talent
- Alternative sourcing models – automation, gig, etc.
- Talent marketplaces

Changing the demand profile of work requires us to deconstruct jobs, redeploy the component tasks to the most optimal means, including AI, gig workers, or internal marketplaces, and to reconstruct new and fundamentally different jobs.

– Ravin Jesuthasan, Global Leader, Transformation Services at Mercer

This report will explore these issues and more, going into detail on what's happening in the labor market right now, what employees want, and how you can respond proactively. Insights are based on results of multiple Mercer research studies, spanning more than 4,000 employees and 1,300 employers.

Research studies



Inside Employees' Minds (infographic)



Health on Demand



Pandemic Survey: Labor Market Challenges (infographic)



US Compensation Planning Survey Special Edition: Hourly Workers



It's not just a great resignation – it's a great reckoning

There's a media frenzy around 'the great resignation.' It's true that employees have left their employers at record levels this year—but the reasons why are complex.

The pandemic has shifted the stressors facing employees, and frontline workers have borne the brunt. Their jobs have become more challenging due to labor shortages, supply chain challenges, and new safety rules. Many low-wage earners are asking themselves, "Is this job worth it?"

The 'great resignation' is more of a great reckoning: a shift in what workers value and what they're looking for from their employer. Employers need a new playbook to respond. Organizations can no longer think about their workforce

homogeneously; to attract and retain talent, they must address multiple unique segments with unique needs.

For example, our Inside Employees' Minds research showed that about three in 10 people are considering leaving their employer—a number that's consistent with historical patterns. The next image shows, however, that some segments of the workforce are considering leaving at much higher rates.

The great resignation – fact or fiction?

At the present time, I am not seriously considering leaving my company.



This is consistent with historical patterns – typically about 3 in 10 workers are considering leaving.

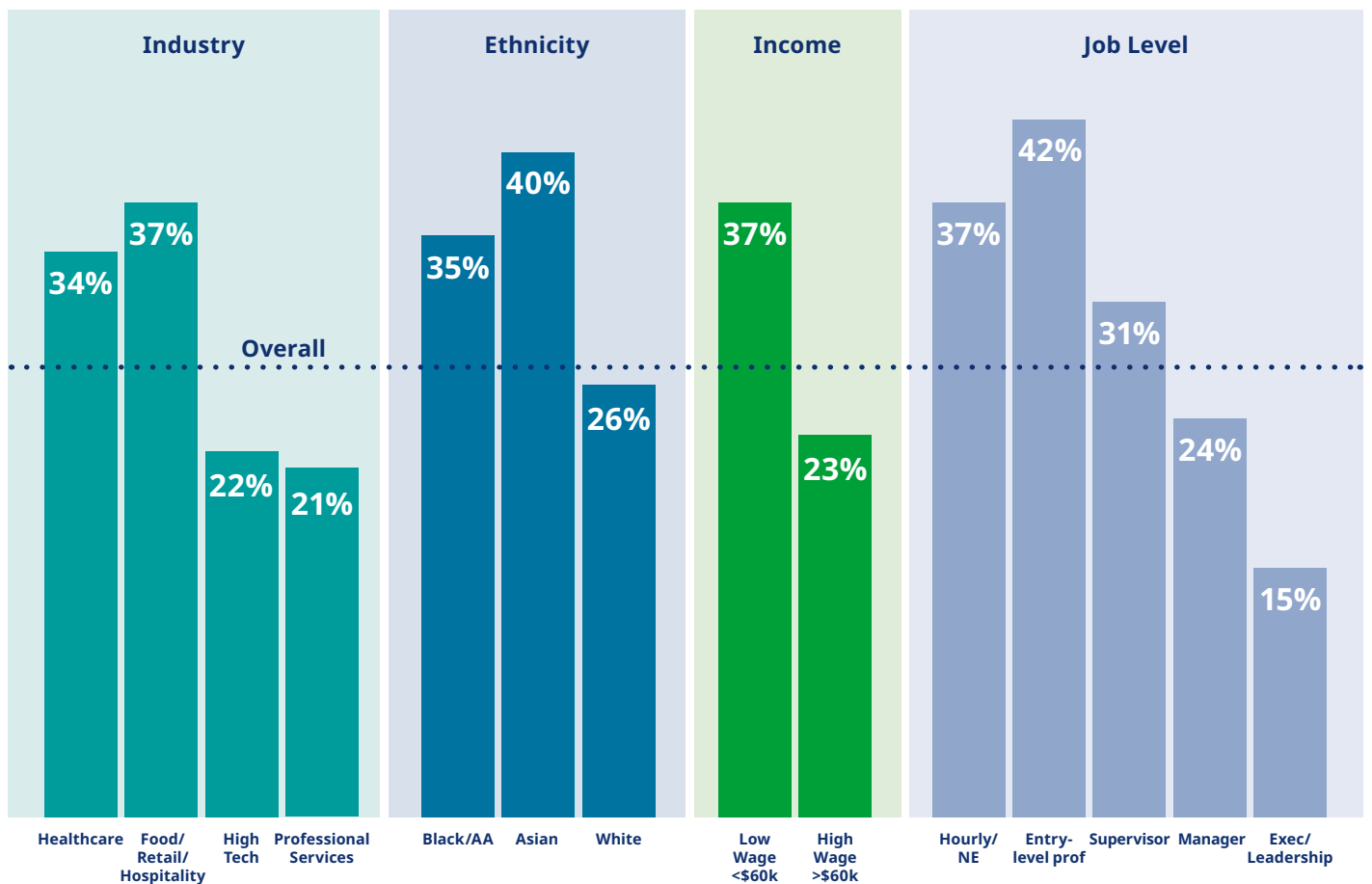
Source: Mercer Inside Employees' Minds survey of 2,000 employees, August 2021

But underneath lies a great divide

Frontline workers, low wage, minority and lower level employees are more likely to be looking to leave – at rates significantly higher than historical norms.

At the present time, I am not seriously considering leaving my company.

% of employees neutral to disagree



Source: Mercer Inside Employees' Minds survey of 2,000 employees, August 2021

The disparate impact of the events of the last 18-months is becoming increasingly clear in these shifting patterns – and it's resulting in very different needs amongst workers.

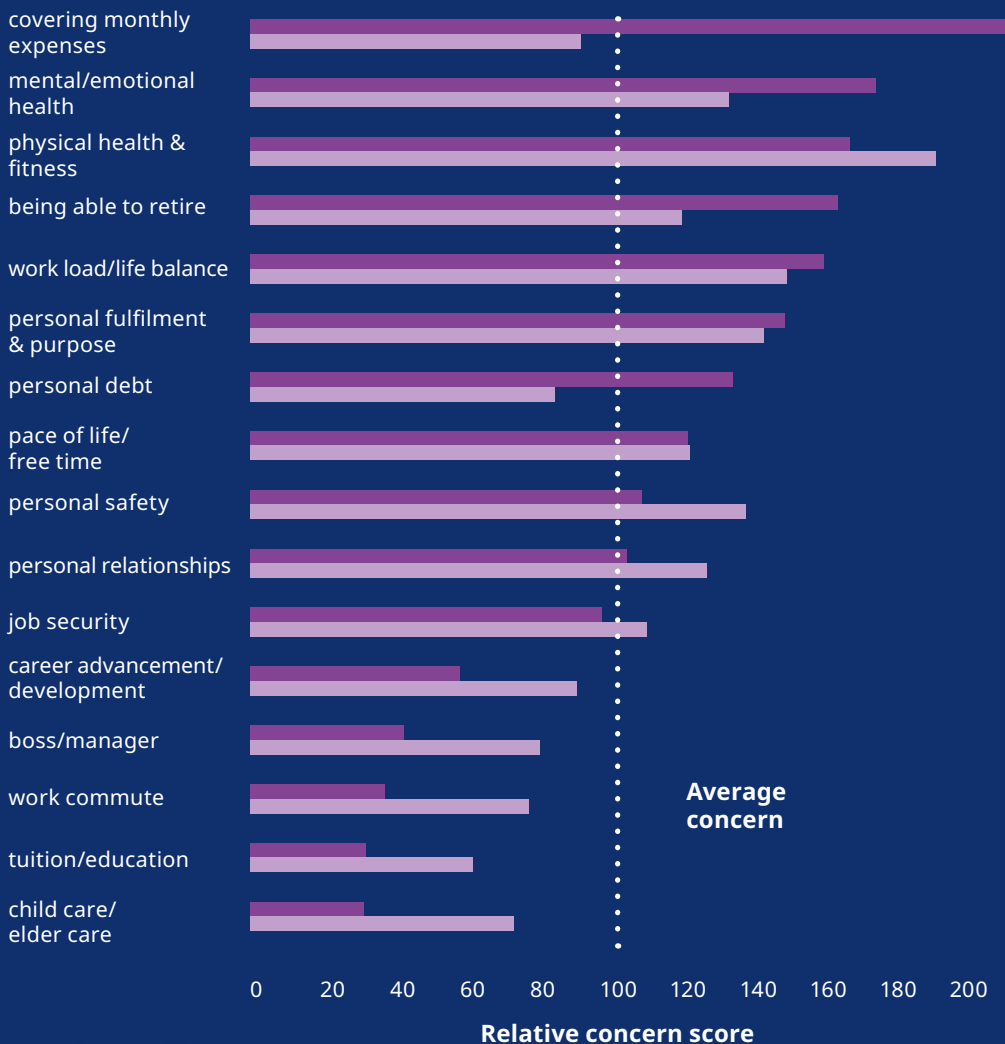
Low-wage, frontline workers and employees of color are much more likely to consider leaving - and at rates higher than pre-pandemic. These workers seek higher-quality jobs, more security, safety and better pay.

Higher earning, white, and knowledge workers are much less likely to consider leaving. These workers are looking for more flexibility, autonomy, and empowerment.

Employers who fail to adapt to these changes in designing their post-COVID workplaces are likely to face eroding loyalty.

A tale of two workforces

Results from a conjoint study on employees' top concerns



We surveyed 2,000 US workers to understand their top concerns - what keeps them up at night? The survey was conducted via conjoint analysis, meaning that employees had to make trade offs between their top concerns and least concerns. The concerns and needs of low wage workers were significantly different relative to higher wage workers.

- Low wage (<\$60k)
- Higher wage (>\$60k)

Source: Mercer Inside Employees' Minds Study of 2,000 workers, August 2021

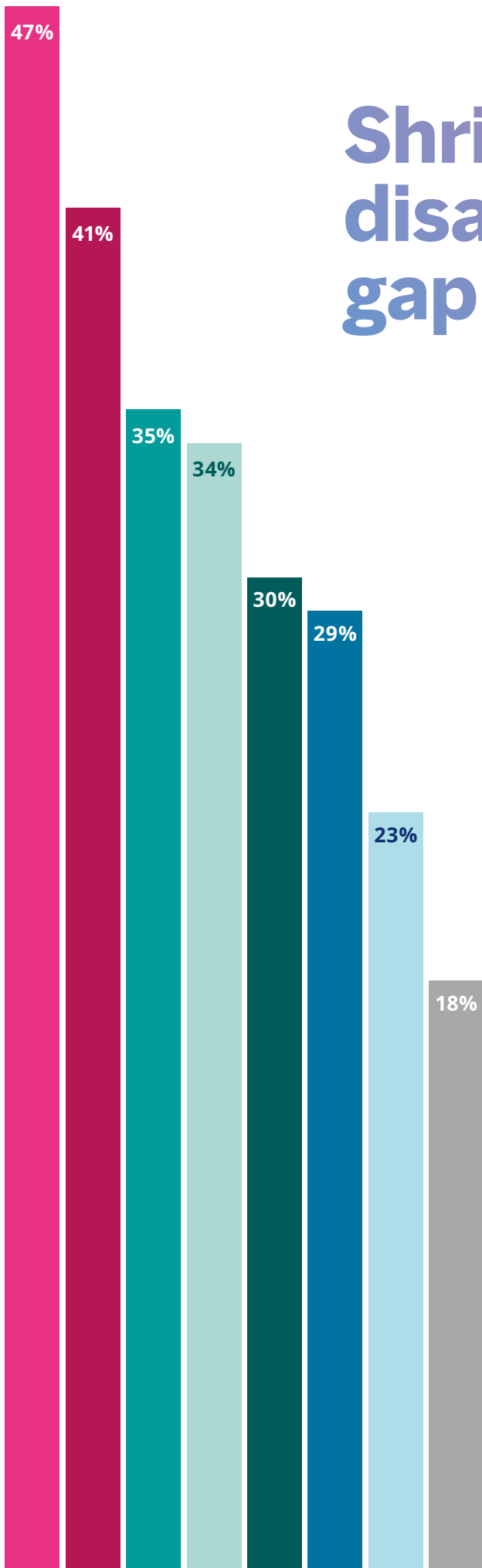


Low-wage, frontline workers and employees of color are much more likely to consider leaving - and at rates higher than pre-pandemic. These workers seek higher-quality jobs, more security, safety and better pay.

Action

- Gather feedback from your own workforce about their top concerns and how you can better support them.
- Dig into your data to understand the patterns of turnover at your organization in various persona clusters.
- Look beyond the surface reasons employees give when they leave and attempt to identify predictors of future turnover. Also, **discover the circumstances** that make employees more likely to stay.

Shrink the disadvantage gap



Many front-line and low-wage workers are leaving at rates higher than historical norms. Employers must act now to keep them, starting with addressing the disadvantage gap.

In many organizations, these workers haven't been a priority. Wages have stagnated behind inflation as employers competed to hire at the lowest cost. But the pandemic has made many frontline jobs more challenging and has proven that frontline workers are critical to businesses' survival and they'll be increasingly critical to thriving in a service-driven economy.

Employers need to think differently about frontline workers and deliver a value proposition that addresses their needs. These workers struggle with economic stability, so pay outranked other reasons why they would consider leaving their jobs—and it was the top way a new employer could attract them.

Of the factors listed below, please choose up to 3 that would most cause you to consider leaving your current employer:

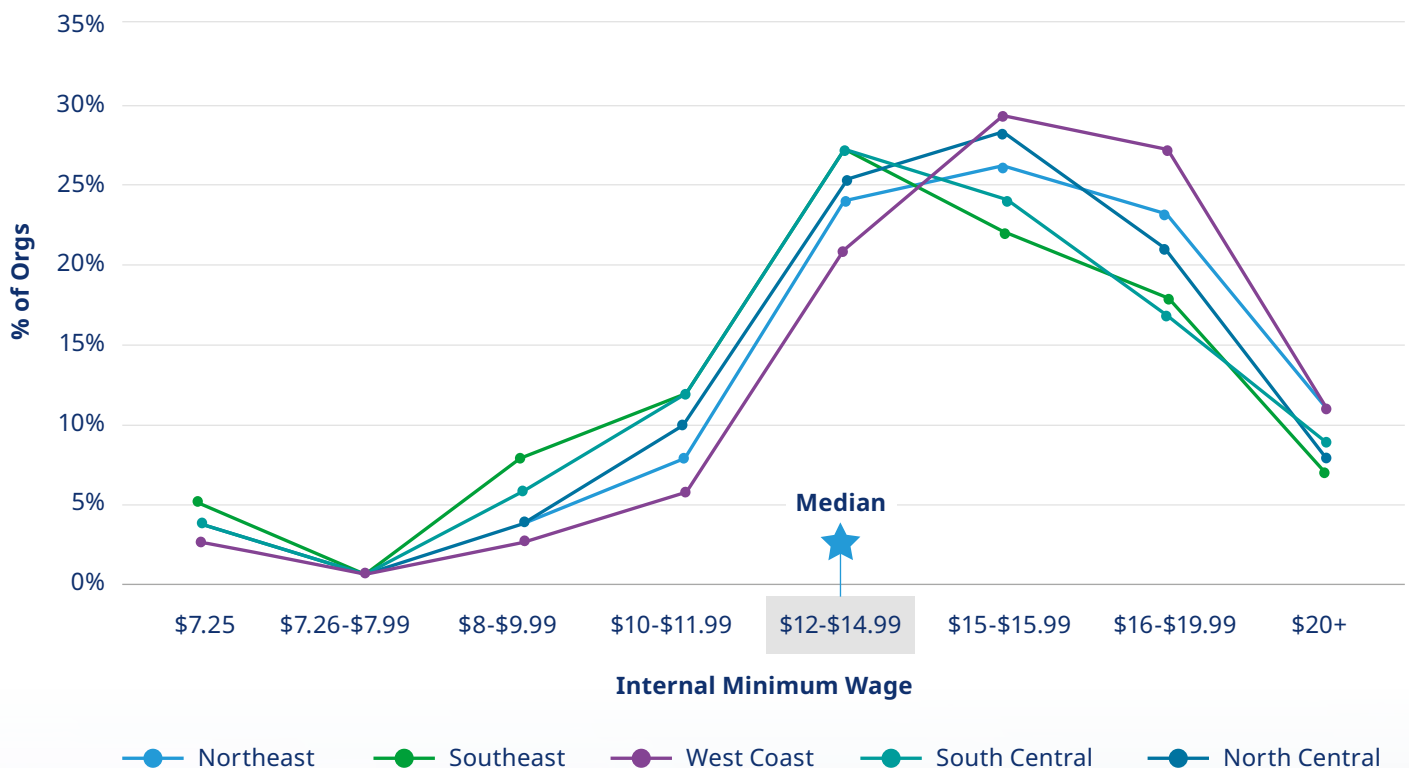
- My pay and benefits are insufficient
- I feel burnt out due to a demanding workload
- I am ready to stop working
- My relationships with my boss / colleagues are stressful
- Lack of flexibility / requirements to be on-site
- Looking for career change
- Caregiver responsibilities at home
- Not able to learn new skills / advance my career

Making pay a priority

While much debate has focused on increasing minimum wages, it's clear that most are already paying above those levels – with the most prevalent internal minimum wage falling between \$12 and \$19.99 per hour.

While most employers say they already pay above the minimum wage, that doesn't mean they pay a living wage. **New research shows that full-time minimum wage workers can't afford rent anywhere in the US.**

Employers trying to attract and retain frontline workers should make pay a priority – both current and future opportunity. **For example, T-Mobile is transparent about the career and pay trajectory, so employees can plan their futures.** Wages are on the rise – our compensation planning survey found that 61% of employers have either increased some or all starting rates for low-skilled workers, or are considering doing so in 2021.



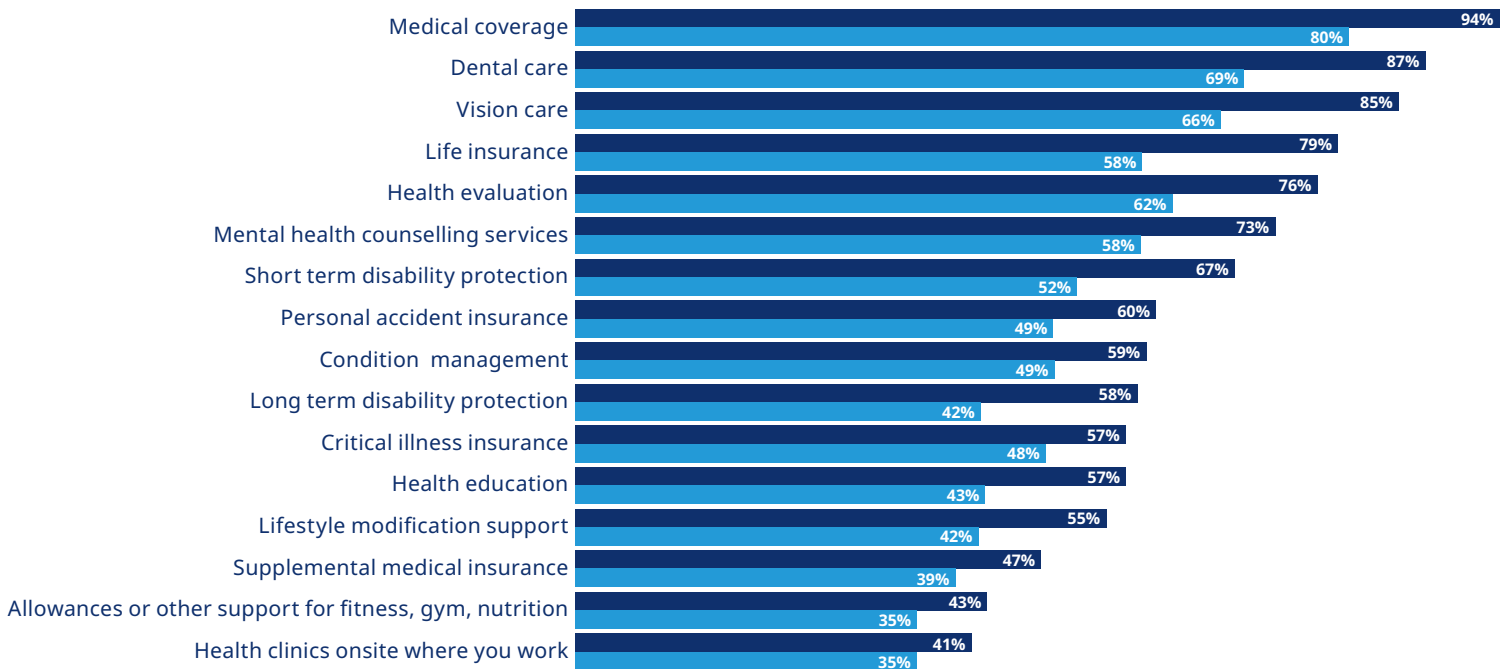
Source: 2021 US Compensation Planning Survey, Special July Edition: The Hourly Workforce

Enhancing workers' bottom line

What can you do to support your low wage workers?

Pay isn't the only way to support workers' bottom line. Employers can offer affordable benefits to reduce the cost of things like healthcare and commuting. Low wage workers have access to fewer benefits through their employers—by a 14-point gap, and 40% of employees with below median household income are not confident that they can afford the healthcare they need.

The people who need support the most are the least likely to receive it. High earners reported having better access to benefits through their employers.



Source: Mercer Marsh Benefits 2021 Health on Demand, US Employees

14pp

The gap low wage workers have in access to medical coverage

Action

- Track the hourly pay market – it is moving faster than pre-pandemic trends.
- Look beyond job title to skills and qualifications. For example, a retail cashier can use the same skillset to find a job as a bank teller, at a significant pay bump.
- When recruiting, show prospective employees the current pay and the opportunity for growth.
- Increase take-home pay and decrease costs through more affordable benefits.

Support the unique needs of your black workers

Our study found significant differences in the concerns of workers across different ethnicity groups. Black and African American workers rated personal safety above all other concerns—though safety was still in the top five concerns of other minority groups.

Personal safety tops the chart for black workers

Results from a conjoint study on employees' top concerns

| | Black/AA | Asian | Hispanic | White |
|----|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| #1 | Personal safety | Physical health and fitness | Physical health and fitness | Physical health and fitness |
| #2 | Mental / emotional health | Work load / life balance | Mental / emotional health | Work load / life balance |
| #3 | Covering monthly expenses | Personal fulfilment and purpose | Work load / life balance | Personal fulfilment and purpose |
| #4 | Physical health and fitness | Mental / emotional health | Covering monthly expenses | Mental / emotional health |
| #5 | Work load / life balance | Personal safety | Personal safety | Being able to retire |

Source: Mercer's Inside Employees' Minds Study of 2,000 workers, August 2021



In the face of emboldened racism, physical safety is a top concern for Black workers. But safety is not just a concern outside of work; our research shows that within the workplace, Black workers are less likely to experience psychological safety. One in three Black or African American colleagues reported not feeling a sense of belonging in the organization. They also often experience microaggressions or retaliation at work – for example, a recent study found that Black workers were more than twice as likely as white workers to have experienced retaliation for speaking up about pandemic-related concerns.

We still have a long way to go both in society and in the workplace, and employers should act now to ensure the physical and psychological safety of Black and African American employees.

Action

- Make sure your company is a place where Black employees feel comfortable, accepted and able to be their authentic selves
- Train and equip managers to be strong allies to employees
- Examine your data to understand where the experience is falling short.

Send workers a mental health lifeline

One in four U.S. workers say they're highly or extremely stressed, more than any other country studied. Workers under 35 ranked mental health as their top concern and women, low-wage workers, and minorities ranked it in second place.

It's no surprise that mental health claimed a top spot in employees' list of concerns, because the pandemic piled stressors such as health concerns, loneliness, and financial strain on top of Americans' already stretched capacity.

Employers should take action now to alleviate the strain on workers' mental health.

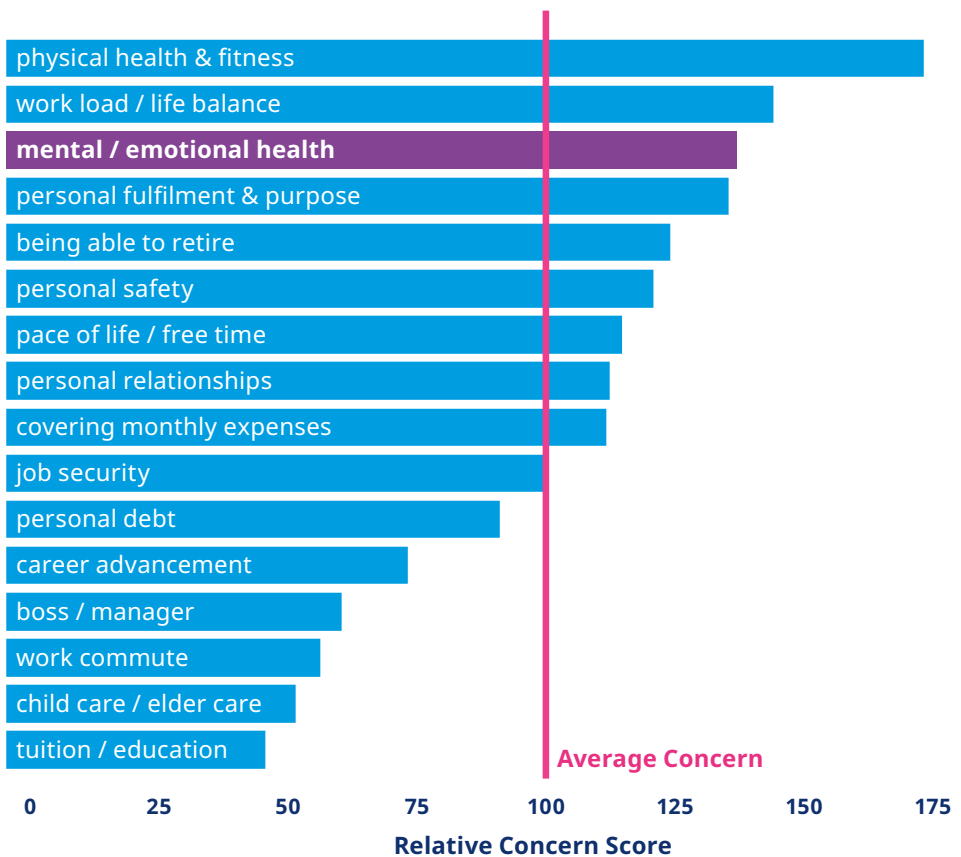
Results from a conjoint study on employees' top concerns



Balance is a key concern, and employees say burnout is a key reason for them to consider leaving (behind only pay and benefits)



Mental health is a top concern amongst all demographics, but is most pronounced amongst younger workers (<35) where it claims the #1 spot; women, low wage workers and African Americans (where it ranks #2)



Source: Mercer's Inside Employees' Minds Study of 2,000 workers, August 2021

Action

- Address systemic stressors at work, such as too many meetings, constant connectivity, lack of work boundaries, stigma around mental health, and burnout.
- Take steps to make mental health help more affordable to all populations. Half of employees say this would be highly or extremely valuable to them.
- Examine virtual mental healthcare options to provide workers with more accessible options

















Flexibility is the new paradigm

Flexibility tops the list of desired benefits for employees, and it's key to attracting and retaining talent.

70% of employers say they're offering more flexible working arrangements, but the flexibility conversation at many organizations focuses solely on remote working, which only benefits a certain segment of employees.

Employers are embracing a comprehensive view of flexibility

Behind pay, employees rated flexibility second highest for reasons they would consider leaving—or joining—a company. There's untapped potential for inclusive flexible working arrangements that benefit hourly frontline workers, such as flexibility in schedules and time off, which allow options for full-time, part-time, or as-needed working.

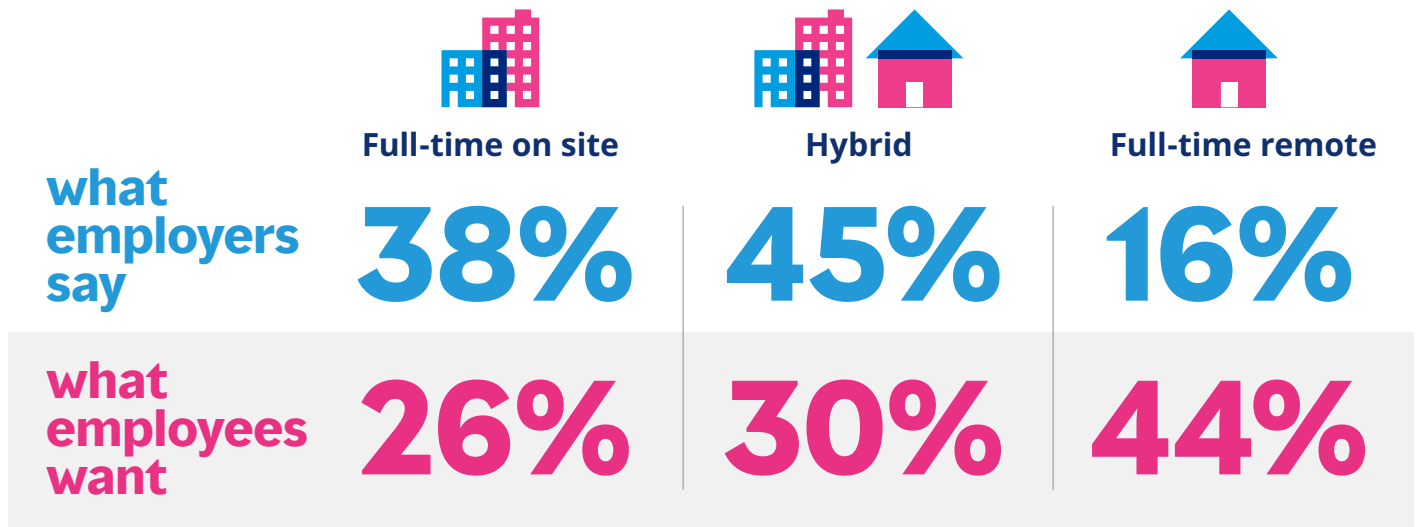
| DIMENSION | TYPE | PREVALENCE | PLAN TO OFFER | WILL NOT OFFER | NOT YET DETERMINED |
|---|------------------------------|---|---------------|----------------|--------------------|
|  WHERE | FT Remote working |  | 54% | 34% | 12% |
| | PT Remote working |  | 84% | 5% | 11% |
|  WHEN | Flextime |  | 65% | 14% | 21% |
| | Alternative shifts/schedules |  | 20% | 54% | 26% |
| | Compressed work week |  | 23% | 42% | 35% |
|  WHAT | Part-time |  | 44% | 37% | 19% |
| | Job sharing |  | 8% | 67% | 25% |
| | Phased/Flexible retirement |  | 18% | 53% | 29% |
|  HOW | Fluctuating work week |  | 7% | 67% | 26% |
|  WHO | Contract/gig/freelancing |  | 27% | 49% | 24% |
| | Internal talent marketplace |  | 19% | 52% | 29% |

Legend:  Majority Practice (50%+)  Common Practice (20-50%)  Not Prevalent (<20%)

The employer-employee divide

When it comes to remote flexibility, 71% of employers say they will adopt a hybrid model—but there's a divide between what employees want and what employers are

planning. It's critical for employers to get this transition right, as they risk attrition if they don't embrace the flexibility and autonomy people have come to expect.



Source: Mercer's Flexible Working Policies and Practices Survey, August 2021 (Employer); Mercer's Inside Employees' Minds Study of 2,000 Employees, August 2021 (Employee)

Sealing the cracks in remote working

Employers embracing remote working for the long haul will need to seal the cracks in their organization that remote working has exposed. For example, onboarding strategies may not be effective as new college graduates entering the workforce, who likely have only worked in remote

work settings, are struggling more than their millennial counterparts. Only 19% of Gen Z college graduates say they feel a sense of belonging to their team, compared with 48% of Millennials. Nearly half of Gen Z college graduates say they are considering leaving their employer.

Enabling flexibility at scale requires transformational change

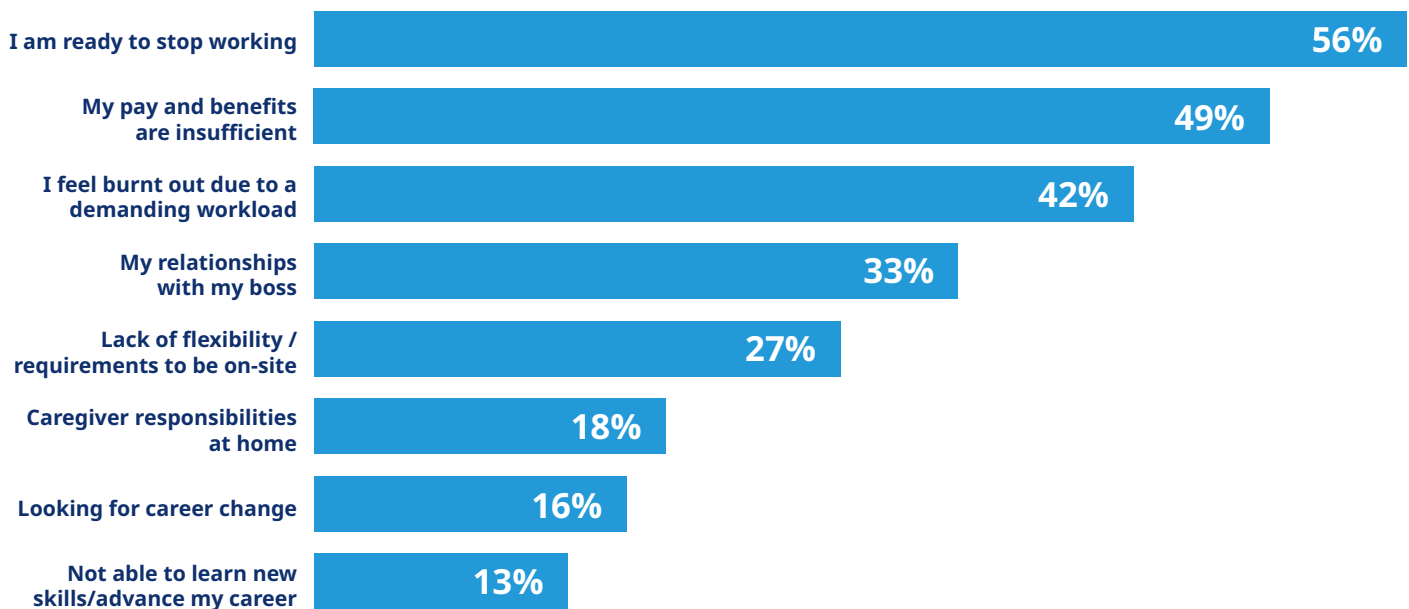


Reimagine retirement


The top reason workers aged 55 to 64 say they would consider leaving their employer is because they're ready to stop working. The greatest competition for talent among this demographic is not another employer, but retirement. And early signs indicate that workers may be looking to retire earlier than before.

What are the top 3 reasons you would consider leaving your employer?

Results for workers aged 55 - 64



Source: Mercer's Inside Employees' Minds Study of 2,000 workers, August 2021



This age group is a loyal set of employees with high institutional knowledge, and employers would be wise to try to retain them in a tight labor market.

Action

- Tap into flexible work arrangements such as phased retirement or contract working. For example, Unilever is paving the way for this type of flexibility by keeping retired employees on board part-time for mentoring and knowledge transfer.
- Address barriers to these alternative working arrangements by coming up with creative strategies to provide affordable healthcare.
- Educate workers about retirement readiness so people don't leave the workforce before they're financially ready.

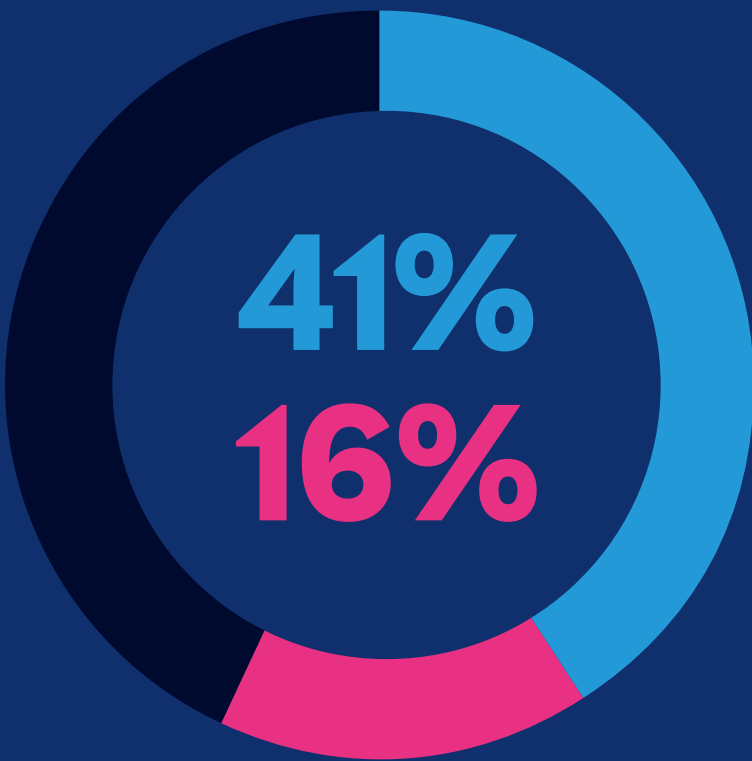
COVID isn't over – and your support matters

While everyone feels the fatigue of the last two years, it's important for employers not to lose sight of the fact that we're still in a pandemic. Your employees are still struggling with uncertainty, work-life balance, and caregiving duties, and they're counting on you to continue giving high levels of flexibility and support.

Employer support matters. It also earns loyalty.

Of employees who reported receiving **good** or **very good** support during the pandemic

Of employees who reported receiving **fair** or **poor** support during the pandemic



Are less likely to leave their job due to the support received.

Contact us to speak to a consultant about how you can attract, retain and engage the talent you need in today's challenging labor market.