

Asia

# The five pillars of people risk

New research, **The Five Pillars of People Risk: Managing risks for workforce and business resilience**, examines the greatest people threats facing employers today. It will help organizations understand which people risks will have the most severe impacts and the barriers that are preventing firms from mitigating them.

Designed to serve as a checklist to help organizations identify and prioritize the threats that are most pertinent to them and take the appropriate action.



## Key findings and implications for Asia

**It's never been more urgent to tackle people-related risk.**

The pandemic left many companies exposed and vulnerable around their people. Understanding and evaluating these exposures is a core priority for business leaders.

**Likelihood and impact of people risks.**

We grouped 25 key threats into five pillars of people risks. HR and Risk Managers assessed the likelihood and the impact of these risks on their organization.



**Critical people risk exposures elevated to the boardroom agenda.**

Employer-sponsored health, risk protection and well-being plans are now central pillars of the employee value proposition.

## Top 10 people risks, HR versus Risk Manager

Ranking	All respondents	HR	Risk
1	Talent attraction, retention and engagement	Cybersecurity	Skills obsolescence
2	Cybersecurity	Talent attraction, retention and engagement	Data Privacy
3	Data Privacy	Succession and key person risk	Talent attraction, retention and engagement
4	Skills obsolescence	Data Privacy	Pension financial risks
5	Succession and key person risk	Labor and employee relations	Workforce exhaustion
6	Misalignment of HR and business strategy	Skills obsolescence	Administration and fiduciary
7	Labor and employee relations	Misalignment of HR and business strategy	Deteriorating mental health
8	Communicable health conditions	Conduct and culture	Changing nature of work
9	Environment	Environment	Benefit decision making and accountability
10	Changing nature of work	Communicable health conditions	Increasing health, risk protection and well-being benefit costs

**Blind spots around 3 critical risks**

The survey revealed blind spots around critical risks, notably:

1. Non-communicable health conditions
2. Deteriorating mental health
3. Workforce exhaustion

**Implication**

Failure to manage these exposures can have severe implications for firms including: reputational damage, stakeholder disengagement, a workforce that does not feel cared for, and even loss of profitability and/or market share.

## Top risks identified by HR and Risk Managers for each category

Poorly managed risks impact your business and bottom line.

**Health and Safety**

**Communicable health conditions, deteriorating mental health and workforce exhaustion**

50.3% of respondents in Asia thought **workforce exhaustion** would have a significant impact on businesses. 4 in 10 acknowledged **deteriorating mental health** had potentially severe impacts on their organizations. 50% of respondents deemed **communicable health conditions** to have a catastrophic or high impact on the business if it were to occur.

**Implication**

Many aspects of employees' work will be impacted beyond just performance: they are less likely to embrace reskilling or organizational changes on top of high employee turnover, lack of engagement, reduced productivity and even damaged reputation. Mental health issues can also affect the physical health of employees.

**Solution**

Review current benefits and use design thinking to better understand employee experience and design data-driven solutions, benchmarking it against industry peers. Business continuity planning is also relevant in addressing health and safety risks.

**Governance and Financial**

**Increasing health, risk protection and well-being costs**

56% respondents deemed **increasing health, risk protection and well-being costs** as likely or very likely to occur in the organization in the next 3 years.

**Implication**

Reduced insurer appetite with medical inflation increasing the costs of some benefits. When the effects of the pandemic eases, there is no doubt the return to pre-COVID levels of utilization, if not higher, will be seen and thus employers are advised to ensure the increases of medical premium adjustments are more manageable in the long run.

**Solution**

Take a strategic approach within risk management framework to reduce the frequency, impact and duration of their medical and disability claims. This can be done by partnering with a trusted advisor for consulting and implementation of benefits design, flexible benefits and preventive care.

**Accelerated Digitization**

**Cybersecurity and data privacy**

58.90% of respondents in Asia acknowledged the severe impact **cybersecurity** would have on the business and 47.20% considered likewise for **data privacy**.

**Implication**

Cyberattacks and the breaches occurring due to poor vendor and people management processes can cause severe business interruption and brand damage.

**Solution**

The risks associated with accelerated digitization can be addressed by Smart Benefits and MMB's Darwin, a single global platform for benefits management that provides consistency, security and ease of performing data analytics.

**Talent Practices**

**Talent attraction, retention and engagement**

Ranked as the #1 risk by both HR & Risk Managers in Asia, having the right talent and a future-ready workforce is crucial for firms to drive innovation, growth and long-term success.

**Implication**

The inability to create a strong talent pipeline, compelling employee value proposition and provide re-skilling and up-skilling can lead to a disengaged workforce and a lack of innovation.

Lack of depth in succession and key person risk management will result in businesses being heavily reliant on key individual(s) which could lead to severe interruption.

**Solution**

Adopt a skills-based workforce strategy to proactively identify and develop future skills needs, Mercer's Skills-Edge Suite can help advance pay-for-skills in your organization.

Prioritize HR transformation and design benefits that truly benefit employees. Such as through adding more elements of choice, optimizing for high-value care and adopting digital services.

**Environmental and Social**

**Labor and employee relations**

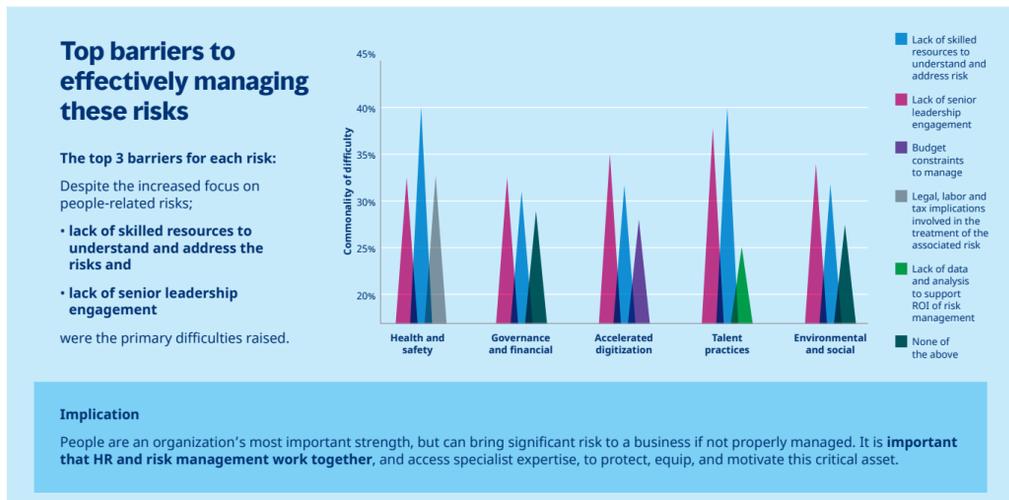
45% respondents deemed **labor and employee relations** to have a catastrophic or high impact on the business if conflicts or issues were to occur.

**Implication**

Poor labor and employee relations may lead to a high volume of labor grievances, a perception of uncaring culture or a lack of desirable company purpose. This can lead to an impacted brand reputation and difficulties in attracting and retaining talent.

**Solution**

Implement inclusive benefits and use benefits benchmarking among industry peers as part of an overall review of employee value proposition to understand where the business rank as the preferred employer in terms of benefits offering. In addition, address key points of environmental, social and corporate governance to attract and engage a more socially conscious workforce.



**Employee benefits can be used strategically to help manage a range of threats while helping protect the workforce and business resilience – read our report to learn where to start.**