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Moving from Jobs to Skills and How to Make It Real

Masterclass

September 2022

#MercerEventsHR

5-6 September | Singapore

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For Starters

Pay for Skills works **with**, does not replace **Pay for Performance**

Alignment across talent programs and job design is critical for sustainability and effectiveness

Pay for Skills is most common in **technical** functions and/or areas adopting **agile** work models

Pay for Skills in Practice based on Talent & Work relationship

Fixed

Employees in fixed roles

How Pay for Skills Supports:

- Competitiveness
- Promote Development

Flex

Employees in hybrid roles that are partially fixed, but can flow to work as needed

- Competitiveness
- Reward Flexibility

Flow

Employees fully flow to tasks, assignments, and projects

- Competitiveness
- Unlock Agility

Mercer Skills Survey 2021

86% Indicate they link pay to skills at point of hire

But most companies fail to maintain skills-based pay for existing employees – leaving highly skilled and experienced employees behind newly hired peers – with no recourse but to leave the organization to receive recognition for skills & marketability

Yet only small fractions indicate they are effective at

31% Rewarding the development of skills

33% Tracking the market value of skills

35% Matching pay for in-demand skills

only **12%** Formally monitor the market demand or availability of skills

Pay for skill as an essential piece of contemporary pay strategy…

- There is a structural shift in the marketplace to source key skills for business strategy
- Organizations are seeking ways to stay ahead when **hiring and retaining talent with skills for their business strategies**
- Increasingly, companies are **delinking base pay and performance** and increasing the **focus on paying for skill growth** and/or development
- **Pay for performance** does not go away; organizations are taking a more **holistic view of rewards**, e.g., an increase in the use of recognition programs, spot rewards and career opportunities to recognize and motivate

Source: 2021 Mercer Skills Survey

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If you advancing pay for skills in a silo, you are doing it wrong

Pay for skills programs are NOT only about pay

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Talent Strategy

Total Rewards Strategy

Pay for Skill Programs

Success requires the pay program to be supported by learning systems, assessment and tracking tools, and simple and transparent processes

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Approach to delivering a skills ecosystem & value chain

Business challenge

- What skills do we need for the future?
- What skills do we have now?
- How do we close the skills gap?
- How do we retain and deploy skills?

HR processes

- Future Skills
- Strategic workforce planning
- Talent assessment
- Work design
- Talent acquisition
- Skill development
- Career pathing and mobility
- Succession
- Reward

Required foundations

- Job architecture
- Skills taxonomy
- Technology, data, and marketplace
- Training, change management, and governance

Global Best Practices:

Understand

1. Skills on Jobs
2. Skills Value

Embrace

3. Pilot, Test, Learn

Mercer Skills-Edge Product Suite

Skills Library

A market-derived skill taxonomy - curated by Mercer and mapped to Mercer Job Library - that aligns with our products to address any number of use cases.

Skills Pricer

A self-service offering to select a job and determine the relative market value all skills related to that job. This skill-based market value approach allows organizations to determine what is needed to attract and retain in-demand talent.

Skills Pay Planner

An AI-driven tool designed to arm organizations with intelligent pay at the employee level - based on business strategy - combining skill scarcity and business criticality, along with other business-related employee performance data.

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7

1 Skills on Jobs

BUY

- ✓ Knowing skills to recruit for, and assess against
- ✓ Expanding talent pipelines and succession pools
- ✓ Identifying career pathways previously unchartered
- ✓ Leveraging enterprise skills and learning resources

BUILD

Where do I find R Programming skills?

Data Science/Big Data Mining
Data Analytics
BI Data Analysis
ad-End Data Processing
Customer Profile Data Cleansing
Market Research & Analysis
al Data Modeling
Risk Modelling
Management
Supply Chain Analytics

9
Different job families

Over
100
Different job titles

Source: Mercer Skills Library

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We learn and apply diverse skills in our career journey

• Technical Skills ❑ Core Skills

Rewards Consultant

- ❑ Problem Solving
- ❑ Communication
- • Data Analysis
- • Compensation Analysis
- • Benchmarking
- • Job Evaluation
- • Performance Management
- ❑ Critical Thinking
- • Research

Talent Management Lead

- ❑ Adaptability
- ❑ Communication
- • Consulting
- • Workforce Planning
- • Succession Planning
- • Skills Transformation
- • Business Acumen
- ❑ Critical Thinking
- • Data Analysis
- • Career Architecture

Chief of Staff to CEO

- • Negotiation ★
- ❑ Collaboration
- ❑ Consulting ★
- ❑ Problem Solving
- • Corporate Strategy
- • Financial Analysis
- ❑ Critical Thinking
- • Program Management
- • Data Analysis ★
- ❑ Adaptability

Common skills I've applied in different jobs

★ Skills used to lead projects not included in my JD

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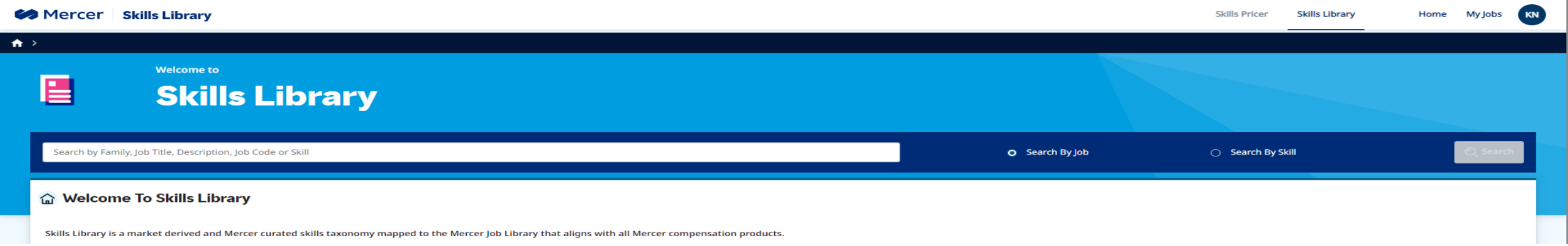
What are the most critical skills needed for my next job?



Compensation Professional – P2
HRM.04.002.P20
Human Resources
Compensation & Benefits

Skills (In Rank Order)

Compensation Analysis,Detail Oriented,Certified Compensation Professional, Human Resources Information System (HRIS),Auditing,Problem Solving,Data Analysis, Market Pricing,Job Evaluation,Benchmarking,Written Communication,Surveys, Interpersonal Communications,Influencing Skills,Workday (Software),Consulting, Compensation Strategy,Organizational Skills,Verbal Communication Skills,Job Analysis, Decision Making,Equities,Market Analysis,Data Integrity,Market Data, Professional in Human Resources

• Hard Skills • Soft Skills • Qualifications

Rewards Consultant

Talent Mgmt. and Organization Development
HRM.09.001.M50
Human Resources
Talent Management

Skills (In Rank Order)

Change Management,Performance Management,Influencing Skills, Leadership Development,Consulting,Succession Planning,Organizational Architecture, Organizational Effectiveness,Employee Engagement,Business Strategies, Interpersonal Communications,Talent Acquisition,Problem Solving,Organizational Change, Business Acumen,Training And Development,Written Communication, Project Management,Team Building,Decision Making,Needs Assessment, Industrial And Organizational Psychology,Learning Management Systems, Workforce Planning

• Hard Skills • Soft Skills • Qualifications

Talent Management Lead

Business Operation & Strategy – Senior Manager
GMA.02.006.M30
General Management
Strategy and Planning

Skills (In Rank Order)

Business Strategies,Problem Solving,Management Consulting,Data Analysis,Presentations, Consulting,Tableau (Business Intelligence Software),Economics,Decision Making,Research, Interpersonal Communications,Project Management,SQL (Programming Language), Business Development,Forecasting,Key Performance Indicators (KPIs),Budgeting, Self Starter,Detail Oriented,Business Acumen,Business Process,Change Management, New Product Development,Financial Modeling,Business Model,Investments

• Hard Skills • Soft Skills • Qualifications

Chief of Staff to CEO

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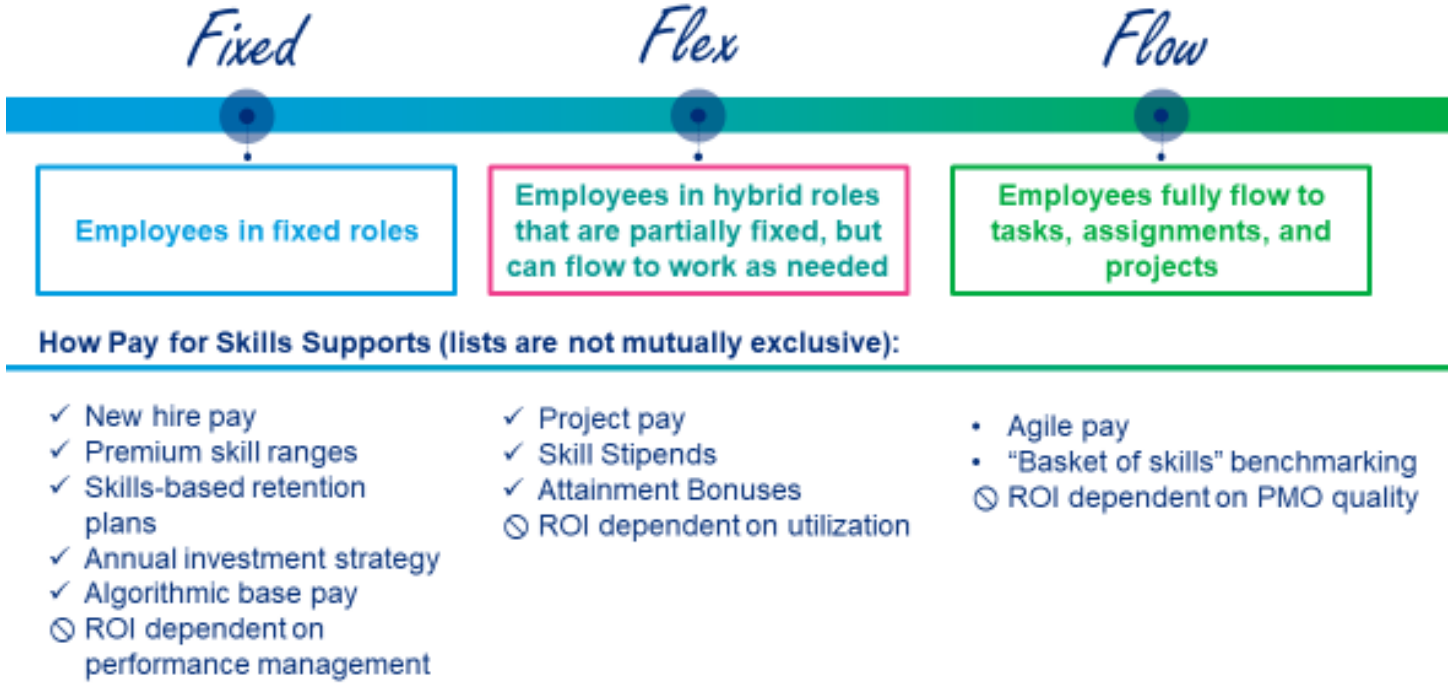
2 Skills Value

BUY

- ✓ Inform individual new hire pay decisions
- ✓ Establish candidate skills assessment for select skills
- ✓ Reward or incentivize attainment of select skills
- ✓ Prioritize and invest in targeted learning pathways

BUILD



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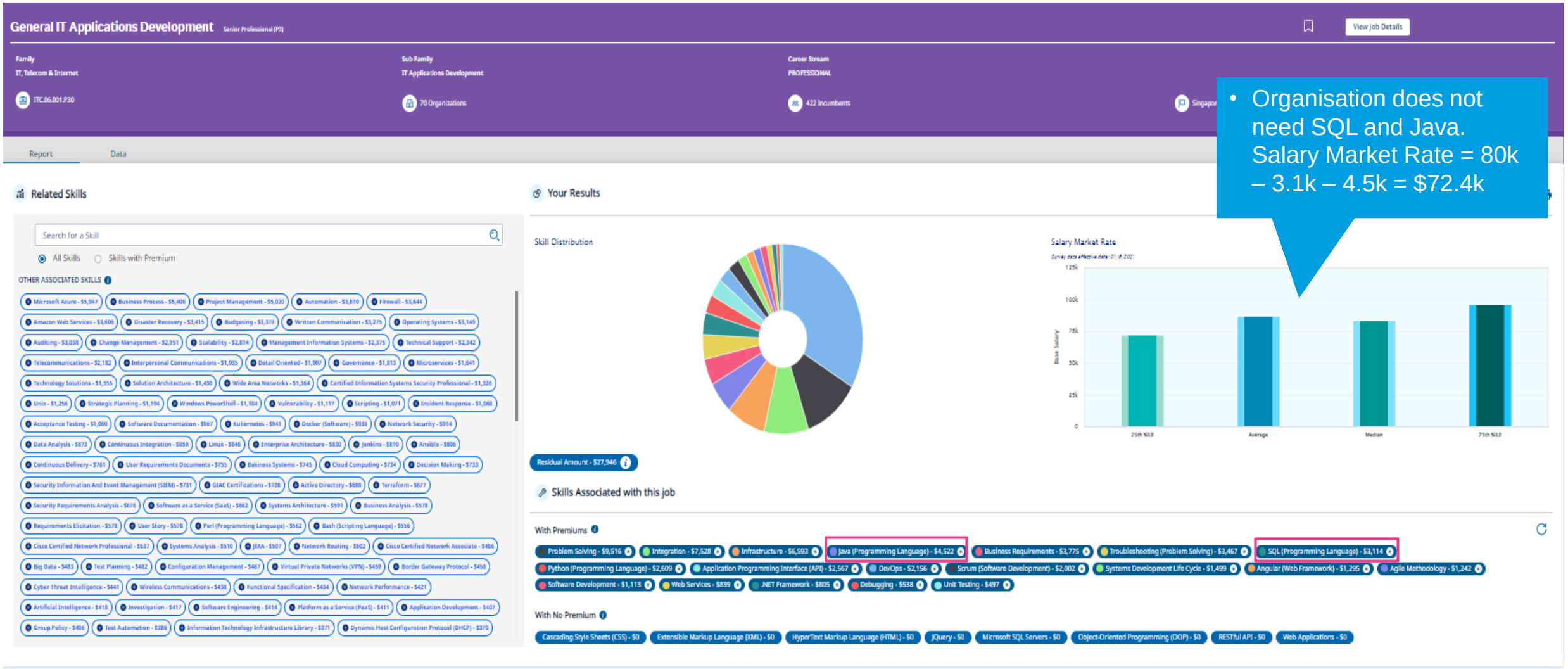
Determining value of skills using Mercer Skills Pricer
Step #1: customising skills-mix to suit organisation needs



- Organisation does not need SQL and Java. Salary Market Rate = 80k – 3.1k – 4.5k = $72.4k

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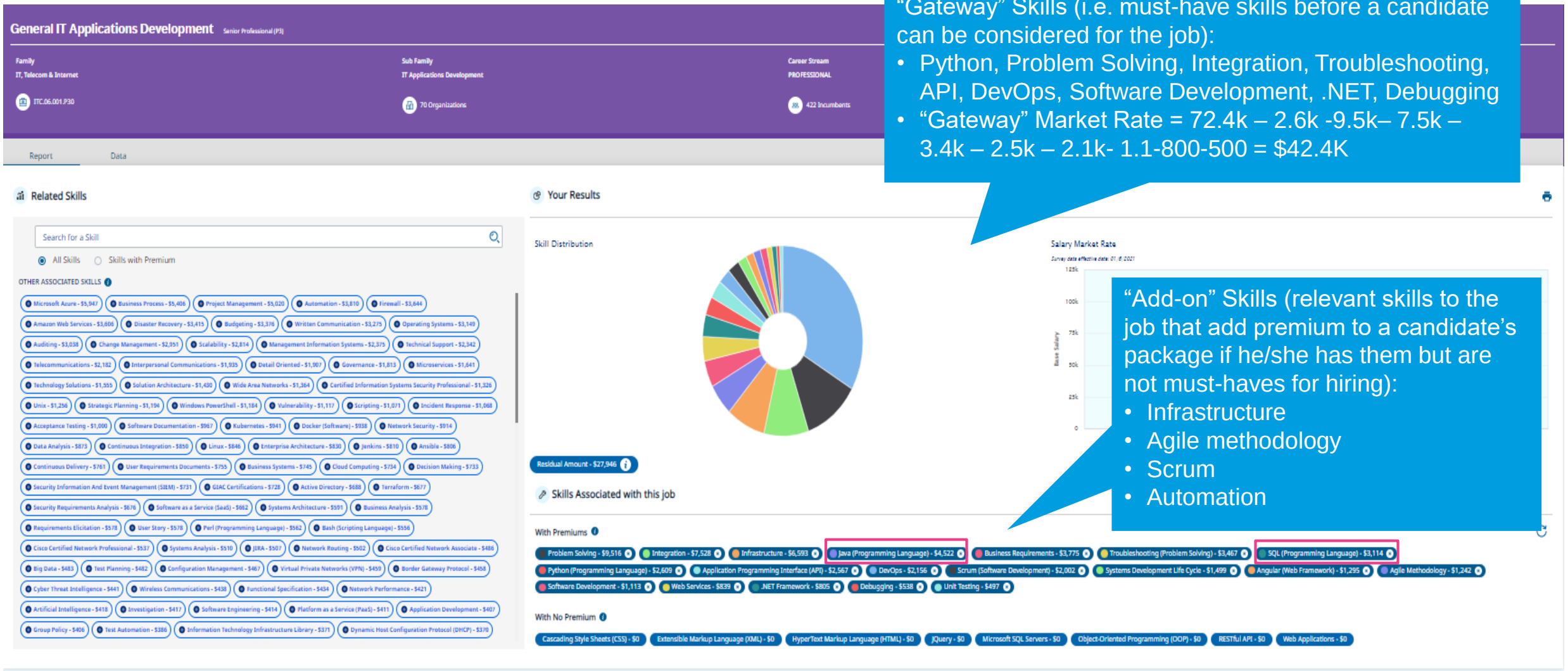
Determining value of skills using Mercer Skills Pricer
Step #2: separating “gateway” skills from “add-ons”



“Gateway” Skills (i.e. must-have skills before a candidate can be considered for the job):

- Python, Problem Solving, Integration, Troubleshooting, API, DevOps, Software Development, .NET, Debugging
- “Gateway” Market Rate = 72.4k – 2.6k -9.5k– 7.5k – 3.4k – 2.5k – 2.1k- 1.1-800-500 = $42.4K

“Add-on” Skills (relevant skills to the job that add premium to a candidate’s package if he/she has them but are not must-haves for hiring):

- Infrastructure
- Agile methodology
- Scrum
- Automation

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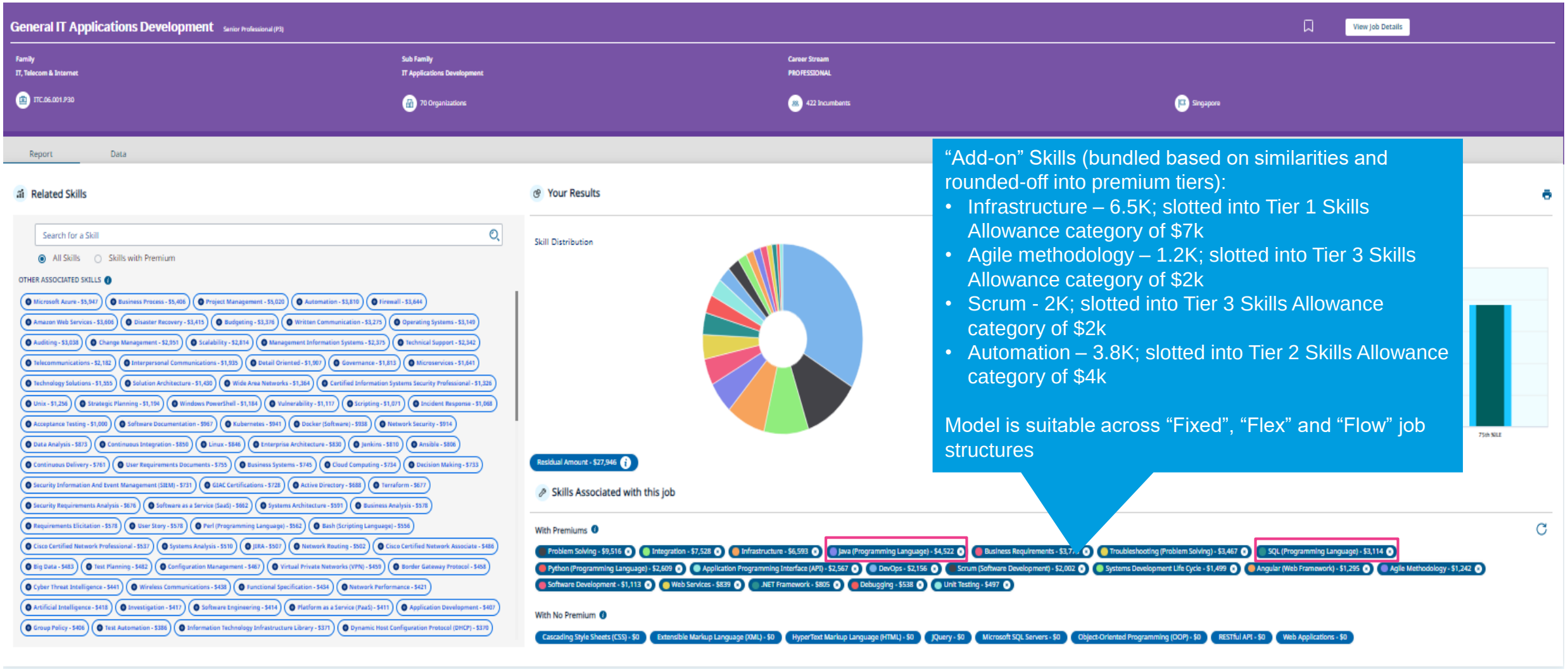
Determining value of skills using Mercer Skills Pricer
Step #3: creating broad Skills Allowance tiers to reduce granularity



"Add-on" Skills (bundled based on similarities and rounded-off into premium tiers):

- Infrastructure – 6.5K; slotted into Tier 1 Skills Allowance category of $7k
- Agile methodology – 1.2K; slotted into Tier 3 Skills Allowance category of $2k
- Scrum - 2K; slotted into Tier 3 Skills Allowance category of $2k
- Automation – 3.8K; slotted into Tier 2 Skills Allowance category of $4k

Model is suitable across "Fixed", "Flex" and "Flow" job structures

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Determining value of skills using Mercer Skills Pricer
Additional step: going beyond jobs

Grade	Expertise Track	Leadership Track	Architect Track
Researcher 6	42 credits with at least PL 6 in two skills	42 credits with at least PL 4 across required leadership skills	42 credits across at least 12 skills
Researcher 5	32 credits with at least PL 5 in two skills	32 credits with at least PL 3 across required leadership skills	32 credits across at least 8 skills
Researcher 4	24 credits		
Researcher 3	18 credits		

- "Skills credits" which represents the sum of their proficiency in those skills are computed. Upon reaching a certain number of skills credits, employees are promoted to the next job level
- This allows complete flexibility: employees can progress through deep technical subject matter expertise, through development of people leadership skills, or through broadening their knowledge across multiple disciplines (i.e. solution architect)

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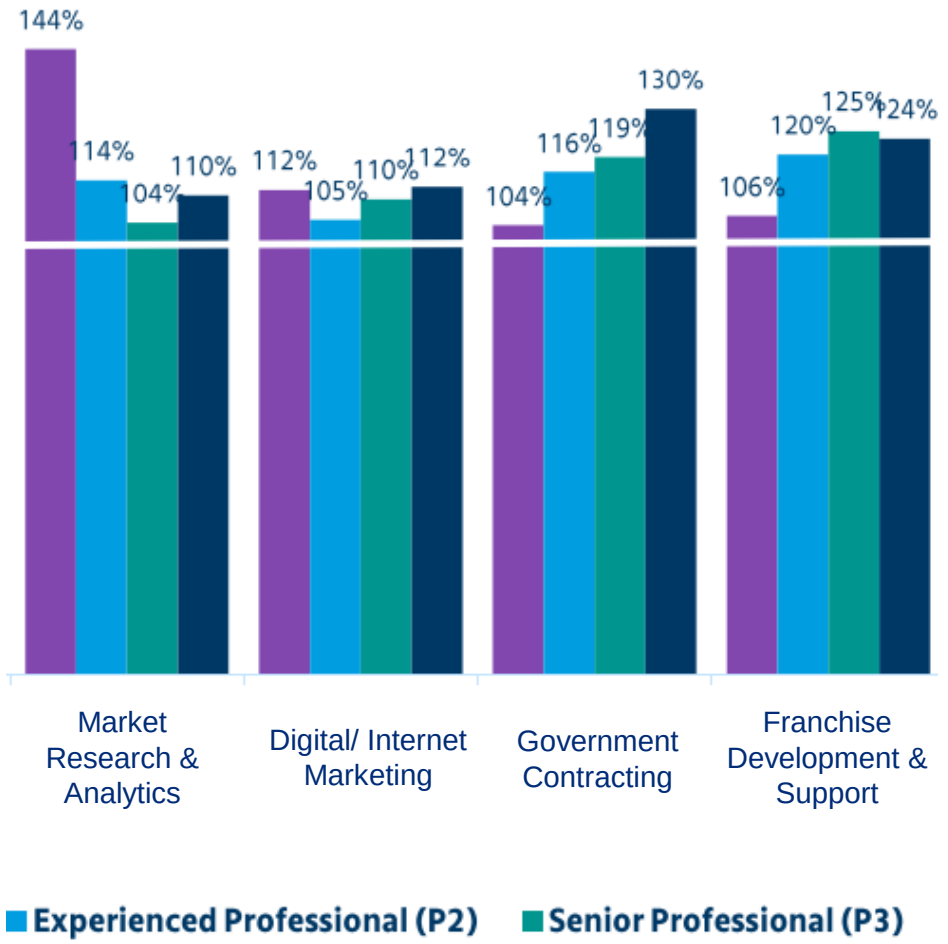
Determining value of skills using Mercer TRS
Step #1: identifying jobs which are paid a market premium



Market All Job Families Aggregate

- Start with understanding how different job disciplines in the organisation are paid differently in the market and then bundle them together into premium tiers

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Determining value of skills using Mercer TRS

Step #2: move job disciplines across premium tiers based on organisation priorities

Digital/ Internet Marketing

With increasing customer base who are digital natives, and competitors all trying to seize market share in this segment, the organisation has decided to move Digital/ Internet Marketing jobs from Tier 2 to Tier 1 premium bracket

Market Research & Analytics

Has no difficulty recruiting and retaining junior Market Research & Analytics employees, as the brand name of the organisation is strong amongst fresh graduates. The organisation has decided to move these jobs from Tier 1 to Tier 2 premium bracket

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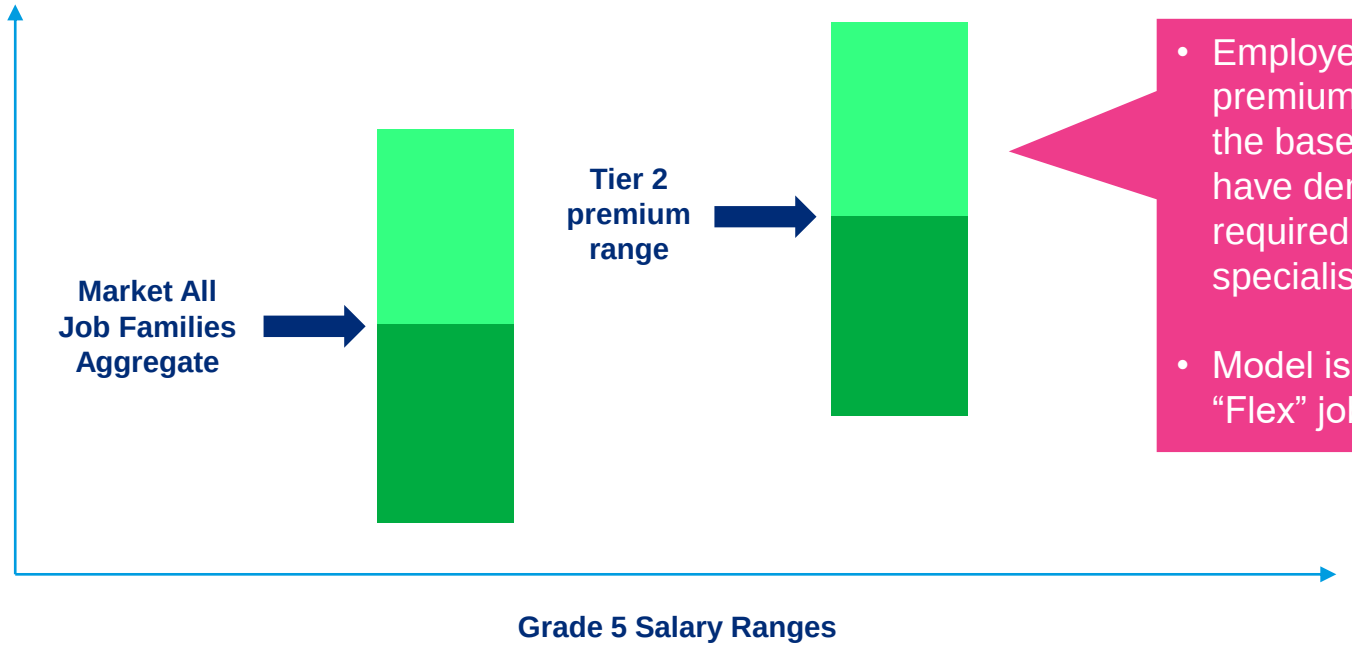
Determining value of skills using Mercer TRS
Step #3: linking pay level for job to skills



- Employees who are eligible for Tier 2 premium range will still be paid using the baseline salary structure, until they have demonstrated a degree of required proficiency on required specialised skills
- Model is suitable for the “Fixed” and “Flex” job structures

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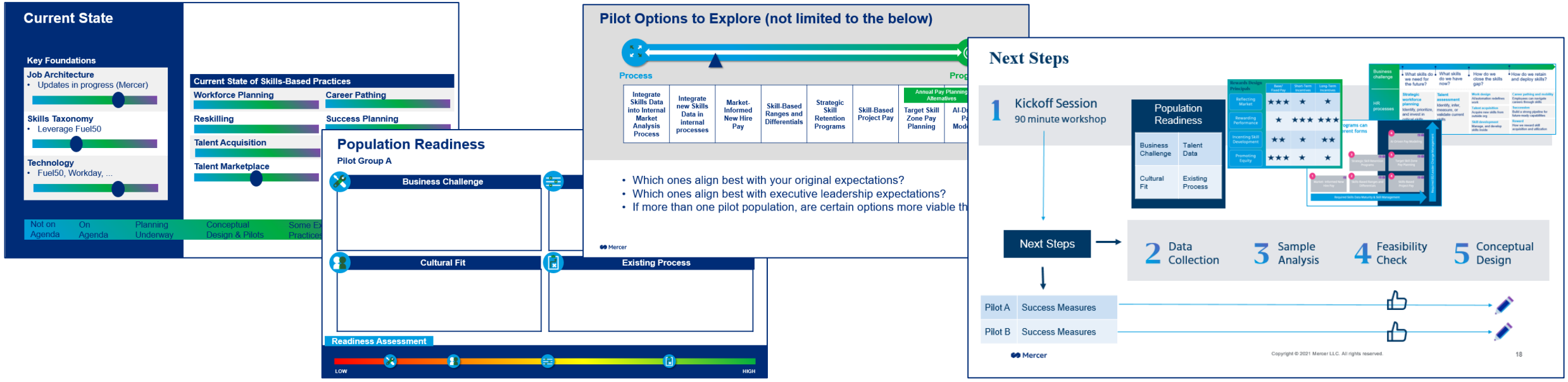
3 Pilot, Test, Learn

Enterprise Context → Identify Pilot Population(s) → Prioritize Solutions → Feasibility Assessment → Conceptual Design



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Identify pilot population: job suitability criteria

Proficiency in a skill for the same job will bring drastically different value

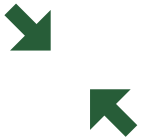
(e.g. Data analytics on consumer behavior in marketing)

Skills can be observed/ assessed rather objectively

(e.g. Mercer consultants!)

Responsibilities of employees change frequently

(e.g. agile workforce)



Output is not as measurable as input

(e.g. R&D teams on highly experimental projects)

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Feasibility test: talent assessment

New hires

Technical assessments

Projects portfolio

Certification

Existing employees

Deliverables (for e.g. from projects)

360 feedback

Certification from recent trainings

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Creating benefits for employees and business

The value of an end to end Skills ecosystem

Employee benefits

- Rise motivation and enable employees to build their **own career experience and paths**
- Create purpose by focused **learning possibilities based on skill gaps**
- Ensure **transparency on position** related skill requirements – leading to better candidate/job fit
- Create employee-centric opportunities to **reskill/upskill** and increase **employee engagement**
- Allow the employee experience to be **digital enabled – arise digital employee experience**

Business benefits

- Create a more **efficient organization** through identification and visibility of skills
- Drive improved **strategic workforce planning** and **staffing** on engagements
- Reduce **talent acquisition costs** through reduced time-to-fill and efficient employee development
- Identify and **close skill gaps quickly to prevent future skill gaps in the organization**
- Enable the **workforce of the future** and **ensure feasibility of organization strategy** (risk of skill-gap)
- Foster **unbiased and fair talent decisions** as basis for sustainable people development

Monetary Potential*

- Up to **60% increase in talent retention**
- Up to **50% reduction in talent acquisition costs**
- Up to **30% increase** in organization-wide **engagement** within the first 12 months
- Up to **55% higher workforce mobility** over two years
- Up to **150% increase in workforce productivity**
- Significant increase in number of **roles filled by internal candidates**

Sources: 2021 Mercer Global Talent Trends and public data AI-based talent and skill management tools (e.g., Fuel50, Gloat or EightFold)

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