

# INTERNAL LABOR MARKET ANALYSIS<sup>®</sup>

Mercer's proprietary Internal Labor Market (ILM) Analysis<sup>®</sup> provides a fact-based platform for making many essential decisions about human capital. At a basic level, it examines the flow of people into, through, and out of an organization, answering fundamental questions about a firm's workforce, such as who gets hired, who performs well, who advances, and who stays.

At a more advanced level, ILM analysis provides critical insights into the operation of an organization's management system, reflecting actual (versus perceived) practices and their consequences. It focuses on causal links between critical workforce events and behaviors over time; thus, it reveals which attributes and management practices account for workforce outcomes, answering questions such as:

- How is talent developed?
- What actually gets rewarded?
- Are we attracting, selecting, and retaining top performers?
- What is the value of internal job movement?
- How do employee attributes such as education or tenure impact performance for each job?
- How can I use HR tools such as compensation, benefits, selection, career development programs, and training to build the workforce I need?

The ILM tool also can be used in tandem with Mercer's Business Impact Modeling<sup>®</sup> to help an organization determine how to manage its workforce to maximize business performance.

## HOW IT WORKS

ILM analysis draws on an organization's HR and payroll data and other relevant sources, including data on overall labor market conditions, and uses sophisticated statistical modeling techniques that Mercer has been perfecting through research and work with companies since 1994. It can be applied to the entire workforce or to particular occupational groups and business segments.

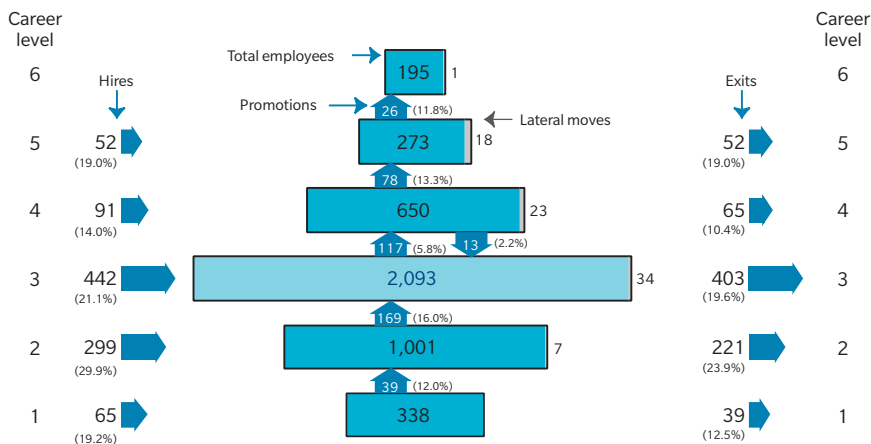
## LINKING HUMAN CAPITAL DECISIONS TO BUSINESS RESULTS

Mercer's data-based consulting leverages a comprehensive set of proprietary tools and analytics designed to help organizations establish clear and measurable links between their human capital programs and policies and their business results. These tools, which feature both quantitative and qualitative methods, address the growing demand for organizations to manage their people programs more effectively and to demonstrate a return on their investment in these programs. Mercer's approach helps organizations understand their current human capital needs and challenges, project future needs and challenges, and create talent solutions that drive business value.

ILM's objective identification of workforce drivers can accurately depict the culture and values in an organization. It can be used to forecast the effects of specific changes in management practices and market conditions as well as the shape and composition of an organization's future workforce if current practices continue. This is a valuable application that many organizations are leveraging to respond to rapidly changing workforce planning demands.

## SAMPLE OUTPUT

An ILM map summarizes — by career level — important rates and flows of employees. In the case illustrated here, the map revealed a career “choke point,” which was linked to the loss of key professionals. Mercer's analysis helped identify the root causes of that loss and its negative effects on the business.



For more information about ILM or any of Mercer's proprietary analytical tools, contact your local Mercer office or visit [www.mercer.com/workforceanalytics](http://www.mercer.com/workforceanalytics).

ILM analysis also can identify key workforce outcomes such as turnover, as well as its causes or drivers, which characterize a company's internal labor market. At the company profiled here, while pay was indeed a driver of retention, career-related factors had a bigger impact on organizational turnover.

