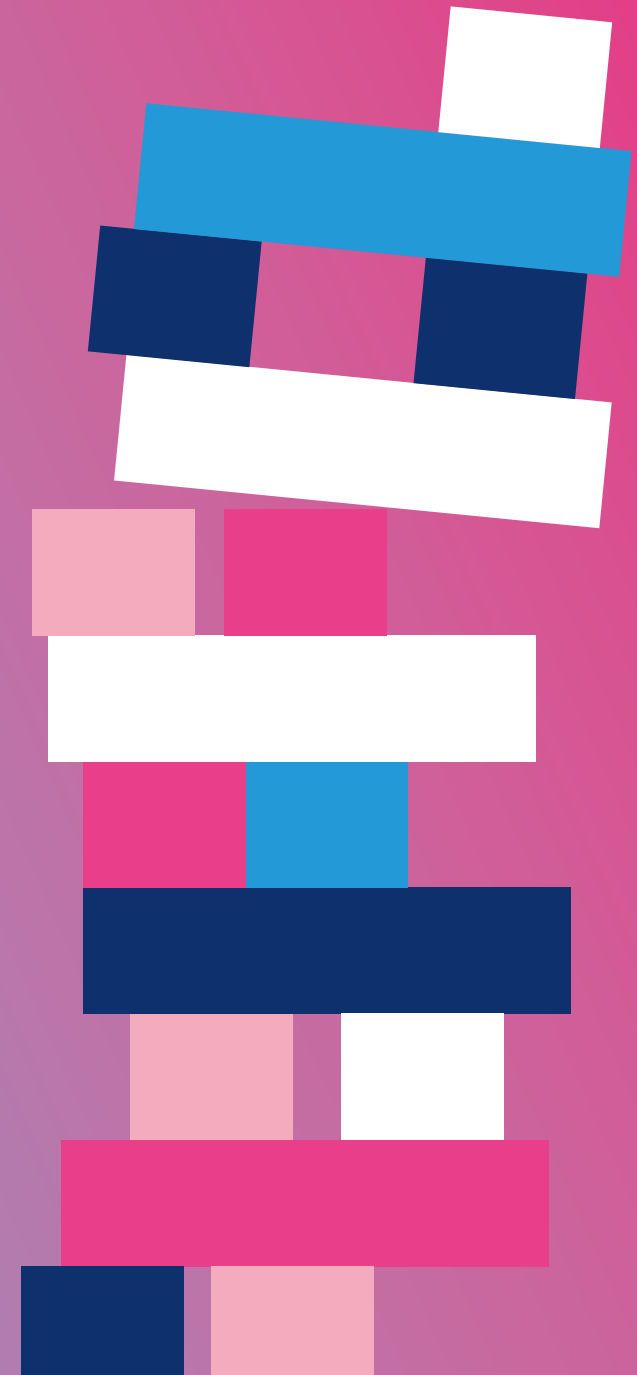


Canada

People Risk

Resetting priorities to
manage risks for workforce
and business resilience

benefits that truly benefit



Executive summary

The health and resilience of your people drives the health and resilience of your business.

Yet when it comes to people risks – the business risks generated by how you attract, manage, equip, motivate and retain your most critical asset – business leaders, and in particular Risk Managers (RMs) and Human Resources (HR) professionals, are not always aligned. As a result, more than half of organizations are not effectively addressing each risk.

When asked to rank each of the 25 people risks - by severity and likelihood - for the second Mercer Marsh Benefits™ People Risk report, Canadian organizations stood out from their global peers by recognizing the severity of business risk to the “great resignation”.

Talent attraction, retention and engagement is ranked #2 risk in Canada this year (compared to #10 globally) and second to only cybersecurity and data privacy (the #1 threat globally).

However, while HR ranked talent attraction, retention and engagement risk #4, only 47% believed this would have a severe impact on the business compared to RMs who ranked it #2, with 66% saying the risk was severe. There is a similar disconnect between the two when it comes to other risks (only half of the top 10 risks are shared by both HR and RMs).

Of concern, only 1 in 4 (25%) organizations currently have a competitive Employee Value Proposition (EVP): A significant oversight given the tightest labour market in memory.

This suggests that HR professionals and RMs need to work together to align their views of each risk – and develop agreed strategies to tackle them. This will be critical going forward, as the worsening economic situation will inevitably mean more scrutiny for people budgets (rising costs are the #5 threat) at a time when organizations need to be even more effective in managing their people risks.



Cybersecurity is a hot topic for Canada, but not the hottest

There is one risk that all geographies agree is a serious and growing threat: Cybersecurity and data privacy which, given the potential impact of a hack or a data breach on organizations, is inevitably high up the corporate agenda.

However, there is divergence in views when it comes to assessing the threat – and taking action to mitigate it.

Surprisingly, only 68% of Canadian organizations expect this to impact their organization in the next 3 years – less than the organizations globally (74%) and significantly less than the US (81%).

Aside from this #1 threat, the risk rankings given by Canadian organizations reflect a focus on mental health and talent (at the expense of catastrophic life events, the pandemic and the environment), but this tells only part of the story.

Surprisingly, even if the Canadian organizations perceive these risks to be a bigger threat than their US peers, they seem to be doing less to address each risk:

- Only 63% of Canadian organizations are adequately addressing mental health risks (ranked #3) compared to 72% of US organizations (which rank this as a low #17).
- There is a similar disconnect when it comes to talent. Only 61% of Canadian organizations are adequately addressing their talent attraction, retention and engagement risks (ranked #2) compared to 72% in the US (#3).

Organizations in Canada rank their top 10 people risks differently to those in the US and globally.

	Global	Canada	United States
1	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy
2	Administration and fiduciary	Talent attraction, retention and engagement	Administration and fiduciary
3	Catastrophic personal life events	Mental health	Talent attraction, retention and engagement
4	Pandemics and other communicable health conditions	Legal, compliance and financial practices	Catastrophic personal life events
5	Changing nature of work	Increasing cost of health, risk protection and well-being benefits	Changing nature of work
6	Increasing cost of health, risk protection and well-being benefits	Changing nature of work	Benefit, policy and reward decision making and accountability
7	Benefit, policy and reward decision making and accountability	Impacts of automation and AI	Employee health and well-being
8	Environment	Benefit, policy and reward decision making and accountability	Legal, compliance and financial practices
9	Impacts of automation and AI	Administration and fiduciary	Pandemics and other communicable health conditions
10	Talent attraction, retention and engagement	Conduct and culture	Increasing cost of health, risk protection and well-being benefits

Risk categories ■ Health & safety ■ Governance & financial ■ Accelerated digitization ■ Talent practices ■ Environment & social

Risks are ranked by risk rating score; the product of the likelihood and the impact ratings.

The risks that employers in Canada should look out for:

1. Health & safety



Overview:

Only 55% of Canadian organizations expect health and safety risks to impact their business in the next three years, compared to 69% globally and 74% in the US. This reflects Canada's mature safety regulations in a less litigious environment, and the cushion of government support.

Mental health is an exception, ranked #3. This concern is warranted as over one-third of claims under employer-sponsored disability plans are for mental illness. However, only 63% are addressing this risk effectively.

Even so, organizations may be failing to join the dots: Given that **workforce exhaustion** (ranked just #16) is a contributor to mental health issues only 56% of Canadian organizations are currently addressing this risk.

Surprisingly, Canadian organizations ranked **pandemics and other communicable health conditions** as only #14, compared to #4 globally.

Implications:

A failure to adequately tackle rising mental health issues (which are expected to increase as a result of the pandemic, the war in Ukraine, the impact of climate change, social fractures etc.) will have implications for costs (finance) and employee retention (talent). Workforce exhaustion should not be ignored because it links into so many other people risks, from workplace accidents to reputational risks. Organizations that address these risks early (and holistically) will come out ahead.

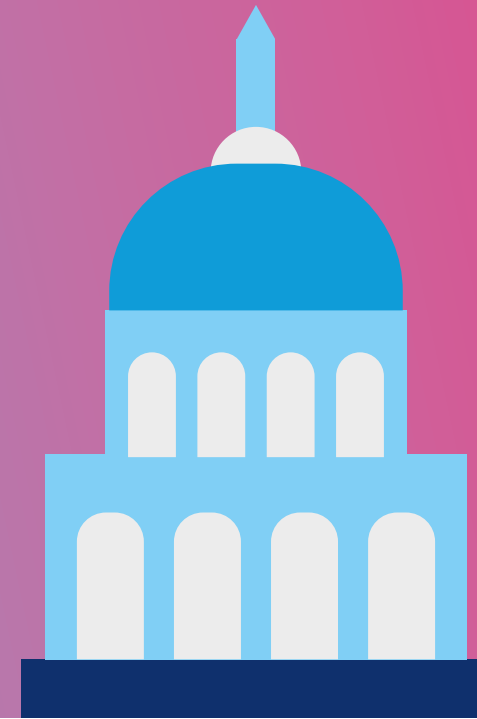
Things to consider:

- Conduct a thorough **review of all health and safety programs, policies and practices** to ensure they are adapted to a definition of “workplace” to include remote work.
- **Assess mental health supports** regularly to ensure a proactive approach, such as higher coverage for psychologists, digital mental health therapy and coaching, etc.
- While the perceived risk of the pandemic is subsiding, it is important to not underestimate future waves, learn from experience, and **prepare for future events** by developing a crisis management plan.



The risks that employers in
Canada should look out for:

2. Governance & financial



Overview:

Only 65% of Canadian organizations recognize governance and financial risk as a serious threat (significantly less than the 79% in the US) even though four out of the top 10 people risks fall under this remit.

Legal, compliance and financial practices (#4) are new to the top 10, reflecting concerns that people programs comply with legislation.

The **increasing cost of health, risk protection and well-being benefits** (#5) is also high up the agenda as a result of rising insurance premiums. Yet only 31% of Canadian organizations currently have “an effective, articulated cost containment strategy encompassing plan design, health risk management and insurance placement to manage benefits cost”.

Canadian organizations are also lagging when it comes to recognizing **administration and fiduciary** risk (ranked #9 compared to #2 globally). More benefits providers, [digital well-being](#) vendors, technology-based admin systems and third-party administrators, means increased margin for error and data breach risks.

Implications:

Underestimating these risks may be a blind spot in light of increased scrutiny by all stakeholders, including labour groups and investors: A governance lapse could lead to fines and damage your brand. Without a cost-containment strategy, organizations may be forced to take less appealing actions, such as benefit reductions — with attendant knock-on effects on health and safety risks as well as the organization's ability to attract and retain talent.

Things to consider:

- **Conduct periodic diagnostics** to ensure good governance. This could include benchmarking your insurer fees and an assessment of your funding arrangements, as well as targeted audits (such as eligibility and claim audits) to eliminate unnecessary costs.
- Ensure you are abreast of changes in **government benefits and legislation** — and their impact on your programs — by using an experienced and effective advisor.
- Develop a **three-to-five-year strategy**, including re-designing programs for value (which means redirecting funds towards benefits employees value the most/digital delivery to reduce costs). Ensure you have the benefit-cost/trend-modeling tools and expertise to manage this risk.



The risks that employers in
Canada should look out for:

3. Accelerated digitization



Overview:

Cybersecurity and data privacy are the #1 risk in all geographies, including Canada where RMs (80%) are much more likely to expect this risk to impact their organization than HR professionals (57%).

Focusing on cyber risks may come at the expense of improving other existing HR technologies. Only 56% of Canadian organizations expect **HR technology obsolescence** to impact their business in the next 3 years.

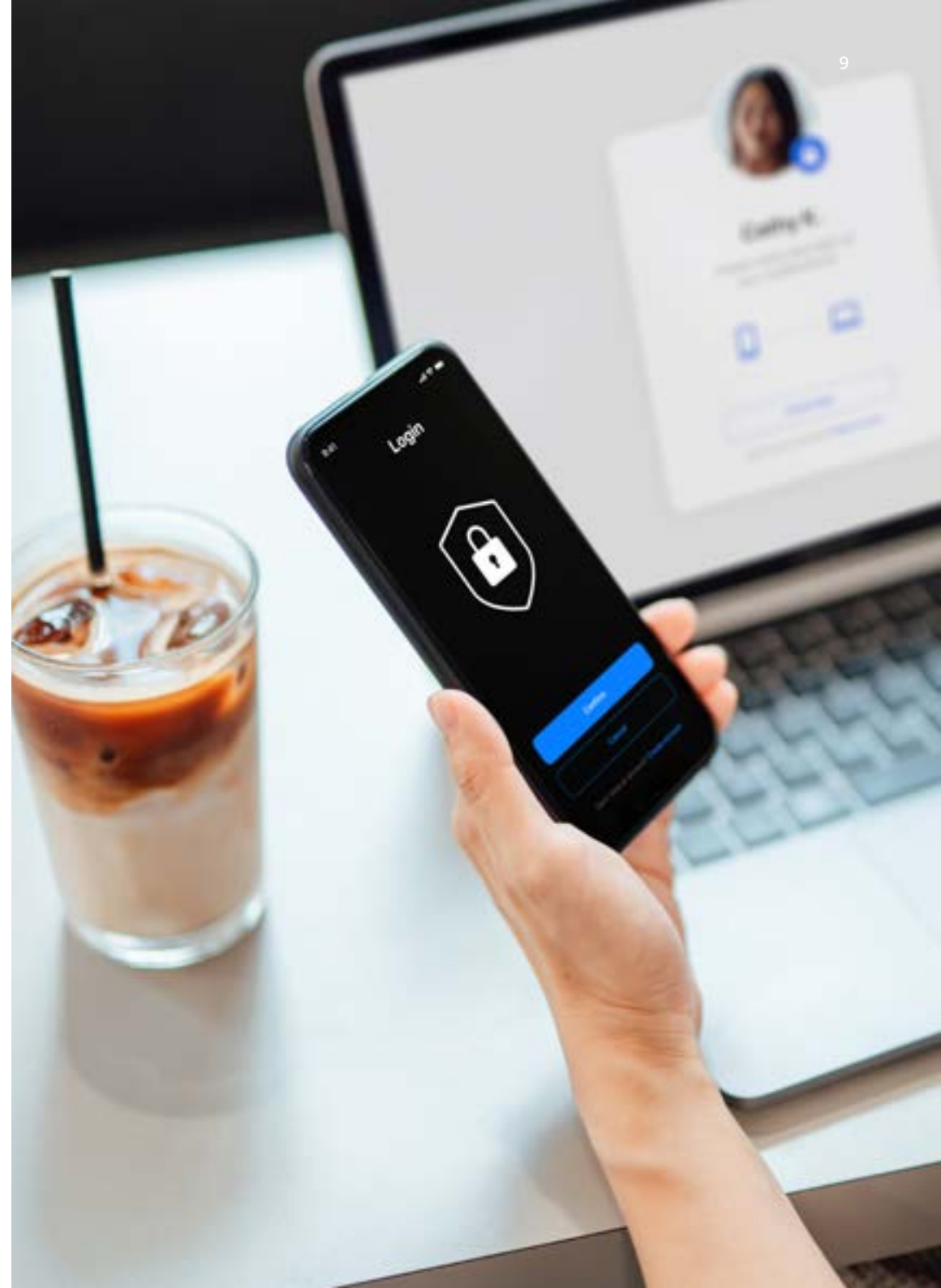
Only 30% currently have effective digital first **benefits administration** and other **talent management** processes (which means 7 in 10 do not).

Implications:

By not addressing technology obsolescence, and not investing sufficiently in a digital-first HR and benefits strategy, at best organizations could fall behind in their employee experience, and at worst could be exposed to data breaches in the future. Six in ten employees who felt their experience deteriorated during the pandemic had no access to benefits through technology. Consumer-grade delivery of benefits is now becoming table stakes, it can be more cost-effective (at a time when increasing benefits costs are a #5 risk).

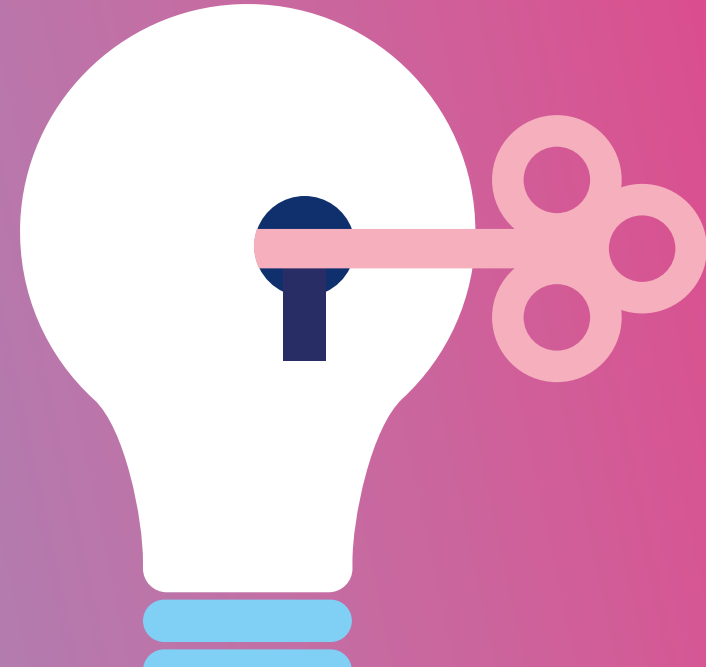
Things to consider:

- **Undertake a gap analysis** of your processes and systems to identify cyber weaknesses and lower the likelihood of a data breach. Two HR issues are adding to the risks: High staff turnover (2 in 3 employees are reported to take files with them when leaving their employer) and remote working (which makes it harder to keep systems secure). A focus on talent management should therefore be a vital part of addressing this risk.
- **Evaluate the way benefits are being delivered** to employees. At a time when employees are more dispersed than ever, there has never been a greater need for organizations to share a consistent employee experience.



The risks that employers in Canada should look out for:

4. Talent practices



Overview:

While talent attraction, retention and engagement rose to the #2 risk this year, Canadian organizations often lack the tools, expertise and strategy to address this risk effectively.

Only 1 in 4 (25%) currently has a competitive EVP (compared to 36% in the US) and less than two-thirds have the necessary data and analytics to monitor **talent practices** risks.

Risk related to the **changing nature of work** ranked #3 for HR leaders (but only #12 for RMs) which is no surprise given that the move to remote working may require new approaches to **attraction and retention**.

A blind spot is **succession and key person risk**: Ranked #5 last year by HR, likely due to the retirement of boomers, it has dropped to #19. In contrast, RMs rank this risk #7. HR needs to be in alignment, particularly as only 55% of Canadian organizations are currently addressing this risk.

Implications:

With 3 in 4 organizations lacking a competitive EVP, this will affect an organization's ability to attract and retain talent, potentially limiting growth, affecting productivity, and possibly to meet contractual obligations. Ignoring succession planning for key roles could also have adverse long-term implications on business productivity and continuity.

Things to consider:

- **Develop a competitive EVP** as a priority and ensure that policies and benefits are in-step with remote working and employees' expectations for flexibility, as well as their need for financial support due to the rising cost-of-living.
- With RMs ranking attraction and retention risk even higher than their HR counterparts, they should both **meet with benefit advisors** to plan "what's next" and prepare to pivot if things change (e.g. business downturn).
- **Ensure that travel and mobility risk is not a blind spot:** New hires from abroad will need proper in-patriate coverage, while geo-political instability may present more risk to those who return to travel.



The risks that employers in
Canada should look out for:

5. Environmental & social



Overview:

Canada was the only region without environmental and social risks in its top ten.

Surprisingly, only 51% of Canadian organizations think “risks associated with the **environment** are likely to impact their organization in the next 3 years” — the lowest of all regions including the US (62%).

While **catastrophic personal life events** is the #3 risk globally, it fell to #17 in Canada. Although this risk was #7 for HR (with its closer view of the human consequences of personal catastrophic risk), RMs ranked it #22 (possibly because they see the corporate risks).

Diversity, Equity and Inclusion (DEI) risk ranked low for both HR (#15) and RMs (#23), with only 51% of Canadian organizations currently addressing this threat - significantly less than the US (76%).

Implications:

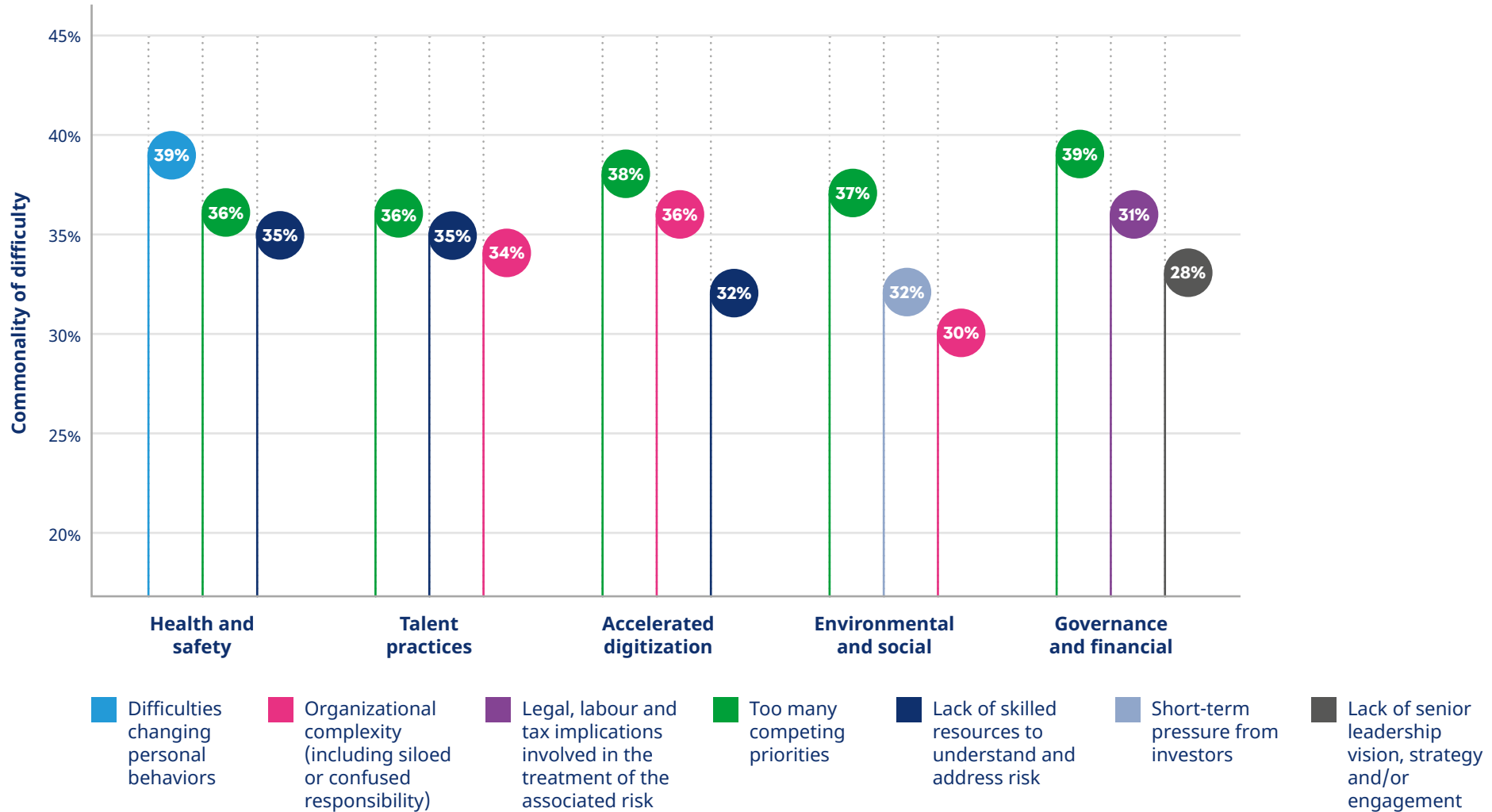
Underestimating the need to address environmental risk is a blind spot. Employees expect their employers to have a sustainability agenda, yet only one in four HR professionals has a stated plan to counter climate change. A failure to consider external stakeholders could cost organizations investment and business and also damage their reputation: Customers, investors and suppliers all want to partner with organizations that have a formalized Environmental, Social and Governance (ESG) position, including DEI.

Things to consider:

- **Address the failure to prioritize DEI.** When updating HR programs and benefits “flip the pyramid” to consciously design programs that meet the health, risk protection and well-being needs of disadvantaged groups.
- **Use scenario planning** to anticipate and plan for the moments (small and large) that matter to the workforce today and in the future.
- Finally, **consider the place (and pace) of climate change** when updating policies, benefits and insurance protection. A broader view is needed to ensure employees are protected from weather events — and link environment policy to talent attraction and “brand.”



Barriers to mitigating people risk in Canada



Too many competing priorities — not surprising given the pandemic and talent-related challenges — has been identified most often as a barrier when tackling all five pillars of people risk.

Being stretched too thin means that sufficient time and resources may not be allocated to address key risks such as cybersecurity, data analytics and succession planning. The lack of skilled resources to tackle areas where there

has been the most change and innovation — health and safety, talent and digitization — is also proving a problem and needs to be addressed as a priority.

These blind spots will eventually result in lost competitiveness.

Surprisingly absent from the top barriers this year is lack of budget. For instance, lack of budget to address the people side of health and safety was a #2 barrier last year. The fact that it is no longer regarded as a barrier suggests that organizations now understand the

importance of managing health and safety risk and have made it a priority. In fact, more than a third of executives have seen a measurable return on their investment in health and well-being.

Senior leadership is also largely supportive. In fact, lack of senior leadership vision, strategy and or/engagement is only a top three barrier when it comes to governance and finance, and, even then, the percentage of organizations saying this has been a challenge is relatively low.



Hopes for the future

The coming year will be challenging, and people risks must be managed at an operational level. We hope we are giving you the competitive advantage to anticipate risks and work collaboratively to mitigate them. Our latest report will provide your business and workforce the tools to thrive, and preserve the trust you have generated through your actions.

The results of this year's People Risk report offers valuable insight into HR and RMs' minds. HR and RMs have very different agendas: Of the 25 risks addressed in the report, only 5 are shared by both in their rankings of the top 10 risks their organizations face. Although some of these are critical risks, such as attraction and retention, these results suggest that HR and RMs need to work more closely together to agree on risk priorities and planning. Only together will they catch blind spots.

If you only do three things...

Given the nature of the people risks facing employers in Canada, three immediate priorities to consider are:

- 1** **Review your benefits plan** to ensure it supports your EVP, and if needed redesign for value by redirecting your spend towards high value areas such as mental health support and DEI-friendly benefits.
- 2** **Consider a digital first delivery** of your benefits to adjust to the changing nature of work, and work with your advisors to choose the right digital well-being providers.
- 3** **Assess your HR and benefit programs** for governance and funding risk, and financial sustainability.

HR and RMs need to work together to address today's people risks. Start by meeting your HR and benefit advisors together to ensure alignment on key decisions.

[Get started by downloading People Risk 2022 Canada report.](#)

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About Mercer

At Mercer, we believe in building brighter futures.

Together, we're redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and wellbeing. We do this by meeting the needs of today and tomorrow. By understanding the data and applying it with a human touch. And by turning ideas into action to spark positive change.

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Continuously rethinking purpose and priorities drives HR transformation. Shaping the future of work requires improved strategies around investment and retirement, health and wellness benefits, talent and communications. We believe in the value of investing in the future to build resilience for your business and your employees.

As part of our forward-thinking approach, we provide strategies to foster healthy lifestyles with innovative health and wellness benefits. Mercer Marsh Benefits consultants help you provide personalized benefits options that suit a range of employees' needs. We understand that today's workforce is multi-generational and diverse, and we're prepared to create solutions with you that support employees, wherever they work.