

Gaining a skills edge through agile talent practices

From pandemic to permanence



welcome to brighter



Skills knowledge: A lifeline in a sea of change

COVID-19 demanded a rapid response from all of us. In our work. In our homes. In our communities. We learned to quickly adapt to ever-shifting definitions of normal. It became abundantly clear that the only constant in life is change — and that change can upend our lives more dramatically, fully and quickly than we can predict.

The pandemic also suddenly changed the value of many skills across the workforce. Some, such as direct sales, were threatened. Others, such as inclusive leadership and digital collaboration, came out of the shadows to become hot commodities. Even when COVID-19 is behind us, in this era of breathtakingly rapid world changes, critical skill sets will shift yet again — whether it's due to another unexpected disruptive force or because AI and automation are continually shaping the future of work.

Predicting the skills of the future

Imagine being able to predict the skills your organization will need — today, tomorrow, and well into the future. That's what leading organizations are beginning to do to future-proof themselves for whatever may come. By knowing how work will change and the resulting impact on skills demand, organizations can reskill or upskill their people to be ready, and if necessary, locate the right external or internal talent to fit future needs.

While a predominant trend is to weigh cost containment against the need to [reshape for the future of work](#), innovative leaders are also keenly focused on viewing their workforce through a skills lens. They recognize their people as valued assets who offer vital skills that are useful beyond their current role — skills that can be leveraged flexibly throughout the organization as needs change. These leaders also see the vast potential within each employee to learn new skills and adapt, to remain relevant in the rapidly evolving world of work

Those who lag behind inhibit growth (both for the business and its people) and are limited to purchasing external talent as work changes — a costly and ultimately less effective approach. In short, late adopters risk obsolescence.

The importance of skills

Skills fuel agility. When an organization knows what skills are available within its workforce, it can rapidly move talent to the most pressing needs and stay relevant through virtually any shakeup. For example, during the pandemic, US telecommunications company [Verizon](#) redirected nearly 20,000 affected store-based employees to leverage their skills in other roles, such as in telesales or online customer service. Other companies formed partnerships so they could deploy talent between them, building a vital bridge to the future for them both. Most critically, **skills fuel transformation and resilience.** Today, companies seek to reinvent and create more flexibility in their business models (to increase their adaptability to bounce forward, not just to withstand shocks such as those brought by 2020). In fact, [one in three global organizations](#) is accelerating upskilling or reskilling programs in response to COVID-19. Skills-based talent models will enable adaptability — immediately and over the long term — for both organizations and their people.

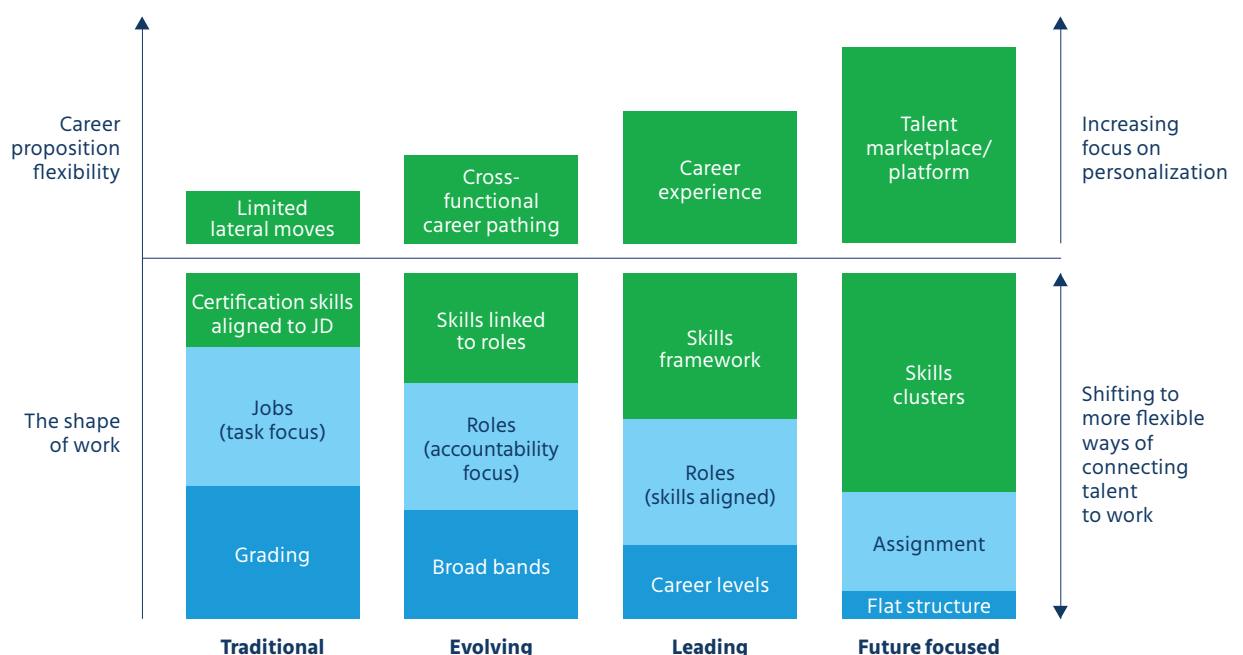
Transitioning from jobs to skills

By and large, we live in a world of jobs — one in which a person's job code or title drives how work is defined, how key talent decisions are made (most notably, how they are paid), how business processes are organized, and how analytics and insights are generated.

And although jobs are not disappearing, they must be deconstructed to units of skill to enable a new shape of work. The dominant architecture for work is shifting from jobs to skills — and this shift is accelerating. As an employer or team moves from traditional to future-focused ways of working, such as project-based and portfolio-led approaches that value flexibility, skills become increasingly important for defining work, deploying talent, managing careers, and valuing employees (see Figure 1).

Eventually, employee groups across all industries will likely shift to skills-focused work. But today, most organizations are seemingly paralyzed within traditional structures and processes that prohibit them from fully embracing a future-focused model. Getting unstuck from antiquated models can be done over time: Early adopters are embedding future-focused practices gradually, typically piloting a skills-based approach within a subset of an organization — for example, specific teams or business units. From there, they are using iterative and agile adoption to permeate larger groups, making improvements along the way.

Figure 1. Skills-based talent practice maturity



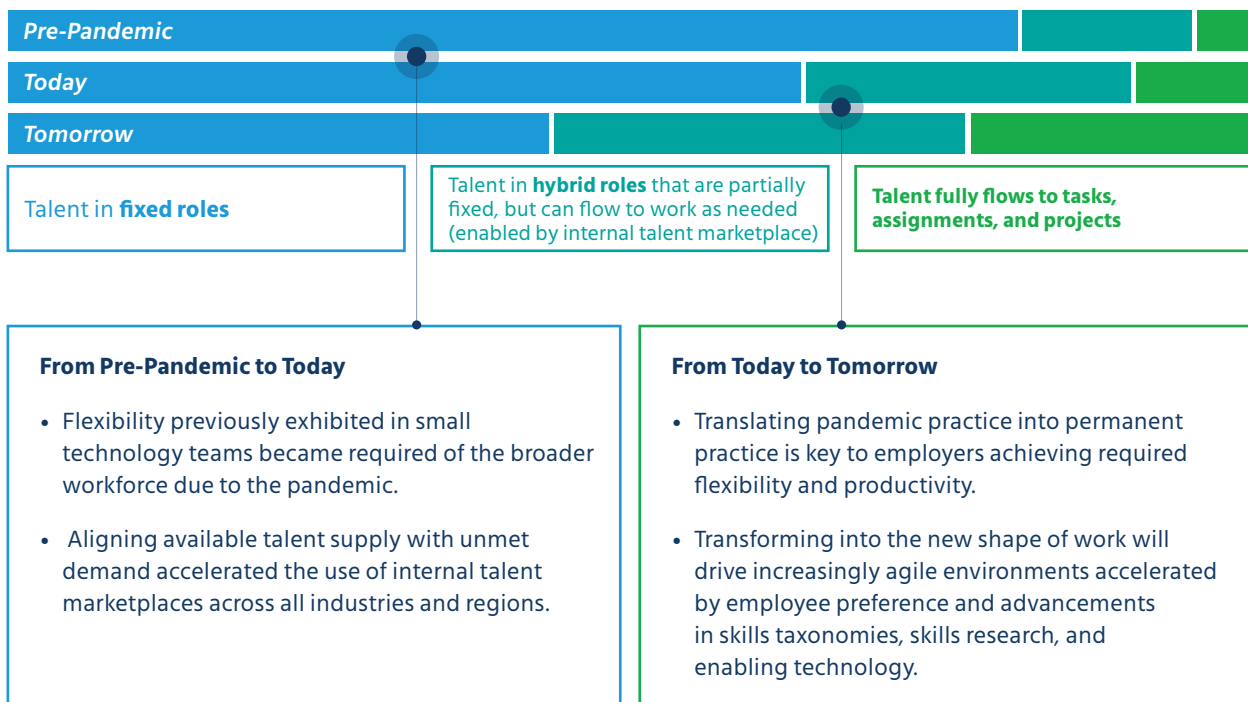
It's a win-win for the organization and individual

While some organizations boldly plow toward a skills approach, most are slow to evolve. But the workforce is ready to embrace the future: For them, unburdened by HR models, the leap is intuitive. And the benefits are significant: A move to skills-based talent practices means employees are encouraged to develop new skills, earn skills credentials, and focus deliberately on plotting and advancing along their career (skills acquisition) path. The majority (78%) of employees say they are ready to reskill, which is made possible by aligning skills to roles.¹ Take talent mobility as an example. In a traditional model, the

structure and culture primarily foster movement from job to job within a career ladder. However in leading and future focused models, movement across job families, for full job changes, temporary assignments or hybrid roles (see Figure 2), are core tenets of the career offering. It evolves to people understanding and developing their skill set. It evolves to people understanding and developing their skill set. Getting this right delivers benefits to all parties: Organizations gain enhanced business agility through flexible deployment, and employees enjoy a richer and more varied career experience.

Figure 2. Workforce distribution within a Future Focused employer

Not all employees within a future focused employer operate in fully agile environments due to the nature, volume, or requirements of work.



¹ Mercer. 2021. 2020-2021 Global Talent Trends Study: Win with empathy. available at <http://www.mercer.com/global-talent-trends>.



Getting competent about skills — more than a competency model refresh

We've been here before. Many of us were sold the promise that competency models would solve our talent challenges. Although some companies continue to realize tremendous value from competency models, they typically fall short in addressing the emerging needs of today, such as organization agility, talent attraction and mobility, strategic investments, and targeted reskilling and upskilling efforts.

While competency models were typically an HR initiative, executives drive the skills agenda — which makes sense, given that skills are more tightly integrated with the business strategy. Executives recognize that reskilling is the talent investment most likely to deliver a return on investment and, in 2021, workforce reskilling is ranked the number one or two investment priority for companies in most countries.² These same executives know that enterprise transformation is required for most companies to survive — and most importantly, they have identified workforce skills as a critical driver in transformation.

Confidence is high because the pandemic proved the power and value of skills. Companies that took inventory of their workforce or talent ecosystem before 2020 are — and continue to be — able to quickly find talent, move talent to where it's needed the most, and make critical talent decisions to keep their businesses afloat during uncertain times. The key now is to harness this energy and rethink the entire talent ecosystem with this level of permanent agility in mind.

How to implement a skills-based talent model

To adopt an agile approach to developing skills-based talent practices:

- **Choose a starting point.** Identify a specific unmet skills-related need or a current success that could be built upon or optimized
- **Develop use cases around these successes or needs.** Embed the employee and digital experience into the use case to identify and care for connections to all processes across the employee journey. This approach diminishes (or eliminates) the silo mentality that has long plagued organizations.
- **Put the employee experience at the heart of your plan.** Identify and care for connections to all processes and experiences across the employee journey.
- **Take an agile, needs-based approach.** Start small and grow with a long-term roadmap in mind. Enjoy successes over the near term and trust that full integration will come over the longer term, through process maturity, digital configuration, and change management. This is a vast improvement from historical top-down waterfall approaches that require painstaking calibration from the onset.

Well-designed skills-based talent processes mean that:

- Talent can flow rapidly to fill immediate and dynamic business needs.
- Opportunities blossom for people to remain employable — at their current organization or elsewhere.
- Future workforce skills can be identified proactively, developing talent that can fuel a company's strategic reinvention and reducing the costs of external hiring.

² Mercer. 2021. 2020-2021 Global Talent Trends Study: Win with empathy. available at <http://www.mercer.com/global-talent-trends>.

Mobilize skills supply to meet business demand

If you don't recognize your people's skills, someone else will

In the early days of COVID-19, successful companies were able to act fast and funnel talent to areas of the business that were newly thriving. What can those organizations do now to **keep** the workforce adaptable? What can organizations that suffered during the pandemic do to catch up — and, most importantly, how can all companies prepare themselves to adapt to future unexpected crises?

2 in 5 HR leaders acknowledge they don't know what skills they have in their workforce.

Speed and agility in managing your talent are more critical than ever, and they can be achieved by **knowing your people, which enables firms to quickly and iteratively mobilize and connect talent to work**. This means leveraging and maximizing internal skills to the fullest before the time-consuming and costly experience of shopping for skills elsewhere. Yet, two in five HR leaders acknowledge they **don't know what skills they have** in their workforce today. Leading companies are trying different approaches to close this knowledge gap, such as requiring employees to complete online skills profiles as part of the performance review process, auto-populating prior skills and experiences from LinkedIn

(which employees then validate) or conducting future-focused skills audits for critical segments of the workforce.

To match talent to your business needs, getting a handle on the skills available in your organization is a logical starting point. Think **progress, not perfection** — accuracy (validating every single data point) is not the most vital piece of the puzzle. AI and technology today can make “good enough” assumptions about an individual's likely skills based on their job title and organizational history. Accuracy will improve over time, but smart firms are acting now.

Challenge yourself

- How are you using technology to automate the colleague-profiling process and keep it up to date? What about automating predictions on people's likely skills and skills verification?
- What incentivizes employees to keep their skills profile current? What self-governing or automated methods can you use to verify what people say about themselves?
- What could you accomplish if you had insights into the skills and knowledge across your employees and contingent workforce population?
- Is your organization agile enough to survive the next pandemic-level disruption? What incremental steps can you take now to forge ahead and make progress?

The internal talent marketplace is here to stay

One lesson we learned from the pandemic is that many companies have a readily adaptable internal talent marketplace — but without the right mindset, the right skillsets can go unmined.

An internal talent marketplace matches employees to projects or to critical work that make the most of their skills without them having to permanently move jobs. During 2020, 44% of organizations made it easier to share talent internally, and a further 26% plan to do so in 2021.³ ***The challenge now is to codify and establish marketplace best practices for a sustainable path forward.***

Leading HR firms are driving this change by establishing guidelines to underpin internal talent sharing. For example, following the 2008 global financial crisis, the UK Treasury set up a team of **reserve list** civil service employees with relevant experience who could be deployed to vital projects at short notice. Many firms are now adopting this practice. Although you don't need an enterprise skills-strategy to get started, you do need a broad understanding of the benefits and the rules governing how this works.

Only half of employees (54%) say it is **easy to sign up for internal gigs today**, so there is much work to do to build the internal marketplace into the fabric of an organization. Increasing exposure to opportunities and promoting the value of non-traditional career tracks can significantly accelerate skill development (or the deployment of underutilized skills in new contexts). Furthermore, organizations are finding that making progress on a talent marketplace is a key driver in increasing the diversity of thinking and innovation.

Challenge yourself

- *What performance goals will incentivize a team or business unit to share talent internally?*
- *How can you manage hard employee costs across departments and businesses?*
- *What will prevent one business unit from poaching talent from another after the project is complete?*
- *How can you make “stepping up” and “stepping out” of a current job a desired part of career development?*

³ Mercer, 2021. 2020-2021 Global Talent Trends Study: Win with empathy, available at <http://www.mercer.com/global-talent-trends>.





Align skills to future strategy

To get ahead and work smart, predict the future

Staying a step ahead requires rethinking and **redesigning the work that will achieve a company's long-term business strategy**. What does today's economic crisis reveal about an organization's "must-have" work for future success? Where does this critical work best sit in an organization? Who, in the organization's ecosystem, is best qualified to perform the work? What are the gaps between tomorrow's business needs and today's employee capabilities — and what can you do to bridge them?

Through strategic workforce planning, organizations can connect people capabilities to their future strategy. This means identifying the business's future critical skills by leveraging multiple data sources (for example, internal skills data, strategic relevance and external benchmarks, such as data from vacancies), then pinpointing the supply of, and demand for, those skills under various business scenarios.

AI-based platforms can predict the degree of automation that will benefit a job or function. Some go as far as forecasting the specific impact of automation investment on various roles and suggesting logical reskilling or redeployment options for the displaced workforce. You can't outsource your strategic workforce planning to data and technology, but they do help organizations align their tech investment, transformation agenda and talent plans to make progress against business goals.



Skills provide a common currency across employers, regions and industries. Armed with cutting-edge skills intelligence like Mercer Skills Pricer, organizations can **value their people by knowing the value of critical skills**. Big data and revolutionary technology products can evaluate a skill or skill cluster in real time and predict whether the value will increase or decrease over time. With this advanced information, a company can make informed decisions about the skills to develop in-house, the skills to buy and the skills to borrow. Considering 45% of companies are planning to improve their strategic workforce planning analytics, there's an enormous opportunity for organizations to get ahead by gaining automated access to the trending value of various skills. For the current workforce, the company can prioritize investment in these critical and high value skills through the use of an AI-driven pay for skills tool, such a Skills Pay Planner, under [Mercer Skills-Edge Suite](#).

Challenge yourself

- *Is your company able to assess the impact of automation and identify new work that is emerging emerging to achieve the optimal combination of humans and machines?*
- *Is your company tracking the supply and demand of skills externally and considering the value of skills in your workforce planning and rewards decisions?*
- *Is the approach you've taken for skills allowing you to tap into universal skills taxonomies and technologies set up to help?*

The naked truth balances the scales better than blind justice

Learning and development (L&D) platform usage increased during COVID-19, creating a new culture of learning. But managers are unsure whether employees are getting the right education or acquiring the skills the business requires for future success. And some employees are in the dark as well: One in five Generation X and Y employees say they **don't know what skills they should learn to remain employed as the world of work changes**.

Conversely, employees whose companies are transparent about which jobs will change are most likely to say they are **thriving** (72% versus 56%). Employers therefore need to more effectively support transformation **and** people's future employability by both **telling their people what they need and empowering them to get it**. Openly communicating the business's critical skills, as well as the parts of the business that will drive future value creation, is vital to ensure people's employability and future income.

Progressive firms are encouraging employees to take action — to assess their skills portfolio against the market's needs, and to choose the right upskilling, reskilling or redeployment opportunities that will help them stay relevant today, move up to future roles or be well prepared to move on. Technology can light the way. For example, career experience software programs show employees the skills they need (and the courses they can take to acquire them), while also showing where their current skills match new roles. This is just one example of how tech is helping, but for sustainable change, hiring managers will need to evolve their mindsets while adopting new practices. Job candidates are still evaluated on traditional qualifications or learning institutions, making it difficult for those who have gained new skills online to switch careers. Technology is changing how skills are credentialed and improving the match between the candidate's validated skills and the true requirements of the open role.

Winning organizations are also being transparent about the new (higher paying) roles reskilling can lead to. Companies that link pay to the development of future skills are not only democratizing opportunities for people; they are also advancing their diversity, equity and inclusion agenda by allowing employees to truly “bank” their skillset (rather than their tenure, network or job history).

Achieving a skills edge requires an employer to place a premium on both digital and human skills. One risk for employees is that many sought-after digital skills will be automated in the future, meaning they are not a safeguard against future joblessness with a single focus on the tech agenda. The World Economic Forum estimates that 85 million jobs will be displaced by automation between 2020 and 2025. An overemphasis on digital skills may leave companies tied to near-term requirements and neglect longer-term needs. Digital fluency is certainly a prerequisite for work today, but creativity is where humans add the most value. The jobs of tomorrow relate to new technologies and those that require human interaction. Our research also saw an emphasis on collaboration, an adaptability/growth mindset, and self-management.⁴ Ensuring that we don't inadvertently hollow out the middle of our workforce by focusing solely on digital skills is critical to delivering a well-balanced plan for any part of the business. Building a learning culture focused on cognitive and creative skill building is one way to mitigate this. Innovative ways to collaborate and learn through simulations is one solution here.

Challenge yourself

- *How can you avoid the potential inequity pitfalls of adopting a skills-based approach to talent learning and reward management? How will you ensure equal access to the tools and L&D materials to upskill or reskill? How are you adjusting your hiring criteria to enable non-traditional routes into your jobs?*
- *What would a net neutral job loss/reskilling agenda look like for you?*
- *What will it take to be transparent about job losses? How can you mitigate the downside of being transparent about skills that are trending up/down? What is HR's role in supporting greater transparency in skills, jobs, pay, and more?*

⁴ Mercer. 2021. 2020-2021 Global Talent Trends Study: Win with empathy. available at <http://www.mercer.com/global-talent-trends>.

Put in place skills-based processes fit for the long-haul



Without visible impact, even the best intentions don't take flight

A move to a skills-based philosophy is a future promise to employees that their investment (of time and energy) in reskilling will pay off. Delivering on this philosophy requires connecting skills to all people programs and galvanizing the organization around this vision. But companies are not making good on this promise, as one in five employees say there is **no opportunity to use their newly acquired skills**.

Employees need to see that learning leads to rewards, recognition and promotion, and that it impacts performance goals — in other words, that skills matter across the entire employee lifecycle. A company's skills-based journey can start with any talent process — even those nearer the end of the cycle, such as succession or as a basis for **talent consortiums for those who are retiring or displaced**.

A skills-focused culture must flow throughout the company and be embedded in its talent management processes — from identifying role models to prioritizing reskilling goals as highly as profitability or sales targets. Research shows the employees who are **most excited by the prospect of reskilling** feel their **manager has their back**, they **work in a climate of trust**, and they can **decline unreasonable requests**.⁵ Building such a culture in a climate of economic uncertainty takes intentional, firm-wide efforts.

Designing a skills-based model of talent programs demands a continual focus on learning — that is, **learning by the organization as much as by the employee**. In many organizations, this can start with improvements to processes and platforms to integrate disparate aspects of a skills-based talent model today. Getting the

technology to integrate seamlessly is often a challenge as HR transforms in lockstep with the development of a skills-based model. Keeping this vision in mind when redesigning job architectures and catalogues can help. The structure and architecture will vary depending on organizational maturity and culture and the digital tools available to make it work at scale. Many of the new best-of-breed skill tools can also help optimize and organization's human capital management technology investments.

Challenge yourself

- What succession plans will ensure that executives are promoted via a skills-based system and key messages about what is valued are reinforced?
- What mechanisms will ensure that leaders and managers pass on learnings to others (a pay-it-forward model)? How does this link to your internal mentoring or knowledge systems?
- How can you inspire your employees to embrace changes in your learning, pay and/or promotional culture? How can you make the change irresistible?
- What would it take for executives to create talent management processes that reward skill building and learning for future relevance? How can your HRIS drive this?

⁵ Mercer. 2021. 2020-2021 Global Talent Trends Study: Win with empathy. available at <http://www.mercer.com/global-talent-trends>.

Figure 3. The use of skills across talent and rewards program areas

Strategic workforce planning	<i>Apply internal and external supply and demand skills research data</i> for enhanced insights and redefined talent/skills pools
Reskilling	<i>Conduct rapid reskilling</i> , targeted by robust assessment capability, without laborious current state analysis
Pay-for-skills	<i>Invest in future skills</i> and reinvent pay programs with AI-driven pay decisions based on <i>skill demand, supply and criticality</i>
Performance management	Know that <i>agile environments</i> require rapid, multi-sourced performance feedback and assessment, so <i>skill proficiency</i> and development activities are even more critical
Career development/ pathing	<i>Enable employees' ownership of their careers</i> through skill mapping and adjacencies, which shine a light on <i>actionable career paths</i>
Succession planning	Ensure succession pools are informed by <i>individual skills</i> to <i>expand potential talent pipelines</i> and avoid job structures that may limit diversity
Internal talent marketplace	<i>Deploy talent</i> to gigs, projects, experiences based on skills supply and demand, promoting <i>internal mobility</i> and <i>diversity of thinking and experiences</i> across the organization
Talent acquisition	Select candidates based on skills, using <i>AI-driven skill inferences</i> and simple <i>digital assessment</i> tools to improve the quality of the process and the <i>candidate experience</i>

Building long-term employability is good corporate citizenship

Access to 10,000 online courses is only part of the reskilling story; good career management requires organizations to think empathetically about individuals and their value as the market moves into different areas. For example, a UK retailer identified a gap of some 1,000 technology roles in the organization — at the same time they predicted that in-store roles will decrease from seven to three because of the accelerated shift to ecommerce. The retailer is working to reskill in-store employees to fill future tech roles and plotting pathways to redeployment from those at risk of displacement.

It's clear that responsible employers are thinking about reskilling and redeploying beyond the business unit and the organization as a whole. As we acknowledge the welfare gaps at stake, the new mantra for businesses in the post-pandemic era has to be "leave no one behind." This does not necessarily mean making space for them on your ship, but it does mean caring about their future providing opportunities for skill development that can lead to an individual's marketability outside the company. In addition, companies are offering [financial wellbeing advice](#) and/or [outplacement services](#) which can positively impact departing employees' lives.

Responsible employers recognize their role as part of a community. And, they see the a dynamic, circular, internal **and** external skills labor market — one in which they must drop silos to ensure fluid skills movement within and between organizations, sister companies and consortiums, and throughout their industry. Companies are exploring ways to share skills development assets with others: A firm that excels at logistics can share development with one that specializes in efficient production and opportunities for learning in customer and supplier partners. For example, a consortium of companies from the airline, hospitality and fast food retail industries in [Sweden](#) came together with academics to design training programs for laid-off staff, so that they could find employment in the burgeoning healthcare and nursing home sectors.

Challenge yourself

- Are you benefiting from collaborative learning programs sponsored by private industry, academia, the public sector or a combination of these?
- *How can you drive a culture of lifelong learning within your organization? How can you ensure that investments in learning are seen as supporting long-term profitability?*
- *Is the approach you've taken to skills allowing you to tap into universal skills taxonomies and technologies set up to help?*
- Does your skills program deliver on goals beyond building internal capability for current jobs?

Successful skills-based practices have:

- **Use-case drivers:** Design practices that address specific business needs for target populations and test them within select environments to ensure efficacy.
- **Common skills taxonomy:** A universal skills dataset is managed at job and individual levels across the enterprise with governance for ongoing growth. Advanced products, like Skills Library under Mercer's Skills-Edge Suite make it easy to map skills to jobs, leveraging a strong job architecture when it exists.
- **Enabling technology:** Emerging AI is enabling simple and personal career experiences within a digital environment at scale without herculean human efforts.
- **Integrated business processes:** Simple, complementary skills-based processes are connected across the enterprise via HCM or other data integration systems.



**Companies that
unlock reskilling at
speed and scale will
transform at a pace
that leaves their
competitors behind.**

Mercer's 2021 Global Talent Trends Study



In an incredibly short period of time, organizations around the world have proven they are able to manage change. We have stopped talking about connectivity and started to harness it at speed. By holding on to lessons learned at a dear price, organizations now have maps showing new roads on the journey to sustainability for all stakeholders. By putting processes in place for the long haul, reverse-engineering our own talent models and refining pandemic-inspired practices, we can recapture that elusive feeling of control and build a talent ecosystem that serves everyone — now and for the future.

Ready to talk about reinventing your business for a more flexible and resilient tomorrow? Ready to hear how you can achieve a skills edge today? [Contact Mercer.](#)



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Together, we're redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. 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.

For more than 70 years, we've been providing trusted advice and solutions to build healthier and more sustainable futures for our clients, colleagues and communities.

Welcome to a world where economics and empathy make a difference in people's lives.

Welcome to brighter.

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