

win with

empathy

Global Talent Trends 2020–2021
Local Companion Report

welcome to brighter



Introduction

Given the events of 2020, Australian organisations will be investing in:

Immediate priorities



Defining future workforce needs and/or restructuring



Reinventing flexibility and fluid careers



Creating a culture of caring and wellbeing

Longer-term priorities



Incentivising transformation — rewarding skill adoption/change



Cultivating a lab mindset — experimenting with new talent models



Evolving retirement plan structure and governance to improve employee outcomes

The year 2020 is sure to leave a lasting mark on the shape and feel of work. No matter the degree to which COVID-19 affected an industry's or organisation's ability to operate, the pandemic opened many organisations' eyes to new possibilities — from flexible working to telemedicine and the changes that skills-based talent models and digital transformation can deliver. In turn, this has prompted deeper reflection: what pandemic people practices will endure? What flexible, sustainable people models will serve as a bedrock for growth?

At the dawn of the new decade, companies were looking for new paths to success. There was renewed focus on the futures of people and the planet, active reskilling for new career paths and evolving roles, delivering a workforce edge by combining human intuition with workforce science, and taking a holistic view of employees' health and wellbeing, retirement planning and financial wellness, and career and professional development. As it turned out, marrying economics and empathy across these dimensions was key to business survival during the pandemic. This approach and these values are certain to endure.

We have all had to rise to the challenge of the unprecedented health and economic crises and recognize that geographies, industries and individuals experienced this period in unique ways that set us on different courses. The question now is how can we take the learnings of this period and channel the innovations born of necessity into a new way of working and a plan for reinvention?

In Australia, the early closure of international and interstate borders and the resulting restriction on movement of people and goods had a devastating impact across industries with Australia's GDP per capita falling 4.7% in the year ending September 2020.¹ With such heavy restrictions on travel and workplaces closed or needing to operate at limited capacity, early adopters of digitally enabled working and client engagement were in better shape than others. Companies had to rapidly put in place initiatives to support employee health and wellbeing and enable managers to lead teams in a virtual environment.

Meanwhile, the shadow of cost containment loomed large over everything from hiring to the size of non-revenue generating workforces, including HR teams. Rapid restructures were required and in some cases whole sections of the workforce were furloughed. The economic impact of the pandemic is still unfolding but it is clear the climate of prudence and prioritisation will continue.

¹ Australian Bureau of Statistics. *Australian National Accounts: National Income, Expenditure and Product*, available at: www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release

Given these challenges, it is no surprise that according to the 78 HR leaders in Australia who participated in this year's survey, the majority (71%) expect COVID-19 to impact their business negatively. Defining future workforce needs and/or restructuring will be Australian companies' top priority for investment in 2021, and in fact, there are far more organisations planning restructures here (66%) than the global average (45%). The second priority for 2021 is reinventing flexibility — something that has been on the agenda for a while but thrust into the spotlight with the crises in 2020 creating a need for flexibility on steroids. For now at least, initiatives that stimulate a more fundamental re-shaping of work, such as experimenting with new talent models, are lower on the list.

A successful shake-up of work requires trust on all sides. Happily, this is something HR believes will outlive the pandemic: 75% say they have a process in place to keep a trusting company culture intact as a hybrid model of remote and in situ workers emerges. Trust and empathy are the foundations of success for long-term strategies — such as aligning employee goals to business priorities, interrupting gender and race inequities, delivering on flexibility for all, and engineering a step change in the employee experience through radical HR transformation — all of which are essential to the reinvention this new era demands.

In our 2020 *Global Talent Trends Study*, four key trends set the agenda. Since COVID-19, it's clear that some of these have sped up, while others have stalled. Let's explore how each trend fared during 2020 and how companies have found a way forward amid the disruption.

To read the *2020–2021 Global Talent Trends Study*, visit www.mercer.com/global-talent-trends.

Progress on the four talent trends varied sharply in 2020. Which sped up and which got neglected provides clues to set you apart from the competition in 2021.

- **Focus on futures** saw action on gender and wealth gaps and a multi-stakeholder model on the agenda. A catastrophic bushfire season put pressure on organisations to act faster on climate change issues. The impact of COVID-19 has meant greater focus on employee health and financial wellbeing. School closures thrust gender equity issues forward with childcare responsibilities pulling women out of the workforce. Reputations suffered for companies that lagged in caring for people's wellbeing and communicating transparently. Responsible employers supporting people through an unprecedented year are now magnets for talent.
- **Race to reskill** speculated that reskilling would both be this decade's biggest opportunity and its greatest challenge. Companies took advantage of the sudden disappearance of employees' top barrier to reskilling ("not having enough time"). With job security concerns at an all-time high, the era of apathy around reskilling is over. Those companies that can deliver skills at scale will outpace competitors and start to build a talent and learning ecosystem critical to staying ahead.
- **Sense with science** highlighted the growing debate about harnessing the power of data while upholding ethical practices on AI and analytics. Yet data privacy and data security took a backseat to the development of urgent initiatives such as contact tracing. With greater health and workplace surveillance a reality for many, searching questions about how data on employees is collected, used and secured will require much more attention in 2021.
- **Energise the experience** outlined the need to inspire people with an energising and empathetic employee experience (EX). Delivering on flexible working at scale dominates today's EX conversation. Yet, staying ahead will require focusing on the long-term view: redefining the talent value proposition and upending what is meant by "being at work" even as work and work arrangements remain in flux.

Focus on futures

Work together to ensure people thrive now and in the future

With an unprecedented bushfire season, a global pandemic and the explosion of diversity concerns spurred by the Black Lives Matter movement, we saw renewed impetus during 2020 to make progress on the environmental, social and governance (ESG) agenda. In Australia, some 70% of HR leaders say their company has continued or stepped up the pace toward an ESG and multi-stakeholder business approach. Of those, 55% have done so by tying ESG goals to their purpose and 40% are building ESG goals into the transformation agenda (see Figure 1).

In 2021, getting beyond the surface level on sustainability and diversity, equity and inclusion (DEI) will be crucial to attracting talent and investors. But making real progress in this area involves translating metrics into real-life strategies and programmes to drive culture and behaviour change — no easy task. The rewards? Engaged and energised talent, authentic connection with stakeholders² and higher levels of innovation and revenue growth.³ The cost if this is not done? Disconnect with the lived experience for employees and partners, lack of trust in your brand value and questions about your ability to future-proof.

Shared futures

The shift towards taking a multi-stakeholder approach (and in particular, viewing employees as key stakeholders) is filtering through to how organisations are starting to rethink benefits and the talent value proposition (TVP). Organisations are crafting their TVP around a vision of a shared future. They are connecting an individual's talent plan with the organisation's business plan by communicating the future skills the business needs, amplifying complementary skills and relevant opportunities, and sharing pathways for moving into future roles. They are providing more flexibility than ever before in where and how employees work. They are also increasing their support for the health and financial wellbeing of their employees during the pandemic —

we found 42% of companies are offering more access to remote health and benefit options and 23% are offering more financial education.

The career crunch

Having a shared picture of the future in today's new world of work requires an end-to-end rethink of the whole career journey. In our *2020 Global Talent Trends Study*, we found that 72% of baby boomers globally plan to work past retirement and in Australia the traditional concept of retirement is long-gone. For some organisations, this helps to retain vital knowledge. For others, it is creating a career crunch where rising professionals cannot find space to move up.

An open culture that is supportive of flexibility in career paths at each life stage and a phased retirement strategy with creative options to engage and motivate people nearing retirement (e.g. "grey-preneurship", consulting roles, and in-house coaches for rising professionals) can help to balance retaining organisational knowledge and skills with providing opportunities and career paths (see Figure 2). However, this is something 81% of organisations in Australia are not yet doing. There is an opportunity to harness the power of data to help solve this problem too — just 17% of Australian companies are using AI and machine learning processes to predict when older workers with critical skills are likely to retire or plan to do so.

Figure 2. Relieving the career crunch with a nuanced approach to later-stage careers



Figure 1. Talent and investors care about ESG — how are companies evolving their practice?



4 ² Mercer, "Managing a Diverse and Inclusive Mobile Workforce", available at: <https://mobilityexchange.mercer.com/Insights/article/Managing-a-Diverse-and-Inclusive-Mobile-Workforce>

³ Mercer, *2020 Global Talent Trends Study*

Race to reskill

Transform the workforce for a new world economy

Given the experience of remote working and the need for organisations to adjust capacity swiftly according to demand, 2021 transformation plans are concentrated on reinventing flexibility (59%), followed by upskilling/reskilling critical talent pools (54%) — which can also be an accelerator of flexibility. Almost half of organisations in Australia (46%) will undertake significant workforce transformation in 2021, which is higher than the global average (27%) but still well below figures we saw in last year’s study (see Figure 3).

Figure 3. Transformation plans are a mix of short- and long-term priorities



Designing and driving the talent and learning ecosystem

Before the pandemic, companies reported that the primary challenge to a successful organisational transformation was not having the right skillset to execute. As COVID-19 proved, rapidly adjusting capacity and redeploying resources is critical to success. Half of organisations (53%) made it easier to share talent internally, and a further one in five plan to do so in 2021 (22%). This makes sense: looking at work and people through a skills lens enables companies to act fast in the face of shocks and allows business models to flex, a trait which is now a key competitive differentiator. And skills that help employees adapt to the current world are, predictably, high on the list for HR leaders (openness to change is #1 and collaboration is #2) (see Figure 4).

Figure 4. Critical skills for future resilience



However, adopting a skills-based talent model has been difficult in practice: despite the hype, just 8% of HR leaders have implemented skills-based talent strategies such as pay-for-skills or skills frameworks. Making progress in this area will be critical for reinvention in 2021 — and a third (34%) of Australian organisations plan to do this. Deciding whether to buy a skill or develop it in-house depends on knowing what

you already have — knowledge that separates the companies that can rapidly flow talent toward demand (and stay ahead) and those who cannot. Almost half of organisations (48%) are gathering information on individual’s current skills, an increase on previous years, which could indicate wider adoption of skills-based talent strategies in the future.

For skills-based talent strategies to work, employees need to see that learning new skills leads to tangible rewards and recognition. Companies that successfully link career trajectories and/or reward to the development of targeted future skills will democratise learning opportunities as well as create a talent and learning ecosystem, which incentivises business transformation proactively.

Strategic workforce, workplace and work design

Leading organisations are unlocking value through strategic workforce, workplace and work design.⁴ They are transitioning to more agile structures with a focus on creating, capturing and delivering value and understanding how work is continuously evolving through technology. Workforce management models that focus on critical capability and technical skills are taking centre stage, replacing a narrow definition of jobs.

Mind the gap, though! Skills are specific to an activity, function or outcome and applied by an individual to accomplish a given task. Skills are valuable, but they are not everything. As we observe the transition to a post-COVID-19 economy, what becomes more important than skills themselves are the enduring human capabilities and the ability to learn, apply and effectively adapt to evolving skills requirements. Organisations that nurture and cultivate these human capabilities in their workforce will have a strategic advantage, as their people are better at adapting to increased disruption and change.

⁴World Economic Forum and Mercer. *Resetting the Future of Work Agenda: Disruption and Renewal in a Post-COVID World*. Available at: <https://www.weforum.org/whitepapers/resetting-the-future-of-work-agenda-disruption-and-renewal-in-a-post-covid-world>

Sense with science

See ahead by augmenting AI with human intuition

Last year, HR made significant strides in using predictive analytics to gather operational insights. This year, HR intends to focus on harnessing the power of data to inform workforce transformation, with over half (62%) of HR leaders focused on improving their analytics capabilities to support strategic workforce planning. Given the amount of transformation on the agenda for Australian companies, the need for strategic workforce design supported by sophisticated data insights is clear. Tying analytics to an organisation's unique business plans and workforce priorities to demonstrate the "so what" remains a critical way for HR to generate impact with the rest of the business.

As HR teams become more sophisticated in their use of traditional data sources, there is an opportunity to bring in novel and sophisticated datasets — organisations are collecting social network and employee wellbeing data to understand their workforce and interactions at a depth not before seen. In addition, the seismic shift to flexible working and race to reskill have increased the urgency for improved analytics in these areas (see Figure 5) and it is heartening to see that two in five (42%) companies have understanding employees' mental health on their agenda for the year ahead.

Increasingly, investors evaluate companies based on their human capital management (HCM) and DEI metrics. In Australia, we are seeing demand for pay equity analytics gain traction every year as employees and stakeholders expect more reporting and action in this area. Although 42%

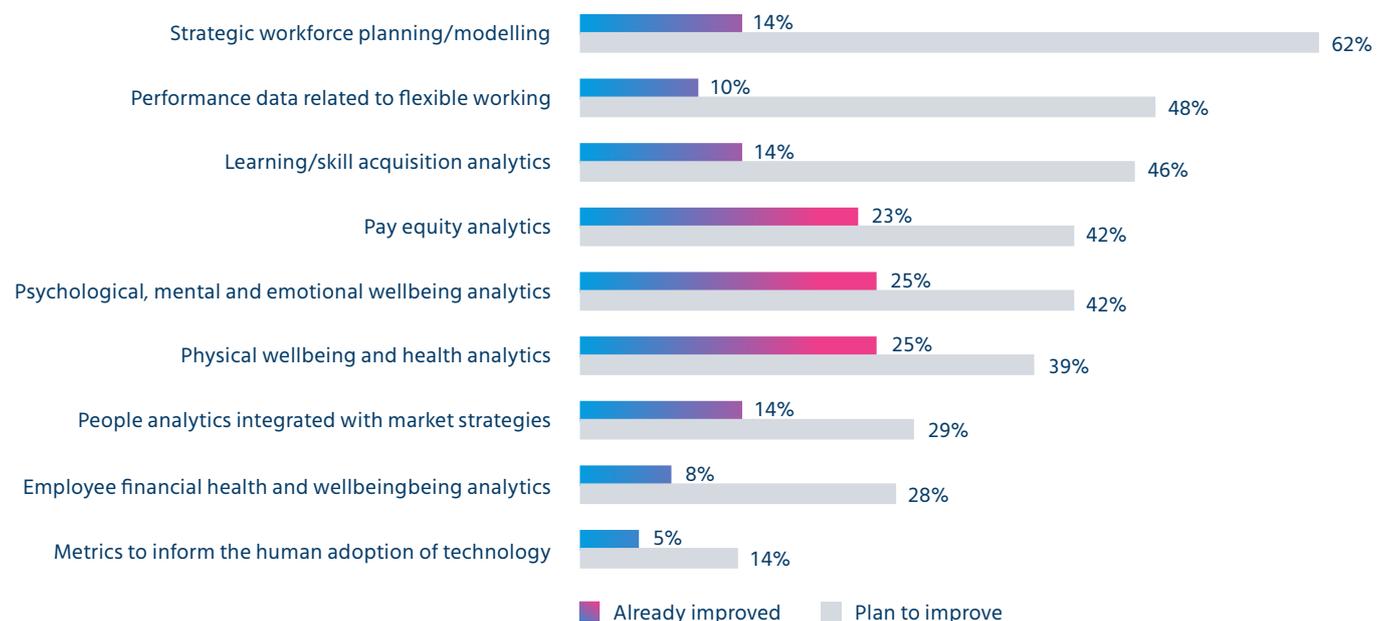
of companies are planning to improve pay equity analytics in 2021, there is much room for improvement in other areas of DEI. As HR leaders map out future workforce strategies, only 18% are taking into account the impact of 2020's transformation plans on minority groups and just 15% are considering the pandemic's impact distinct groups (e.g. race, gender, ethnicity).

Sophisticated and nuanced listening

Building on a better understanding of different employee group needs and preferences, the next phase will be leveraging sophisticated and nuanced techniques and the power of AI to understand how employee listening is linked to value creation and the customer experience. Leading organisations will seek to understand stakeholder and customer moments that matter by identifying critical interaction points and asking intelligent questions through contextualised just-in-time listening.

But, as sophistication grows, so do the ethical considerations of using employee data. The key question HR leaders need to ask themselves is would they be comfortable if information on how their organisation has used data to make employee-based decisions appeared on the front page of a local newspaper? To balance ethics and business needs, what's required is a strong set of principles and governance processes which informs what data can be collected and analysed, and which types of decisions should be informed by insights gained.

Figure 5. 2021 plans to improve analytics reveal HR transitioning to a new normal



Energise the experience

Inspire and invigorate people by redesigning the work experience

The employee experience (EX) has fundamentally changed in the last year. Vast numbers of employees worked at home in isolation or had to face the challenges of continuing to work onsite in a COVID-safe way. Others have had reduced hours or have been furloughed. For those working at home, the line between work and home life is more blurred than ever. The impact on business is clear — employees are reporting increased psychological symptoms, including anxiety, depression, and irritability.⁵ And in our study this year, HR leaders in Australia identified the biggest barrier to transformation as employee exhaustion given blended work/lives (56%). Given this new world of work, HR must focus on designing workplaces (including virtual ones) which cultivate employee health and wellbeing and workforces that demonstrate a human-centric leadership culture.⁶ Therefore, it is no surprise that initiatives that help foster mental and emotional wellbeing have been a focus of employee wellbeing plans (see Figure 6).

Enabling employees to thrive in this new world of work

When thinking about EX, HR leaders in Australia report seeing a dramatic change to how we work flexibly (90%) and how we manage virtual workers (71%). HR must respond to the impact 2020 has had on EX — how can employees thrive in this new world of work?^{7,8}

The immediate priority for HR is to create flexibility for all employees long-term. This can be done by assessing what flexibility is possible, what is desirable, and what is sustainable.⁹ Determining the degree and dimension of flexibility will require better employee listening and greater employee input. The good news is half (53%) of companies currently use design thinking to co-create new employee experiences.

Taking this a step further, HR must combine well curated experiences, a strong psychological connection to a workplace and a sense of transformation and growth without making employees feel overwhelmed. This is a tough challenge. HR transformation (on pause while companies remain in respond mode) will need to regain prominence and the HR function will have to make smart choices about the trade-offs required for reinvention. When it comes to priorities for the HR function, accelerating programmes for flexibility and HR’s digitalisation are #1 and #2 on HR’s agenda this year (see Figure 7). This means breaking away from traditional HR models in favour of dynamic ways of working¹⁰ and developing a Target Interaction Model (designing exceptional personal and digital employee interactions).¹¹ Doing so will deliver enhanced employee experiences, which acknowledge how we live digitally now.

Figure 6: Mental health and wellbeing are in focus

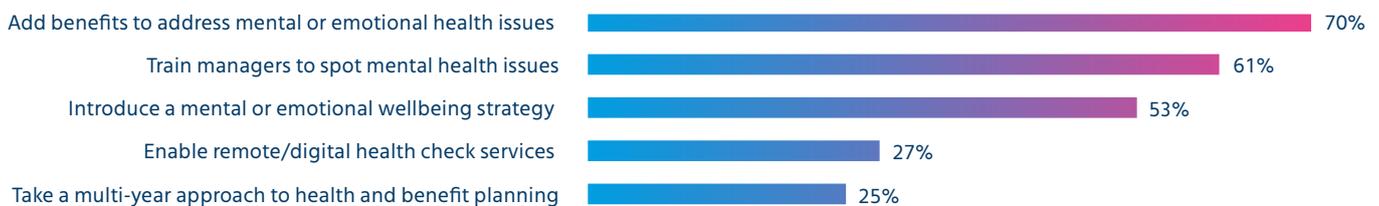
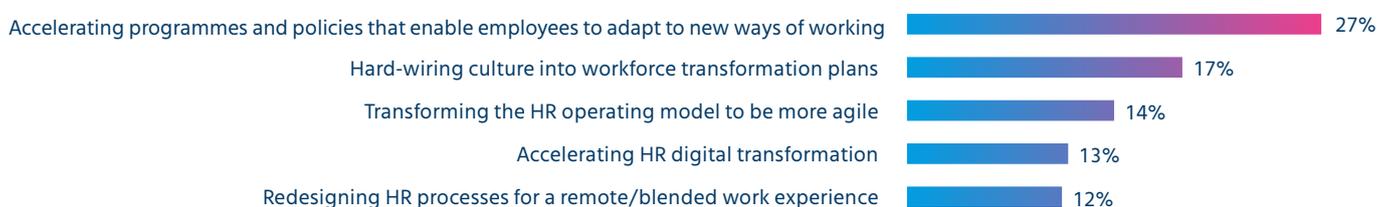


Figure 7: Adapting to new ways of working is top of mind. For that, HR will have to be agile



⁵ Fisher J, Tran T, Hammarberg K, Sastry J, Nguyen H, Rowe H, Popplestone S, Stocker R, Stubber C and Kirkman M. “Mental Health of People in Australia in the First Month of COVID-19 Restrictions: A national survey”, *The Medical Journal of Australia*, 2020, 213 (10). Available at <https://www.mja.com.au/journal/2020/213/10/mental-health-people-australia-first-month-covid-19-restrictions-national>

⁶ World Economic Forum and Mercer. “Resetting the Future of Work Agenda: Disruption and Renewal in a Post-COVID World”, available at <https://www.weforum.org/whitepapers/resetting-the-future-of-work-agenda-disruption-and-renewal-in-a-post-covid-world>

⁷ Mercer Thrive Research, 2018. Available at <https://www.mmc.com/content/dam/mmc-web/insights/publications/2018/dec/workforce-of-the-future/Thriving-in-a-Disrupted-World/gl-2018-mercer-thrive-pov-whitepaper.pdf>

⁸ Kleine, A.K., Rudolph, C.W. and Zacher, H. “Thriving at Work: A meta-analysis”. *Journal of Organizational Behavior*, 2019, 40 (9-10), pp.973-999.

⁹ Mercer, 2020. “The New Shape of Work is Flexibility for All”, available at <https://www.mercer.com/our-thinking/career/the-new-shape-of-work-is-flexibility-for-all-global.html>

¹⁰ Mercer, 2020. “Designing for Remote Employee Experiences: A Refreshed Approach to HR Transformation”. Available at <https://www.mercer.com/our-thinking/career/designing-for-remote-employee-experiences.html>

¹¹ Mercer, 2020. “Transforming HR: Why a Target Interaction Model (TIM) Is the Key to Unlocking the Employee Experience”. Available at <https://www.mercer.com/our-thinking/career/transforming-hr-why-a-target-interaction-model-is-the-key-to-unlocking-the-employee-experience.html>



Recommendations

Moving forward

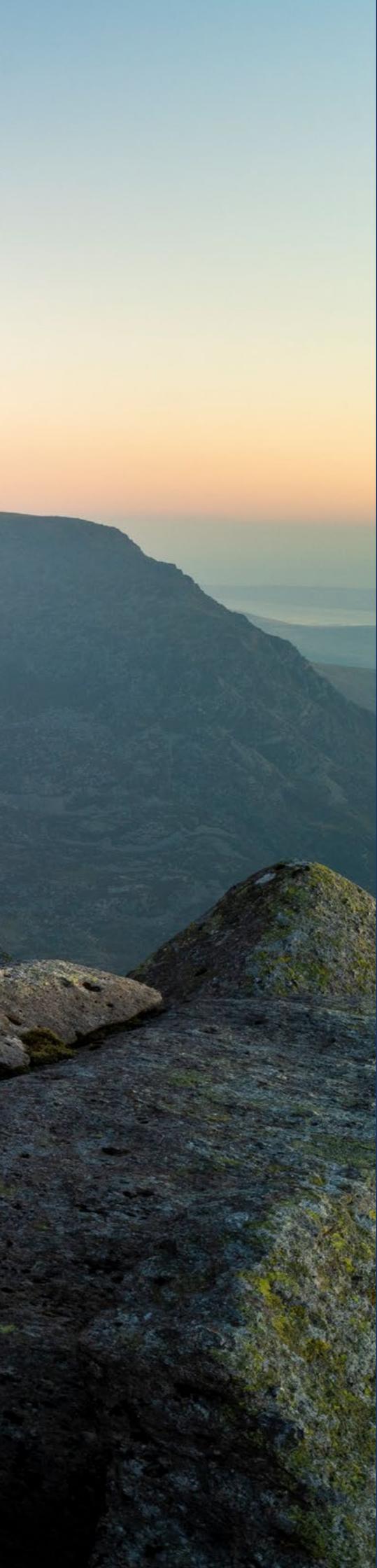
Getting started

- 1 Put sustainability at the heart of your transformation agenda.** Make ESG goals a core part of your people strategy. Translate intent and sustainability metrics into real-life programmes to drive culture and behaviour change.
- 2 Be human about retirement.** Discuss retirement plans early. Cultivate an open culture that is supportive of flexibility in career paths at each life stage, and consider how working hours and types of work can flex.
- 3 Build a talent and learning ecosystem.** Understand future jobs and valued skills in your business, function or company, and think broadly about where and how learning occurs. Understand who has these skills, where in your organisation they are needed and how they are best cultivated beyond organisational boundaries.
- 4 Ensure workforce analytics enable business strategy.** Use novel datasets and tie analytics to business plans and workforce priorities to gain traction and generate impact. Focus on the most important (“killer”) questions in your organisation and build clear links between workforce and business data. Evolve your taxonomy of terms that enables HR to respond rapidly to new questions from the business and demonstrate the “so what”.
- 5 Make digital and flexible working a common, purposeful practice.** Embed flexibility and engage in purposeful work, workplace and workforce design that enables virtual collaboration and gives employees and managers the tools to succeed in the digital world of work.

Suggestions to accelerate

- 1 Enable employees to see and co-design shared futures.** Good career management connects the employee’s talent plan and the organisation’s business plan. Create ways to show employees what future skills and capabilities the business needs, amplify relevant opportunities, and reimagine pathways for roles along your organisation’s value chain.
- 2 Start the journey toward skills-based talent processes.** Consider starting with “pay for skills” intelligence and automating the profiling and management of people’s skills. Build resource management capabilities that link skills and capabilities with job opportunities.
- 3 Strengthen adaptive capabilities (from organisation design to “designing”).** Create organisational learning loops and a culture and mindset of agility that enables constant workforce transformation.
- 4 Evolve sophistication around data and employee listening.** Increase capability in data engineering, data science and data visualisation to benefit from the insights data can provide. Implement sophisticated and nuanced employee listening techniques to fully understand employee, customer and stakeholder interactions.
- 5 Prioritise HR transformation.** Look at how the HR model needs to change — and break away from traditional HR models — to reflect how we live digitally now, new ways of working and the new shape of work.





Conclusion

How will we remember 2021? Will a once-in-a-generation pandemic impel a genuine watershed moment, in which companies reset their focus to redesign their purpose and rethink how to drive a more equitable and inclusive society? Or will we slip back into old ways of working?

Time will tell. While 2021 will see companies transition from a “return to normal” phase to a “reinvention” phase, seeing that journey as a long-term endeavour will require relinquishing the crisis mindset. Doing so will make the year ahead one of sustainability and productive recovery.

As organisations start to define a new shape of work,¹² we see them exploring different avenues for reinvention, each with its own challenges and opportunities. Key shifts have emerged from the global pandemic, which are influencing reinvention plans. With perceptions changing about what’s important, consumers, employees and employers *value* different things than before, which will drive a rethink of the benefits and talent value proposition that can inspire. Organisations will place a premium on *flexibility* in business and work models to remain in business and thrive. And a new climate of responsibility for investors and employers means transforming business practices for *sustainability*, characterised by responsible investment, empathetic leadership and the equitable treatment of people.

To learn more about the innovations in people practices influencing reinvention plans, visit www.mercer.com/global-talent-trends.

¹² Mercer. “The New Shape of Work,” available at <https://www.mercer.com/our-thinking/career/the-new-shape-of-work-covid-19.html>.

