

win with

empathy

Global Talent Trends 2020–2021
Local Companion Report



welcome to brighter

Introduction

Given the events of 2020, DACH¹ organizations will be investing in:

Top priorities



Defining future workforce needs and/or restructuring



Making upskilling/reskilling a priority



DEI analytics and insights as well as reinventing sustainably

Areas requiring more attention



Cultivating a lab mindset — experimenting with new talent models



Evolving retirement plan structure and governance to improve employee outcomes



Redefining analytics and goals

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 organization's ability to operate, the pandemic opened many organizations' 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? How can we reinvent a brighter future for all?

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 the DACH region,¹ organizations had been taking small steps along the path of transformation, but the disruptive effect of the coronavirus crisis accelerated the need for implementation. It moved organizational agility to the top of the people agenda, given that volatility is expected to be part of the business environment for the near future. A clear example is remote working: Organizations do not see flexibility as a temporary action during the COVID-19 crisis — it will shape the future of work. Even though the extent of remote working depends on the industry and company size, most organizations have not found this change particularly difficult. However, they are also seeing a deterioration in work results and the quality of collaboration. This is not surprising as traditional working methods have been transferred to the digital space and are multiplying their toxic effects: Endless virtual meetings, inefficient processes, lack of methods for real collaboration, and erosion of team spirit and social cohesion. In general, women are more affected than men by the increased use of home offices during the COVID-19 pandemic.²

¹ The DACH region includes Germany, Austria and Switzerland.

² Mercer. Ifo Institute: Two-thirds of companies want more home offices in the long term, December 2020, available at www.mercer.de/newsroom/ifo-institut-zwei-drittel-der-firmen-wollen-langfristig-mehr-home-office.html.

According to 51 HR leaders in the DACH region who participated in this year's survey, the majority (57%) expect COVID-19 to negatively impact their business. Investing in defining future workforce needs and/or restructuring will be DACH companies' top priority for 2021, followed by upskilling/reskilling; diversity, equity and inclusion (DEI) analytics and insights; and reinventing sustainably (see sidebar on page 2). Initiatives such as experimenting with new talent models, rethinking retirement or redefining goals are lower on the list. An effective shake-up of work requires the harmonization of structures (methods, competencies, processes and tools) with company culture (values and leadership). To manage all these different aspects successfully, real change needs a strong alignment between business strategies and HR concepts supported by adequate technology.

The foundations of success for reinvention are shifting the business, leaders and culture toward new forms of hybrid leadership; culture transformation; interruption of (gender) inequities; people aspects of business transformation; delivery of flexibility for all; and a step change in the employee experience through radical HR transformation.

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. While progress on stakeholder capitalism paused during 2020, COVID-19 actually thrust stakeholder empathy (particularly of employees) forward. US employers stepped up to protect pay during business closures, support caregivers and provide sick leave. In contrast to the 2008 global financial crisis, organizations have placed the criticality of people and their well-being firmly in the spotlight during this downturn.
- **Race to reskill** highlighted that reskilling would be both this decade's biggest opportunity and its greatest challenge. Companies that understood the skillsets of their people were able to rapidly redeploy them to critical areas of the business. With job security concerns at an all-time high, the era of apathy around skills is over. Those that can deliver skills at scale will outpace competitors and start to build the learning organization vital to staying ahead.
- **Sense with science** showcased the progress that organizations have made in harnessing the power of data and outlined HR's role in upholding ethical practices on AI and analytics. Yet data privacy and security took a backseat in 2020 as companies rushed to develop digital capabilities such as contact tracing and digital HR. With greater health and workplace surveillance an accepted reality for many, how data on employees is collected, used and secured will require much more attention in 2021.
- **Energize the experience** outlined the need to inspire people with an energizing and empathetic employee experience (EX). Delivering on flexible working at scale dominates today's EX conversation. Staying ahead will require taking an even broader view: redefining the employee value proposition fit for today's needs and tomorrow's generations — upending what “being at work” means even as work and work arrangements remain in flux.

Focus on futures

Work together to ensure people thrive now and in the future

After the break during the second and third quarters of 2020 caused by COVID-19, during which companies focused mainly on the operative enabling of virtual work, the mandate to align business practices to a multi-stakeholder model returned. As markets recovered and an understanding of responsibility toward employees and society grew, we saw a new momentum at the end of 2020 to make progress on responsible investing and environmental, social and governance (ESG) metrics.

Some 82% of HR leaders in the DACH region say their company has continued or stepped up the pace toward an ESG and multi-stakeholder business approach. The majority of those moving forward with stakeholder capitalism are tying ESG goals to their purpose (52%) and even more remarkably, 55% say they will include ESG goals in their overall transformation agenda (see Figure 1). In 2021, getting beyond the surface level on sustainability and DEI will be crucial to attracting talent and investors. It will also be vital for growth — organizations that integrate ESG metrics into the CEO's agenda are more likely to report high revenue growth.³ So what is the biggest opportunity in sustainability strategies? If companies understand ESG not only in terms of a resurgent trend topic and really manage to link it with business strategy and HR transformation, a concept can emerge that ensures long-term success and is also crisis-proof — true people sustainability.

By delegating activities, such as the management of investment portfolios, the organization is free to focus on where it can add most value and urgent issues such as diversity or workforce skills.

Stakeholder empathy (particularly the increased focus on employees as stakeholders) was a feature that emerged during 2020 — and one likely to persist. A third of surveyed

companies in the DACH region say managing inclusively with empathy has become more critical for future resilience. The shift toward greater empathy is filtering through to how organizations are rethinking benefits and the employee value proposition (EVP) in a way that will not only inspire but also support employees now and in the future. Focusing on the future, evolving the EVP for a more inclusive work model and redesigning benefits will all require significant time investment. Working smarter in the next 12 months will therefore require organizations to focus their energy.

A holistic understanding of transformation is crucial for the future

A more intense convergence of the transformation dimensions must take place. Fifty-nine percent of HR leaders plan a stronger alignment between structures (methods, processes and systems) and culture (values and behaviors) (see Figure 2). This increasingly requires a holistic understanding of the necessary changes. Only those who can ensure consistency — from an understanding of the business strategy to a clear view of workforces, the future and the required skills — can implement the right HR organization, modern HR instruments and digital tools. The interplay between the “future of work” in the company and the “future of HR” will increasingly become a decisive factor for success.

Figure 2. And what comes next?

16% of companies in the DACH region will focus on transforming the HR operating model to be more agile

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



Race to reskill

Transform the workforce for a new world economy

Due to the experience of remote working and the need for many to swiftly adjust capacity in line with demand, DACH companies' 2021 transformation plans are concentrated on reinventing flexibility in all its guises (49%), followed by expanding talent and learning ecosystems (45%) and targeting the workforce upskilling/reskilling toward critical talent pools (43%).

And since no less than a quarter of the DACH companies say their transformation plans include significant workforce transformation (see Figure 3), the intensive multi-dimensional change is also reflected in the surveyed companies' assessment of the greatest challenges around transformation. HR says the top barriers to transformation are too many priorities distracting people (51%) and inadequate deployment of new technology (37%), followed by budget constraints (35%) and lack of workforce capability and future skills (31%). This clearly shows that HR transformation can only be successful if it deals with the various dimensions in a targeted and integrated manner. Detached activities without alignment, especially in IT, rarely lead to success.

Before the pandemic, companies reported that the primary challenge to successful organizational transformation was not having the right skillset to execute. As COVID-19 proved, rapidly adjusting capacity and redeploying resources is critical to success. Almost a third of organizations in the DACH region (29%) made it easier to share talent internally as a result of COVID-19, and a further 41% plan to do so in 2021. 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, which is now a key competitive differentiator.

But adopting a skills-based talent model has been difficult in practice — despite the hype, just 10% 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 deciding whether to recruit or develop a skill in house depends on knowing what you

already have — knowledge that separates companies that can rapidly flow talent toward demand (and stay ahead) and those who cannot. Yet only one third (33%) of DACH companies are gathering information on individuals' current skills, a finding that has remained stubbornly low year over year.

Getting employees on board with new ways to quantify their value and build capability will be necessary for skills-based talent strategies to work. Employees need to see that learning new skills leads to tangible rewards, recognition or promotion. Yet with only 8% of organizations planning to reward skill acquisition and just 6% planning to move to pay-for-skills structures, there is a risk that new initiatives do not have the teeth to sustain the transformation. Companies that link career trajectories and/or compensation to the development of targeted future skills will democratize learning opportunities and create a culture of proactively incentivizing business transformation.

Which skills are critical for the future?

Organizations remain concerned about not having the right skillset: 96% of DACH HR leaders report that skill development will continue to be a focus in 2021. Skills that help employees adapt to the current world are, predictably, high on the list (collaboration is #1 and self-management #2) (see Figure 4). Meanwhile, skills that spur employees to adapt for the future are less in focus in the DACH region compared to countries pulling out of the health crisis faster, such as China — just 14% of DACH HR leaders identify innovation as a critical future skill and 4% identify market sensing (versus 26% and 25%, respectively, among Chinese HR leaders). Leading organizations are conducting strategic workforce planning to identify the business' future critical skills and pinpoint its supply of, and demand for, those skills. The good news is technology is catching up with ambition: big data can price a skill or skill cluster in real time and predict if the value will go up or down.

Figure 3. Transformation plans are focused on immediate priorities



Figure 4. Which skills are critical for future resilience?



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 forward-looking insights, with more than half of DACH HR leaders (51%) planning to improve learning and skill acquisition analytics and 43% of HR leaders focused on improving their analytics capabilities to support strategic workforce planning. The need to right size and adapt the shape of work for a new future is clear. This is also reflected by the fact that more than a third (35%) of surveyed companies say that people analytics integrated with market strategies will be on the priority list next year.

Equally, global developments around DEI have increased the urgency for improved analytics on pay equity and health trends (see Figure 5). In addition, companies are also interested in the experience of COVID-19-related changes in working — 29% of surveyed companies will continue to focus on performance data on flexible working in 2021.

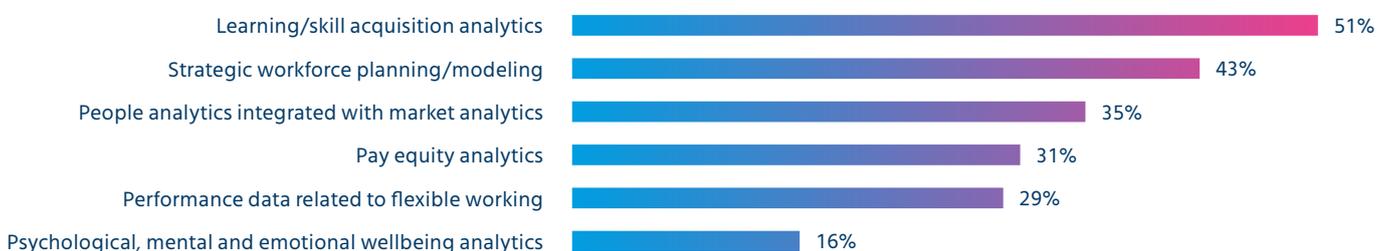
Stronger analytic insights also will be vital as stakeholders will expect organizations to make significant headway on DEI and sustainability in 2021, and analytics will be vital to shoring up positive trajectories. Increasingly, investors evaluate companies based on their human capital management (HCM), sustainability and DEI metrics. Only with clear, consistent and quality data can companies answer the mandate to publicly report on HCM, sustainability and DEI practices. What is the right level of information to share? Which analytical methods will identify pathways to improve outcomes? These questions will become more pointed throughout 2021. Employees, too, are watching how organizations address widening inequalities and global sustainability trends. And this is clearly reflected in the response from companies — 55% of the HR leaders surveyed in the DACH region say they have worked at the same pace on the ESG and multi-stakeholder agenda despite COVID-19, whereas 27% state they have even increased the intensity.

Using artificial intelligence to increase employer attractiveness

Building on a better understanding of different employee groups' needs and preferences, the next phase will be leveraging artificial intelligence (AI) to increase employer attractiveness and offer more personalized and inclusive benefits. Combining data-driven decision-making with AI can be a potent tool for guarding against unconscious bias or simple clichés in recruitment, selection or promotion, for example. A further field of application arises with the design of targeted benefit packages that really meet the requirements of different target groups or even support employees in the independent optimization in the sense of an "individual value proposition." For example, one-fifth of companies (20%) are moving toward AI-driven nudges that prompt employees to advance their health, wealth and career prospects.

The use of AI is also clearly on the rise when it comes to identifying future workforce risks and taking appropriate countermeasures. For example, 27% of DACH companies state that they want to use AI in the future to better predict when older workers with critical skills are likely to retire; 24% want to use AI that "nudges" managers to take action or have conversations with employees at key milestones or at risk of leaving/being less engaged. Twenty percent see an increase in machine-learning systems that evaluate the changing demand for and/or the value of skill sets.

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



Energize the experience

Inspire and invigorate people by redesigning the work experience

In 2020, the perception of the employee experience was significantly different than before COVID-19. This is also reflected in the response from DACH HR leaders to the question, “What has changed most significantly as a result of the COVID-19 crisis?” Companies see changes along the entire employee life cycle: 78% see changes in flexible working, 75% in managing employees and 73% in organizing (distributed) teams. Though this shows that the practical working reality changed suddenly, adjustments in the various HR instruments along the life cycle become apparent. For example, 69% of DACH HR leaders saw major changes in onboarding, 47% in recruiting and 33% in the development of new skills (see Figure 6).

Flexible working, the sequel: flexibility for all

Almost 60% of organizations in DACH have already expanded flexible-working practices, and a further 33% plan to do so in 2021. Still, the flexible-work experiment is ongoing. What is getting lost in the conversation is how to create flexibility for all employees long term. All jobs can flex in some way. Companies should assess what flexibility is possible, what is desirable and what is sustainable.⁴ Determining the degree of flexibility will require better techniques for listening to employees.

New expectations demand a new HR

When it comes to priorities for the HR function, policies that enable new ways of working are still #1 on HR’s agenda. Yet accelerating HR digital transformation (#2), transforming the HR operating model to be more agile (#3) and redesigning HR processes for a remote/blended work experience (#4) are the true — and, above all, the long-term — enablers of #1 (see Figure 7). This means breaking away from traditional HR models in favor of dynamic ways of working.⁵ Doing so will deliver enhanced employee experiences that acknowledge how we live digitally now.⁶

Work experience refers not only to flexibility in working, but also to interactions with the employer and, even more so, the EVP. According to 2020 Mercer benefits surveys, employees want more transparency in what is being offered and desire more choice.⁷ This wish for flexibility is related to content as well as timing.

Organizations have to invest in technology and new ways of communication to keep their employees inspired and engaged, especially while the majority of the workforce is working remotely.

Figure 6. The impact of 2020 on the employee experience: what has changed most significantly?

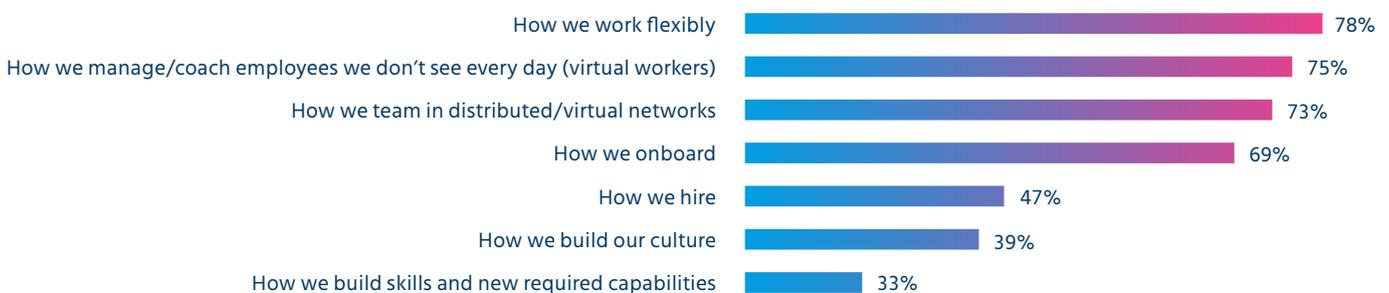
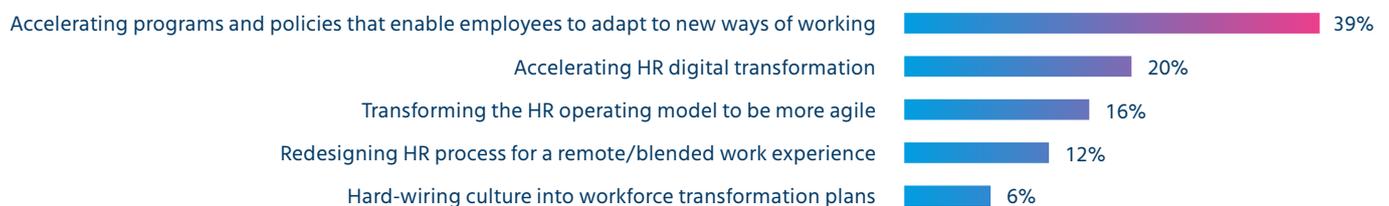


Figure 7. Adapting to new ways of working is top of mind: Top five priorities for the HR function in the DACH region



⁴ Mercer. “The new shape of work is flexibility for all,” 2020, available at www.mercer.com/our-thinking/career/the-new-shape-of-work-is-flexibility-for-all-global.html.

⁵ Mercer. “Transforming HR: Why a Target Interaction Model (TIM) is the key to unlocking the employee experience,” 2019, available at www.mercer.com/our-thinking/career/transforming-hr-why-a-target-interaction-model-is-the-key-to-unlocking-the-employee-experience.html.

⁶ Mercer. “Designing for remote employee experiences: A refreshed approach to HR transformation,” 2020, available at www.mercer.com/our-thinking/career/designing-for-remote-employee-experiences.html.

⁷ Mercer. “Benefits & Wellbeing 2020+: What kind of benefits do companies in Germany offer today and what expectations do employees have of the benefit programs?” 2020, available at www.mercer.de/our-thinking/study-reports-mercere-benefits-revolution.html.

Bosch: Experience as key success factor in the competition for digital talent

To ensure its competitiveness, Bosch must be an employer of choice, especially for the digital target groups. For these, the candidate experience of the application process must already trigger the desire to work at Bosch: Tools, processes and mindset in talent acquisition must make candidates the center of attention.

Already during the selection of the Applicant Tracking System (ATS), experience was a priority — a young recruiting tool provider with innovation potential was preferred over established software providers. The system implementation was based on a multi-dimensional HR transformation strategy. Founded on a customer-centric interaction model, processes, organization and system were completely aligned with the candidates as well as with the hiring manager experience.

All changes in the tool and processes were co-created with the future users and the vendor. Mercer partnered with Bosch's central user experience team, which also accompanies the customer experience optimization in product design

(that is, in Bosch's core business). The focus on experience was also evident in the change-management approach and was the basis for a completely new recruiting mindset — a partnership-based interaction of the roles of hiring managers and recruiters ensures an excellent application experience.

The results are impressive: a single (instead of eight different) ATS is now used in 72 countries with an average of two million candidates worldwide using it regularly. This means a massive reduction in maintenance costs. The globally standardized recruiting process has reduced application time by 96% to an average of two minutes.

The orientation toward a largely digital process with a simultaneous focus on empathy and experience was also one of Bosch's factors for successful and seamless hiring during the COVID-19 crisis. At the end of 2020, the project also received the Trendence Award for the best candidate experience in the application process in companies in the DACH region.

Munich Re: Rethinking performance management

Given the rapidly changing market environment of the reinsurance industry, Munich Re decided to reinvent its approach to performance management.

The old process was unproductive, looking at past successes and failures instead of focusing on potential. So, gone were the days of a yearly performance evaluation cycle in favor of a future-focused discussion that embraces the changing business environment, better taps into the pulse of daily work and strengthens desired behaviors.

Munich Re's new performance management approach, Continuous Conversations, strives to create open dialogue that is ongoing and meaningful, provides multi-directional feedback and drives collaboration. It emphasizes employees' self-responsibility and, therefore, does away with any kind of required processes, forms or ratings.

The approach is made up of three elements: commitment, feedback and development. Commitment is not just about doing what you promised, but also about empowerment and

self-responsibility. The feedback element makes sure everyone knows how they are doing and where they stand on the journey. Lastly, development addresses learning opportunities arising from commitments and feedback and links them to personal growth, taking a strengths-based approach.

Continuous Conversations was launched globally for more than 12,000 employees in early 2020. All employees have been supported in this change through a user-centered change-management approach, providing all employees with the content, tools, behaviors and mindset for the new approach. This has been reinforced by communication across various internal media.

Six months after the launch and during the height of the Covid-19 crisis, 83% of employees were familiar with the key elements of the new approach, and 74% confirmed they were having meaningful conversations on what is expected from them at work. To ensure a sustainable change in culture and behavior, the change journey will continue into 2021 to ensure everyone is confident in living the new approach.



Recommendations

Moving forward

Getting started

- 1 Put sustainability at the heart of your transformation agenda.** Get tactical on cascading ESG goals through executive and departmental goals. Executive plan design and your performance management culture all have roles to play.
- 2 Embrace the experience generation.** Understand the skills available across your organization today and what new skills you will require. Align the workforce and skills using tools such as the Mercer Skills Library. A job architecture tool can help automate the process and prioritize the most relevant use cases for skill information to drive business outcomes.
- 3 Ensure workforce analytics enable business strategy.** Tie analytics to the enterprise's unique business plans and people sets to gain traction and generate impact. In addition, supply a taxonomy of terms that, when associated, enables HR to respond rapidly to new questions from the business.
- 4 Make flexible working a promise and a practice.** Employee preferences regarding flexible working have changed in the current environment. Explore how to embed flexibility in your company longer-term by assessing roles, employee preferences and the people programs that will achieve flexibility for all.
- 5 Design for digital work and collaboration.** Consider if your organization has the right tools to connect and engage employees and enable collaboration. Ensure employees know how to use digital collaboration tools and technology effectively in their daily business.

Suggestions to accelerate

- 1 Partner with the business on how AI and automation may impact jobs.** Reconsider workflows and who in the ecosystem is best placed to provide the skills likely to become important as you embrace automation. Ensure skills are part of your strategic workforce plan.
- 2 Get on the journey toward skills-based talent processes.** Consider starting with pay-for-skills intelligence and automating the profiling and management of people's skills. Establish the link between skill clusters and job opportunities.
- 3 Speed up DEI progress.** Better employee-listening techniques — such as digital focus groups — coupled with design thinking with target groups will be required to accelerate true progress on DEI. Actively audit compliance with DEI policies across your organization.
- 4 Think of the systemic impacts.** Transforming HR is multi-dimensional, and a new software solution does not always fix workflow problems. It is vital to acknowledge the interdependency of content, organization, processes and systems in every HR transformation. Building around people and their needs will result in immediate business impact.
- 5 Prioritize 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 endeavor will require relinquishing the crisis mindset. Doing so will make the year ahead one of sustainability and productive recovery.

As organizations start to define a new shape of work,⁸ 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. Organizations 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*, characterized 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.de/global-talent-trends, www.mercer.at/global-talent-trends, or www.mercer.ch/global-talent-trends and for a global view www.mercer.com/global-talent-trends.

⁸ Mercer. “The New Shape of Work,” available at <https://www.mercer.com/our-thinking/career/the-new-shape-of-work-covid-19.html>.

