

win with

# empathy

Global Talent Trends 2020–2021  
Local Companion Report



welcome to brighter

# Introduction

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

## Top priorities



Defining future workforce needs and/or restructuring



Diversity, equity, and inclusion analytics and insights



Reinventing flexibility and fluid careers

## Areas getting less attention



Redefining analytics and goals



Cultivating a lab mind-set — 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? 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 a renewed focus on the futures of people and the planet, proactive workforce reskilling and elevating the employee experience, including health, wellbeing and financial wellness. 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 recognise 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 United Kingdom, we have seen that life can change extremely fast. Yet at a time when the country was physically isolated, many organisations and employees have grown closer, as companies put the emotional, physical, social and financial wellbeing of their people first. As the pandemic spread, it became clear that the impact on the UK would be significant on all fronts:

- A quarter of the economy was wiped out, with real GDP falling by 25% between February and April 2020.<sup>1</sup>
- A peak of 8.9 million employees were furloughed through the Government's Job Retention Scheme in May 2020.<sup>2</sup>
- In January 2021, infections passed 3 million, with no sign of slowing down.<sup>3</sup>

<sup>1</sup> UK Parliament. *Coronavirus: Economic Impact Research Briefing*, 2020. Available at <https://commonslibrary.parliament.uk/research-briefings/cbp-8866/>.

<sup>2</sup> HM Revenue & Customs. *Coronavirus Job Retention Scheme Statistics: October 2020*. Available at <https://www.gov.uk/government/publications/coronavirus-job-retention-scheme-statistics-october-2020/coronavirus-job-retention-scheme-statistics-october-2020>

<sup>3</sup> UK Government. *Coronavirus (COVID-19) in the UK*, 10 January 2021. Available at <https://coronavirus.data.gov.uk/details/cases>.

Throughout the pandemic, we have seen a fundamental shift in the way organisations are operating, and during challenging times there is an increased need for the workforce to adapt, remain engaged and offer discretionary effort to achieve their joint purpose. With nearly nine out of 10 (89%) UK offices closing, those already running agile and flexible work practices were better equipped to handle a remote-first world.<sup>4</sup>

Given the financial blow to so many organisations and the complete disruption to work, it is not surprising that the number one priority for UK organisations is to better define the workforce and structural needs for the future (62%). Reinventing flexibility and careers is also high on the agenda, with over two-fifths (42%) of organisations prioritising this (see sidebar). Although transformation was immediately put on pause back in March, organisations are sensing the opportunity to fundamentally redesign their organisations to make them future fit. The redesign of work will be obsessive about value, flexibility and sustainability. The societal responsibilities and behaviour of companies is in sharp focus and so diversity, equity, and inclusion analytics and insights is the third top priority for UK organisations.

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. We surveyed over 80 UK senior HR leaders to 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*, which is based on the views of nearly 2000 HR leaders, visit [www.mercer.com/global-talent-trends](https://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 wealth gaps and a multi-stakeholder model on the agenda. Yet while progress on stakeholder capitalism paused for many locally during 2020, COVID-19 actually thrust stakeholder empathy forward — especially globally. Reputations suffered for companies that lagged in caring for people's health and communicating transparently. Responsible employers that extended wellbeing provisions saw them lauded publicly. The upshot? They are now magnets of talent.
- **Race to reskill** speculated that reskilling would both be this decade's biggest opportunity and its greatest challenge. Companies that took advantage of the sudden disappearance of employees' top barrier to reskilling ("not having enough time") during the pandemic rallied employees to a broader value proposition. With job security concerns at an all-time high, the era of apathy around reskilling is over. Those that can deliver skills at scale will outpace competitors and start to build the learning organisation 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 fit for today's needs and tomorrow's generations, and upending what is meant by "being at work" even as work and work arrangements remain in flux.

<sup>4</sup> Mercer. Global COVID-19 surveys, 2020. Available at <https://taap.mercer.com/live-results>.

# Focus on futures

Work together to ensure people thrive now and in the future

In 1970, Milton Friedman declared that the sole responsibility for business was to create profits for shareholders.<sup>5</sup> In the 50 years that have followed, business decisions have been made predominantly to maximise this goal of shareholder value. In August 2019, shareholder wealth maximisation theory received its strongest opposition to date, with 181 CEOs signing a statement from the Business Roundtable on the purpose of a corporation, whereby they committed to lead their companies in the interests of all stakeholders.<sup>6</sup> Last year's *Talent Trends Study* reflected that commitment, with 84% of UK executives believing that corporations share a fundamental requirement to extend beyond shareholder primacy and deliver value to customers, employees, suppliers, communities and shareholders alike.<sup>7</sup> The outbreak of the coronavirus threatened the environmental, social and governance (ESG) agenda, with its critics seeing it as a "nice-to-have" during times of growth; however, in the face of huge financial struggles and economic uncertainty, they put it on the back burner. This year's study shows that UK companies remain committed to leading the way on this topic, with over four-fifths (81%) of organisations continuing or accelerating their shift toward a multi-stakeholder model, compared with two-thirds (66%) globally.

The thought that shareholder interests cannot align with that of wider stakeholders is often misunderstood. Ultimately the measure of success for both shareholder and stakeholder theory is market value — however, the difference is the time horizon used to assess each. Organisations that integrate ESG metrics into the CEO's agenda are more likely to report

high revenue growth.<sup>8</sup> Research from the London Business School found organisations yielded shareholder returns between 2.3% and 3.8% higher than their peers if they were ranked as one of the top 100 companies to work for, according to *Fortune*.<sup>9</sup> The truth is that talent, investors and now companies too care about ESG. With the Black Lives Matter movement as the catalyst, 2020 witnessed communities across the world coming together to fight the inequalities and discrimination embedded within business and societal structures. Responsible business is a strong avenue for change and more than half (53%) of organisations are embedding ESG goals into their wider transformation agenda. Further, nearly three-quarters (73%) of UK companies are tying ESG goals to their purpose (see Figure 1).

The ESG agenda is extremely broad, but ultimately it is about doing what is right for a progressive society. To make impactful changes, focusing on futures requires deliberate thought and effort. The turn of the decade brought an end to our longest period of economic expansion since 2008. Organisations that survive the challenges ahead will be those that champion empathy to maximise shareholder and employee returns.

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



<sup>5</sup> Friedman M. "A Friedman Doctrine", *The New York Times*, 13 September 1970. Available at [www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html](https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html).

3 <sup>6</sup> Business Roundtable. *Statement on the Purpose of a Corporation*, 2019.

<sup>7</sup> Mercer. *2020 Talent Trends Study* (UK Edition).

<sup>8</sup> Mercer. *2020 Global Talent Trends Study*.

<sup>9</sup> Edmans A. "The Link Between Job Satisfaction and Firm Value, with Implications for Corporate Social Responsibility". *Academy of Management Perspectives*, Volume 26 Issue 4 (2012), pp. 1–19.

# Race to reskill

## Transform the workforce for a new world economy

The nature of disruption today means that companies must transform at pace to stay ahead of competition. Given the experience of remote working and the need for many to adjust capacity swiftly according to demand, 2021 transformation plans are concentrated on reinventing flexibility in all its guises (64%), followed by targeted workforce upskilling/reskilling toward critical talent pools (42%) and undertaking significant workforce transformation (40%) (see Figure 2). The focus on workforce transformation and reskilling is not surprising. Even before the pandemic hit, UK and global executives reported the most critical talent investment capable of driving business success is the reskilling of the workforce to keep up with these changes. This is no surprise for the UK, given that close to 40% of workers lack the correct qualifications for their job.<sup>10</sup>

As COVID-19 proved, rapidly adjusting capacity and redeploying resources is critical to success. Forty percent of organisations made it easier to share talent internally as a result of COVID-19, and one in three plan to do so in 2021 (36%). 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.

Adopting a skills-based talent model is beginning to take shape but there is further to go: 21% of HR leaders have implemented skills-based talent strategies such as pay-for-skills or skills frameworks and a further 27% plan to do so in 2021. Making progress in this area will be critical for reinvention in 2021. Deciding whether to buy or develop a skill in-house depends on knowing what you already have — knowledge that separates the companies that can rapidly flow talent towards demand (and stay ahead) from those that cannot.

Getting employees on board with new ways to quantify their value and build capability will be necessary for skills-based talent strategies to work. With HR indicating that the top barriers to driving transformation are employee exhaustion (65%) and too many distracting priorities (59%), employees need to see that learning new skills leads to tangible rewards, recognition or promotion. Yet with only 15% of organisations 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 democratise learning opportunities as well as create a culture of incentivising business transformation proactively.

### Which skills are critical for future resilience?

Organisations remain concerned about not having the right skillset: more than nine out of ten (93%) UK HR leaders report that skills 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, inclusive and empathetic management #2, and openness to change #3) (see Figure 3). Meanwhile, skills that will spur employees to adapt for the future are less in focus in the UK compared to countries pulling out of the health crisis faster, like China: just 19% of UK HR leaders identify innovation as a critical future skill and 4% market sensing (versus 26% and 25%, respectively, among Chinese HR leaders). Leading organisations are conducting strategic workforce planning to identify their business's future critical skills and pinpoint their supply of, and demand for, those skills. And 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 2: Transformation plans are focused on flexibility, workforce transformation and upskilling/reskilling**



**Figure 3. Which skills are critical for future resilience? (Top 3 and bottom 3)**



<sup>10</sup> OECD. *Getting Skills Right: United Kingdom*, 20 November 2017. Available at <https://www.oecd.org/unitedkingdom/getting-skills-right-united-kingdom-9789264280489-en.htm>.

# Sense with science

## See ahead by augmenting AI with human intuition

Companies have more data than ever to make evidence-based organisational and people decisions. AI and machine learning have enabled the modelling and stress testing of different scenarios, and organisations can now automate repetitive tasks, thus empowering employees to work on value-adding activities. This increase in data availability and analytic capability has seen organisations largely embrace workforce science. Last year, there was a jump in companies at the top of the workforce analytics maturity curve: nearly half of UK companies (47%) were using predictive analytics and/or making predictive analytics available in real-time to managers, compared to just 9% in 2016.<sup>11</sup> This year, HR still intends to focus on forward-looking insights, with over half of HR leaders focused on improving their analytics capabilities to support strategic workforce planning. The need to rightsize and adapt the shape of work for a new future is clear. Equally, recent events around diversity, equity and inclusion (DEI) have increased the urgency for improved analytics on pay equity and health trends. Half of companies have “understanding employees’ mental and physical health” on their agenda for the year ahead — a concern brought into sharp relief by ongoing health concerns and gnawing economic insecurity (see Figure 4).

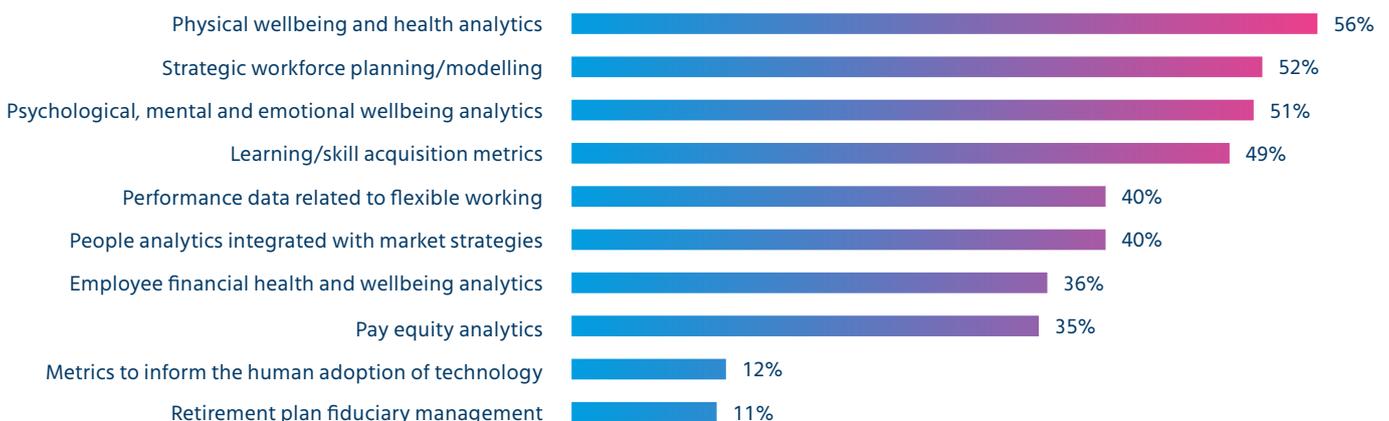
Stronger analytic insights also will be vital as stakeholders will expect organisations to make significant headway on DEI in 2021, and analytics will be vital to shoring up positive trajectories. Increasingly, investors evaluate companies based on their human capital management (HCM) and DEI metrics. Only with clear, consistent and quality data can companies answer the mandate to publicly report on HCM

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 organisations address widening inequalities. There is much room for improvement. As HR leaders map out future workforce strategies, only 22% are taking into account the impact of 2020’s transformation or rightsizing plans on various minority groups, and just 21% are considering the pandemic’s impact on these populations.

Building on a better understanding of different employee groups’ needs and preferences, the next phase will be leveraging AI to offer more personalised and inclusive benefits. Combining data-driven decision-making with AI can be a potent tool to guard against unconscious bias in plan design or investment policy, and to target financial education and engagement to those more likely to miss retirement goals. For example, one in four companies are moving to AI that “nudges” managers to take action or have conversations with employees at risk of leaving, and one in five companies are moving in the direction of AI that prompts employees to take the steps most likely to advance their health, retirement and career prospects.

The scale and speed of computers is hard to match, but, critically, humans outperform machines in the areas of sense checking and judgement. The challenge is for organisations to balance the protection of personal data and the interrogation of this data to drive strategic decision-making.

Figure 4. 2021 plans to improve analytics reveal HR transitioning to a new normal



# Energise the experience

Inspire and invigorate people by redesigning the work experience

Last year's research found that nearly two-thirds (64%) of employees globally felt they were at risk of burnout within the next 12 months. One year on, the destruction of a global pandemic has only exacerbated the situation, with people lacking control and autonomy over their future and living an increasingly blended work and home life. We are constantly furthering our understanding of this issue and how poor mental health can have a detrimental effect on people. Engagement, productivity and performance all decrease when people are not happy. While this is true, there is perhaps not enough recognition given to the exponential positive impact when organisations get it right. In a world where burnout is high and we are constantly asked to do more with less — how can organisations create an environment where employees are invested, empowered, stretched and curious?

Employee wellbeing is critical to an energising employee experience; however, COVID-19 led to a significant decrease in personal preventative care. The response by organisations has been to introduce mental and emotional health benefits (64%), train managers to spot mental health issues early (58%) and develop an employee wellbeing strategy (56%). Extreme lockdown measures meant the rapid rise of virtual healthcare overnight.

Telemedicine is now high on the employee experience agenda, with more than half (56%) of organisations boosting investment into remote health and benefit options for employees. Telemedicine and diagnostics are changing the way in which people think about healthcare and increasing health awareness, both physical and mental.<sup>12</sup> Therefore, digital GP services and “at home” diagnostics by post are becoming increasingly available and have been accelerated due to the recent pandemic, with fewer GP appointments being carried out in person.

## Flexible working, the sequel: flexibility for all

Flexible working, likewise accelerated by COVID-19, has proven central to the new employee experience. The jolt to HR's thinking on how the employee experience has changed how we work flexibly (83%), how we manage virtual workers (74%) and how we onboard (60%) will be one of COVID-19's legacies. For the most part, the experiment with new ways of working flexibly has been a surprising success. More than 50% of organisations have already expanded flexible working policies and practices, and a further 44% plan to do so in 2021.

Still, the flexible work experiment remains ongoing. What's getting lost in the conversation is how to create long-term flexibility for employees. All jobs can flex in some way by assessing what flexibility is possible (against the five dimensions: where, when, how, what and who), what is desirable and what is sustainable.<sup>13</sup> Successfully designing an impactful employee experience that blends remote and office working requires a new way of thinking.

When it comes to priorities for the HR function, accelerating programmes for flexibility and redesigning HR processes for a remote work experience are #1 and #3 on HR's agenda. The true enablers of these are priorities #2 and #4, transforming the HR operating model and accelerating HR's digitalisation (see Figure 5). This means breaking away from traditional HR models in favour of dynamic ways of working.<sup>14</sup> Doing so will deliver enhanced employee experiences, which acknowledge how we live digitally now.

Figure 5. Adapting to new ways of working is top of mind — for that, HR will have to be agile

### 2021 HR Priorities

In 2021, the most essential priority for the HR function will be: (one response selected)

- #1 Accelerating programmes and policies that enable employees to adapt to new ways of working
- #2 Transforming the HR operating model to be more agile
- #3 Redesigning HR processes for a remote/blended work experience
- #4 Accelerating HR digital transformation
- #5 Hard-wiring culture into workforce transformation plans

<sup>12</sup> MMC. *Digital Tools for Mental Health*, 2020. Available at <https://www.mmc.com/insights/publications/2020/december/digital-tools-for-mental-health.html>.

<sup>13</sup> Mercer. “The New Shape of Work Is Flexibility for All”, 2020. Available at <https://www.mercer.com/our-thinking/career/the-new-shape-of-work-is-flexibility-for-all-global.html>.

<sup>14</sup> Mercer. *Designing for Remote Employee Experiences: A Refreshed Approach to HR Transformation*, 2020. Available at <https://www.mercer.com/our-thinking/career/designing-for-remote-employee-experiences.html>.



# Recommendations

## Moving forward

### Getting started

- 1 Ensure the health and wellbeing of employees through an integrated wellbeing strategy.** In the short term, ensure sufficient provision of virtual healthcare and mental health benefits for your workforce. Longer-term wellbeing strategies can include aspects such as upgrading your training for managers on how to spot mental health issues early, enhancing inclusion initiatives across the organisation and cultivating a culture where employees always feel safe to express their opinion or speak up.
- 2 The race to reskill requires a fundamental shift toward integrated talent frameworks that can evolve as skill requirements change.** Determine a strategic workforce plan to identify the gap between the current and required workforce.
- 3 Go back to basics and start with the rationale behind AI and analytics.** Too much focus on what organisations can measure often distracts from the larger picture of why it would be strategically beneficial to understand certain data points. The human ability to ask the right business questions is vital here.
- 4 Create work environments where diverse workforces can create impact.** Harnessing the strengths of diversity of thought brings the opportunity to build a brighter future for people, organisations and society.
- 5 Communicate with your employees — start by listening.** Don't just *tell* them. *Engage* them in the changes taking place around them, and to them. Help them understand, feel involved, commit, adapt and take ownership. Use employee listening platforms to understand what employees value and measure the effectiveness of people programmes.

### Suggestions to accelerate

- 1 Start with the employee point of view.** Nearly two-thirds (63%) of organisations develop persona groups to examine critical touchpoints through the eyes of the employee. This allows HR to eliminate any roadblocks to a compelling employee experience.
- 2 Design your organisation and jobs in a way that puts skills first.** This way, as jobs evolve, so does the organisation's ability to support people — for example, by introducing an agile career framework, a consistent skills taxonomy and an internal talent marketplace.
- 3 De-link base pay and performance in favour of pay-for skills and potential.** The focus is on rewarding progression and/or development, with individuals paid based on the skill cluster, rather than the job.
- 4 Use ESG metrics in goal setting, performance management and reward outcomes.** Integrating ESG metrics drives accountability and impact.
- 5 Create a culture of experimentation.** The route to growth is less predictable and driving an experimental "lab" mind-set throughout the organisation will enable employees to pose questions, investigate hypotheses and draw on data to support or disprove ideas that can push the organisation forward.



# 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 mind-set. Doing so will make the year ahead one of sustainability and productive recovery.

As organisations adapt to the new shape of work,<sup>15</sup> 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](https://www.mercer.com/global-talent-trends).**

<sup>15</sup> Mercer. “The New Shape of Work,” available at <https://www.mercer.com/our-thinking/career/the-new-shape-of-work-covid-19.html>.

