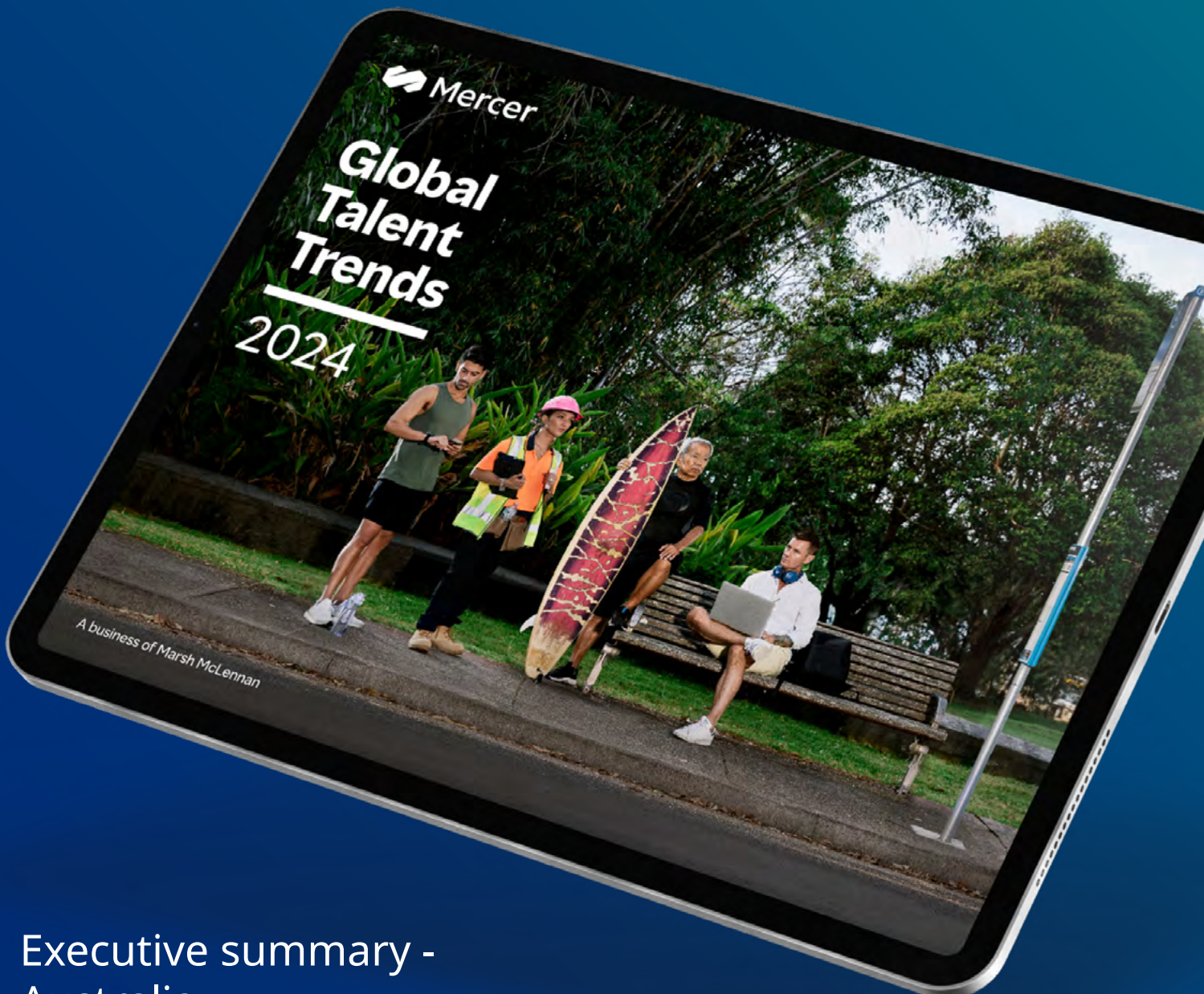


Workforce 2.0:

Unlocking human potential in
a machine-augmented world



Executive summary -
Australia

Executive summary

Embracing AI to build resilient and agile organisations

Around the world productivity barriers including lack of agility, outdated work models, unproductive “busy” work, and stress are hindering organisations. While leaders may see AI as the solution, most workforces are unprepared for this transformation. It is time for HR to step up to the challenge – by leading with a digital-first culture and partnering with the business to successfully transition to AI-powered productivity.

The rollercoaster business environment we have experienced over the past year shows no signs of slowing down. Societal dynamics, including louder calls for fair pay, better working conditions, and reduced environmental impact, are rapidly reshaping the employment contract. These factors set the stage for the latest findings from the Mercer Global Talent Trends Study, which highlight the significant shift towards Workforce 2.0: where people are empowered by machine intelligence.

To effectively respond to changing expectations, senior leaders and Chief Human Resources Officers (CHROs) will need to come to agreement. While the alignment of priorities between the two stakeholder groups was strong during the pandemic, it is starting to fade.

There is now a clear divergence between the C-suite and HR views on what will drive business growth in 2024.

Over half of Australian HR leaders have plans to enhance the employee value proposition, experience and benefits this year to better attract and retain top talent and improve mental health. However, fewer are prioritising sustainability accountability (30%), diversity, equity, and inclusion (DEI) goals (27%) and “Good Work” standards (24%). In contrast, executives see these areas as top drivers of business growth this year.

Top 5 HR priorities for the People agenda in 2024



Executives’ top 5 drivers of growth



Rapid growth in generative AI capabilities has raised hopes for workforce productivity gains, with 58% of Australian executives predicting AI will deliver gains of more than 30%. Yet, three in five (64%) believe technology is advancing faster than their organisations can reskill employees. Only one in four (24%) believe they can meet this year’s business demand with their current talent model.

On the human capital side, less than a third (29%) of HR leaders in Australia see AI as a way to amplify human intelligence to enable higher quality output, beyond automation and increased work volume. In addition, just 5% of HR leaders and fewer than one in five employees believe that their organisation’s leaders are embracing AI and automation. Only 16% of employees say their job has been redesigned to leverage the benefits of these cutting-edge technologies. There is clearly still work to be done before HR leaders can optimise the workforce opportunities from AI.



1 in 2 executives in Australia believe AI will fundamentally change their business model.

What will be the impact on jobs?

54% of HR believe AI could decrease current workloads.

1 in 3 workers expect (or have already seen) positive changes in workload due to AI and 1 in 2 workers believe their companies will reskill them if their job changes due to AI.

Only 43% said their organisation is good at communicating how AI will improve the way they work.

What keeps employees from leaving:

- 1 Job security
- 2 Fair pay
- 3 Positive work culture
- 4 Opportunity to continuously develop and learn
- 5 Flexible working policy

Aligning employees’ expectations and organisations’ priorities

The study also points to a rise in employee expectation. Fair pay moved from third place in 2022 to the second highest reason workers stay with an organisation. Notably, fair pay relates to equitable and clear processes about how decisions are made relating to pay, rather than market competitiveness (which was ranked sixth). In addition, a third of employees expect their employers to support social change and deliver results against sustainability goals.

Against this backdrop, employee trust has declined from an all-time high in 2022. Trust that employers will do the right thing for employees dropped from 82% in 2022 to 72%. Broken promises on promotions, raises, and career opportunities are the main reasons for this decline.

This is a red flag, since the research shows that trust has a major impact on employee energy, and intent to stay. Those who trust their employers to do the right thing for them and society are twice as likely to say they are thriving, have a strong sense of purpose and belonging and feel valued.



To ensure that the Australian workforce truly benefits from the gains of AI, we have to shift the productivity discussion from doing more with less to doing work with less effort.

Cynthia Cottrell

Workforce Solutions Leader, Mercer Pacific



While executives believe that investment in sustainability is a top driver of business growth this year, less than a third of HR leaders plan to prioritise ESG and DEI in 2024.

Prevalent worker exhaustion could be exacerbating this drop in employee trust. The study reveals 41% of Australian employees are overwhelmed by mental and emotional job demands, and 37% are overwhelmed by too many tech tools and platforms. As we enter an era of human-machine teaming, organisations must prioritise people in their transformation efforts, to ensure workloads are sustainable and employees feel valued.

Unlocking human potential in a machine-augmented world

While our research has shed light on areas where organisations need to improve, it has also unveiled a brighter side. Organisations that are outpacing competitors are striding ahead on four priorities.

First, they recognise that **human-centric productivity** requires giving attention to how work is evolving and the skills and motivations of those doing the work.

They also appreciate that **trust** is the true dialogue of work, fortified through transparency and **equitable work practices**. As risks become more connected and less predictable, they understand that a new level of risk awareness and mitigation is essential to building a **ready and resilient workforce**.

And finally, they acknowledge that as work becomes more complex, it will be critical to simplify, engage and inspire their workforce towards a **digital-first** future. It has never been more critical to design for tomorrow, plan for transitions, and cultivate a culture where all stakeholders can thrive in perpetual motion.

As organisations make strides towards Workforce 2.0, these four principles can help them unlock human potential in a machine-augmented world.

We identified four trends to unlock human potential in a machine-augmented world.



Drive human-centric productivity

Solve the productivity equation with AI, assessment and work design



Anchor to trust & equity

Foster a climate of trust through fair pay, equity, and inclusion



Boost the corporate immune system

Build resilient cultures with teams that are risk aware and healthy at the core



Cultivate a digital-first culture

Design an adaptive, digitally fluent organisation where people can thrive



Drive human-centric productivity

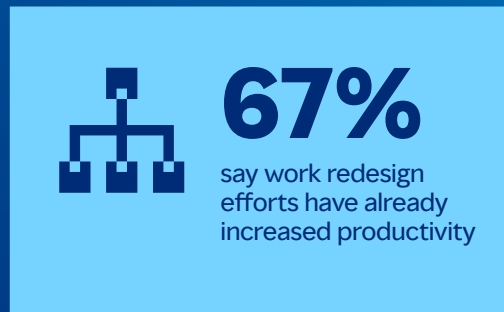
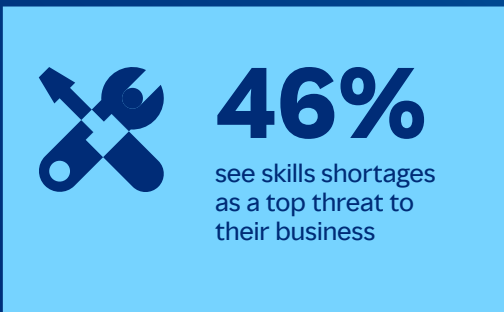
Following years of lacklustre growth in output, increasing productivity is the number one driver of transformation plans this year, as the proliferation of AI capabilities fuel hopes for workforce productivity gains.

Still, leading organisations recognise that AI is just part of the equation. They see the need for intentional work design and greater workforce insights to unlock the potential in their workforces. In fact, 44% of executives acknowledge that a lack of workforce skills will impede their transformation efforts.

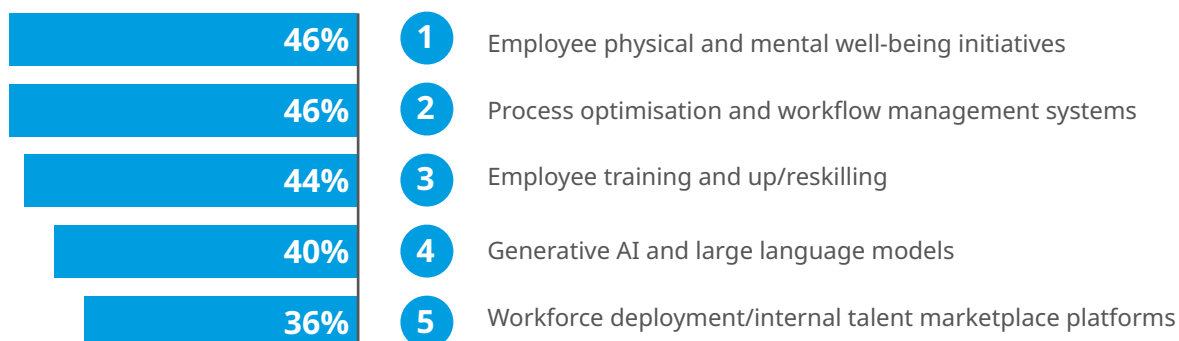
Agile talent models require untethering skills from jobs to quickly pivot resources to potential growth areas (something 70% of organisations say they can do today). Fit-for-our-time talent insights (via skills assessments), plus insights from skills-based strategic workforce planning, will be key.

The lift in productivity comes from the people, not the tech in isolation, and will require focus on upskilling at scale. HR leaders confirm skills-powered rewards models are paying dividends, yet too few organisations currently link skills to pay or pay a premium for critical skills (43% and 44% respectively). Critical factors to capture the productivity acceleration include redesigning work models (and work itself) and keeping a careful eye on the workforce's capacity and capability to learn and adapt.

Australian HR leaders:



Investment areas executives believe would give the biggest boost to productivity - Australia





Anchor to trust and equity

Particularly during times of change and uncertainty, having relationships that are built on empathy, openness and trust becomes even more critical. The consequences of a lack of trust can be significant, impacting employee productivity, engagement and ultimately retention.

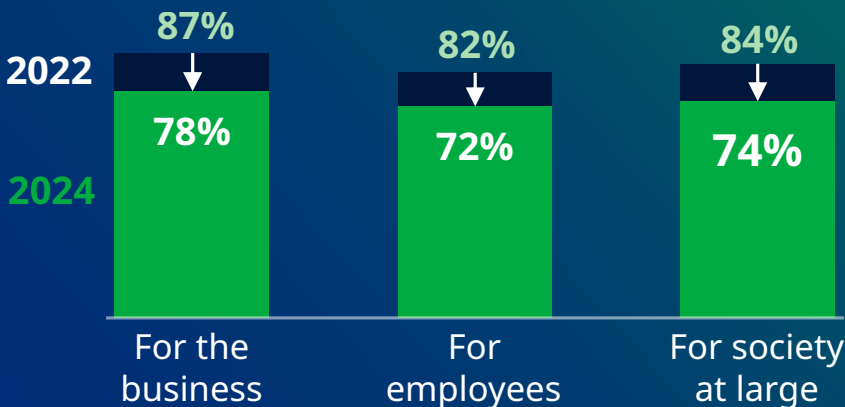
Leaders must take note as one in three employees are planning to leave their jobs within the next 12 months. In addition, employees' trust in their organisation is the strongest variable in influencing how energised they feel at work and their sense of thriving.

Employees tell us the things that help them thrive at work are pride in the organisation, fair pay and a sense of belonging. Leading firms are taking actions on all three. They're creating an organisation to be proud of, which increasingly focuses on meeting sustainability expectations. One-third of employees expect their companies to deliver sustainability results, and not simply set targets.

At the same time, more scrutiny over workload and poor processes, coupled with employee exhaustion, has propelled fairness – rather than competitiveness – of pay to its highest-ever ranking. In the year ahead, leading employers will make faster progress on pay equity and transparency, and equitable access to opportunities.

While employees prioritise a feeling of belonging, organisations are failing some segments. In Australia, one in two executives are confident they will deliver on their DEI commitments this year and 99% of HR leaders believe DEI initiatives have yielded results. Yet, a whopping 78% of Australian workers say they have witnessed ageism this year. Meanwhile, only 39% of HR leaders say women and minorities are well represented in leadership teams, and just 13% believe retention of diverse populations is up. Clearly, HR leaders are hyper-aware there is still a way to go.

Employees' trust in their organisation to do the right thing:





Boost the corporate immune system

Resilience was the buzzword of 2023, and executives believe they have made great strides: Six in ten executives in Australia (62%) believe their business is resilient and can withstand unforeseen shocks this year. This is an improvement from 2022, when only 48% said their business was prepared to rise above unexpected challenges. The goal now is moving from reacting to risks to anticipating and managing them.

One important way to achieve this is by building a risk-aware culture from the ground up. To do this well requires a delicate balance between increased resilience and agility in People models. Trust is key – leaders at resilient organisations are 1.8 times more likely to say that their company places the right amount of trust in its employees. Empowering employees is also vital, as resilient organisations are twice as likely to make important decisions at a local level.

Leaders clearly set the tone. Resilient organisations are also 1.8 times more likely to balance empathy and economics in decision-making. A case in point is how they are preparing for the impact of new technologies. With the continued rise of AI and automation, 32% of executives see technological change and disruption as the biggest short-term threat to their organisation.

In responding to this threat, executives of resilient organisations are 1.3 times more likely to say that jobs should be made redundant, not people.

Paying attention to individuals' resilience will be as vital as enterprise resilience. The threat of burnout hasn't receded – 81% of employees worry they will burn out in the next 12 months (up from 78% in 2022). It's no surprise that organisations are redesigning work to better support employee health. Those serious about enterprise and people resilience will also invest in workforce planning and people analytics capabilities (HR's #5 People priorities) to help anticipate risks. Organisations are conscious that to build a risk-aware culture, employees need to feel psychologically safe, with 35% currently implementing training in this area and a further 50% budgeting for it this year.

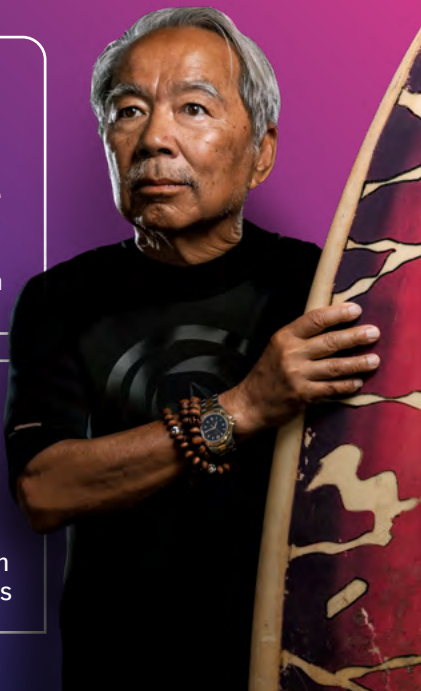
Australian Executives' view on the biggest short-term threat to their business



79% investors assess the health of a company from its approach to health, risk, and well-being

Enterprise resilience processes are key to anticipating and reacting to disruption

Individual resilience is critical to long-term organisational success





Cultivate a digital-first culture

Many organisations are betting on AI-boosts to productivity and looking to overcome the biggest barrier to transformation: poorly executed technology implementations (which affects one in two organisations). Two-thirds admit they transition from one solution to another without transforming the way they work, and 70% worry they don't inspire workers to adopt new technologies.

Leading organisations are focusing on digital transformation that enhances how humans work. That starts with inspiring people to use new technology by building “minimal lovable products” and spending time on human adoption with support for experimentation. At the same time, a human-centric approach that embraces digital innovation will measure success in human terms, not technological ones.

HR's approach to a winning employee experience (EX) this year is implementing listening platforms, streamlining processes and conducting EX design workshops with employees. The HR ecosystem will need to evolve in tandem to enhance the EX, with 99% of organisations planning changes to the HR function. Executives also rated HR the least agile part of the organisation this year, highlighting there's plenty for HR leaders to do. Getting the right balance of tech and touch will be critical to sustainable transformation.

44% of Australian executives believe that without AI their organisation will not survive beyond 2030.

But **70% worry** that their company is not doing enough to inspire workers to adopt new technologies.

53% Australian employees and **46% of HR leaders** trust that their organisation will teach them the skills they will need if their job changes as a result of AI and/or automation.

64% of Australian executives said that to compete, their organisations need to be more digital than they are today.



Towards Workforce 2.0

Unlocking human potential in today's machine-augmented world requires a new set of organisational competencies. Organisations that are leveling up to Workforce 2.0 are placing their bets on enhanced human-machine teaming and entering into a new "lifestyle contract" with their people that focuses on upskilling and well-being.

Staying ahead requires balancing economics and empathy in pursuing productivity, building a foundation of trust and equity to combat growing uncertainty, boosting organisational and individual resilience, and inspiring digital enablement.

The next few years present a unique opportunity to press pause on business-as-usual and redesign work around people. Work that is inspired by what people are good at, aligned to how they want to work, and informed by the future to keep them healthy, energised, and employable.



Voices that make up this year's study



Australia

505 employees

105 HR leaders

50 C-suite executives



Global

9,449 employees

1,920 HR leaders

845 C-suite executives

84 Investors



Mercer partners with organisations to build brighter futures.



Ask us how we can help **drive human-centric productivity** by:

- Redesigning work for human optimisation
- Increasing agility with enhanced workforce analytics
- Accelerating with skills-powered organisations



Ask us how we can help **anchor to trust & equity** by:

- Building value-based brand equity to attract and retain top talent
- Ensuring fairness and transparency in pay, health and career opportunities
- Creating a positive impact through sustainability commitments and actions



Ask us how we can help **boost the corporate immune system** by:

- Increasing risk awareness and readiness for what's next
- Ensuring a healthy and sustainable talent pipeline
- Using workforce science to anticipate and mitigate exposures



Ask us how we can help **cultivate a digital-first culture** by:

- "Being digital" rather than just implementing technology
- Evolving the employee experience through HR functional transformation
- Enabling and communicating change to deliver ROI



Download the full report



Talk to us

This content is intended to inform clients of Mercer's views on particular issues. It should not be relied upon or used as a substitute for professional advice specific to a client's individual circumstances. Whilst Mercer believes the prospective information and forward looking statements made by Mercer in this report are based on reasonable grounds, they are predictive in character and may therefore be affected by inaccurate assumptions or by known or unknown risks and uncertainties. This content has been prepared by Mercer Consulting (Australia) Pty Ltd (MCAPL) ABN 55 153 168 140. 'MERCER' is a registered trademark of Mercer (Australia) Pty Ltd ABN 32 005 315 917.

© 2024 Mercer LLC. All rights reserved.