



# Workforce 2.0

Unlocking human potential in  
a machine-augmented world

Global  
Talent  
Trends  

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2024



welcome to brighter



# Introduction

The world of work is in full metamorphosis, forever changed by the seismic shifts of the past few years and accelerated by the imminent human-machine teaming revolution. Just as organizations were settling into a new normal — with a focus on hybrid working, comprehensive health and well-being, digitalization, and upskilling — Generative AI (Gen AI) burst onto the scene. Changing not only how people work but the work experience itself, Gen AI has been met with equal measures of unease and excitement. Will it produce a real productivity lift? Can the increased risk exposure be effectively managed, and is it worth it? What will be the permanent impact on the competitive landscape? These are the conversations dominating boardrooms and team chats, with one universal truth emerging: Unlocking the potential of this new world of work means keeping people at the heart of the transformation agenda.

Thank you to the 12,200+ C-suite executives, HR leaders, employees, and investors who participated in this year's study.

There is no escaping the need for new ways of working and new ways to value workers. The societal dynamics emanating from the last few years (including louder calls for fair pay, better working conditions, and less environmental impact) are aggressively reshaping the work contract. Leading companies are rethinking their People practices, and leveraging greater talent science to ensure a more sustainable, equitable and intuitive work experience.

The urgency is coming from all stakeholders. Two in five workers believe that *the world of work is fundamentally broken* and one in four wish they *didn't have to work at all*. People crave the peace of mind that comes with job security and financial well-being — staples that become increasingly important during times of upheaval. Executives are also seeking solid ground, focused on keeping their business running by addressing *inflation, digital acceleration, and alternative work models* (see Figure 1). Climate concerns are hitting closer to home as more frequent *extreme weather* events impact business continuity. *Cyber risk* has been bumped from its top spot in 2022, and significantly fewer executives are accounting for an *overall heightened risk environment* in their plans. HR remains anxious about *rising labor costs, managing a remote workforce, and skills shortages*. And 89% of asset managers see an *engaged workforce as a key driver of company value*.

**Figure 1. Geopolitical and socioeconomic forces impacting three-year plans**

*C-suite question: Which of the following are influencing your 3-year plans? (Select up to five)*



## The C-suite is bracing for risk

The turbulent business environment shows no signs of easing up. Protracted conflicts, skittish financial markets, and high operational costs continue to haunt the business community. Add in a raft of elections in key geographies in 2024, and it's no wonder near-term risks dominate the C-suite agenda. This focus on the present is concerning given executives' long-term pessimism: Nearly two-thirds predict a "stormy" or "turbulent" outlook over the next 10 years, according to the [2024 Global Risks Report](#).<sup>1</sup>

Weathering the storm requires risk management and people management strategies that drive long-term sustainability. As organizations brace for uncertainty, executives' top strategies for an economic downturn are telling: They will double down on *AI investment* (43%), *reskilling* (40%), and *digital transformation* (39%). Only one in five said they would reduce their workforce (down from one in four in 2022). This signals a positive trend toward breaking the exhausting cycle of "churn and burn" and reflects HR's focus on building from within this year. Nearly two-thirds (63%) of executives believe *jobs, not people, should be made redundant*. Yet with less than one-third very confident they can *make human-machine teaming a success*, navigating the future of work will require attention to persistent people issues.

Figure 2: HR priorities for the 2024 People agenda



## Lack of consensus among stakeholders

Most HR leaders have plans to *enhance the employee value proposition and experience* this year to better attract and retain top talent (see Figure 2). Fewer are prioritizing *sustainability accountability*, *"Good Work" standards*,<sup>2</sup> and *diversity, equity, and inclusion (DEI)*

*goals*, yet executives see these areas as *top drivers of business growth* this year. Seventy percent of asset managers say that a company's *people sustainability* (including turnover, employer brand and talent pipeline strength) is critical to informing investment

decisions, and 55% cite *social sustainability* (a focus on equity, social inclusion, and societal impact) as a secondary driver (ahead of *environmental sustainability and governance*) — recognition that People risks are business risks.

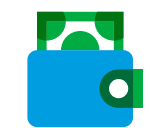


## Making work “work”: What helps employees thrive

Despite some softening of the labor market, organizations still struggle with their talent pipeline — elevating the importance of retention

and putting the onus on managers to ensure that their people leave work feeling good about their day and energized for tomorrow. What drives a sense of thriving varies, but a regression analysis shows that 42% of this variance can be accounted for across five dimensions (see Figure 3).

Figure 3: What really makes a difference to employees



### Financial stability

- “My company helps me afford medical care.”
- “My company helps me prepare for retirement.”



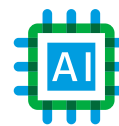
### Psychological safety

- “I can bring my authentic self to work.”
- “I feel empowered to make decisions independently.”
- “Our work and work practices promote autonomy and dignity.”
- “I can voice my opinion openly without fear of repercussion.”



### Sense of purpose

- “I believe my work contributes to a worthwhile mission.”



### Digital enablement

- “We have a digital-first culture.”
- “I have access to the latest tech (e.g., Gen AI) to do my job.”
- “My work experience is designed to bring out the best in me.”



### Skills growth and job security

- “I will have a career at my company even if my job is eliminated”
- “My company helps keep my skills up to date.”

## Organizations are being tested in new ways

This year, solving for business agility and [people sustainability](#) is critical.<sup>3</sup> HR professionals in high-growth companies (self-reported 10% revenue growth or greater in 2023) are more likely to describe their company as *agile* (54%) and *focused on the long term* (49%) than those in low-growth companies (less than 3% growth). Fewer than half of executives (46%) are confident their organization can *meet customer demand with its current talent model*, and only 27% strongly agree that their *workforce models are agile enough to pivot talent from one area to another*.

The productivity gains of yesteryear have run their course. The cost of labor is not abating, and offshoring, near-shoring, and business process re-engineering are no longer moving the productivity needle. Now, organizations have the opportunity to deliver [technology arbitrage](#) that can not only unleash the potential of their workforce but offer a new (and much needed) cost and return landscape.<sup>4</sup> Gen AI is here, and

it’s changing the game. Over half of executives (54%) believe that their businesses *will not survive beyond 2030 without embracing AI at scale*. To capitalize on the most significant technological breakthrough of our time, organizations need to ensure that their business and people plans are amplifying human progress.

Organizations that are outpacing competitors are striding ahead on four priorities. They recognize that **human-centric productivity** requires attention to how work is evolving and the skills and motivations of those doing the work. They 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**. They acknowledge that as work becomes more complex, it will be critical to simplify, engage and inspire their workforce toward a **digitally-infused 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.



# Drive human-centric productivity

Solve the productivity equation with AI, assessment and work design





# Drive human-centric productivity



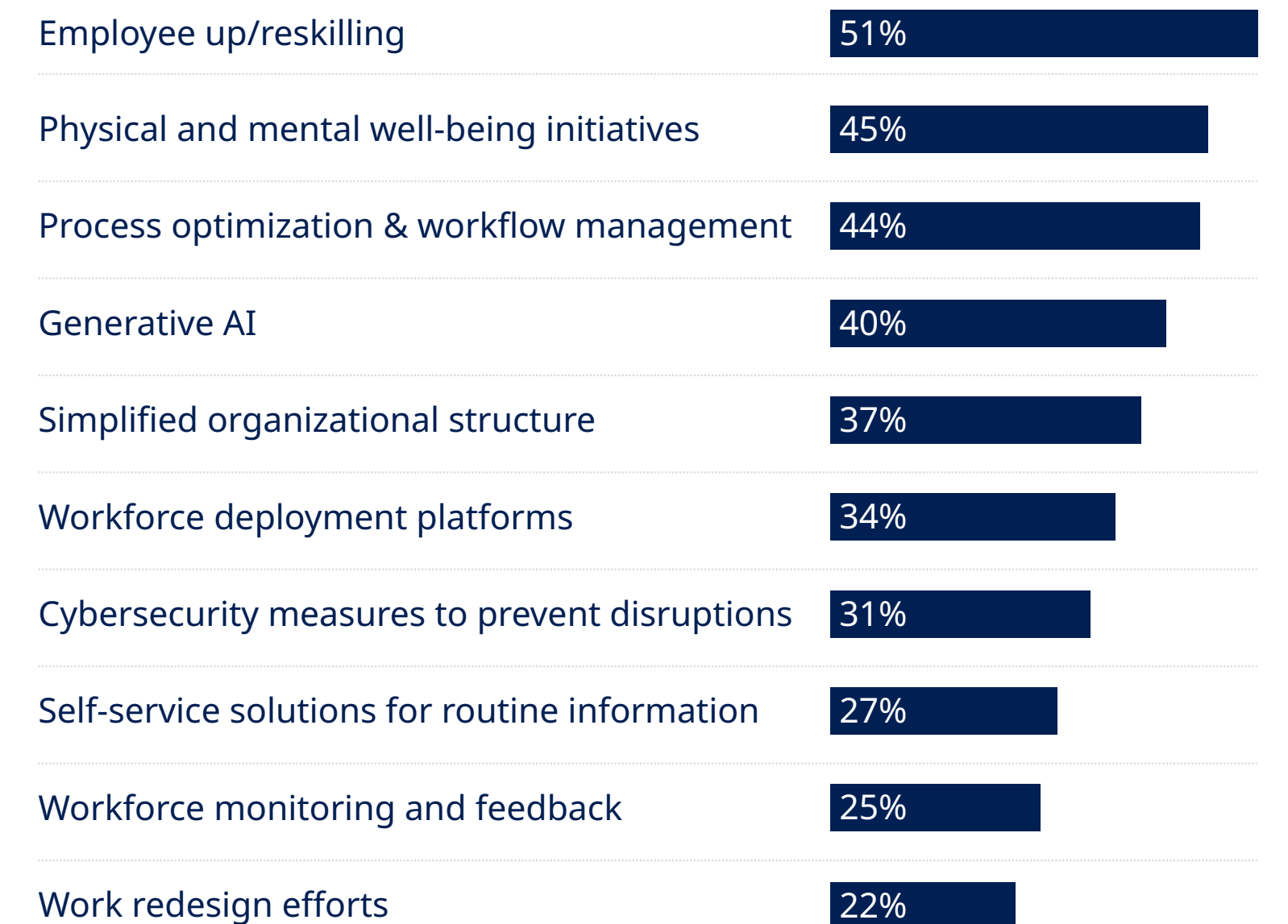
The rapid rise of human-machine teaming presents an urgent opportunity to re-examine the productivity equation. The new math must take into account AI's ability to augment human capability, improve efficiency and fuel innovations in both business solutions and personalization of the employee experience. But AI is only one side of the equation. Leading companies are complementing emerging technologies with agile talent models and human-centric work design — both crucial in reshaping how work gets done and quantifying the value delivered by each worker. This requires deep insights into skills demand and supply, as well as investment in upskilling. Keeping people at the heart of the productivity equation ensures that the gains delivered will be shared by all.

## Cracking the code on productivity

Following years of [weak output growth](#) and diminishing returns from traditional labor arbitrage,<sup>5</sup> it's no surprise that *increasing productivity* is the number one driver of business transformation plans this year. The pandemic sparked a more inclusive model of productivity — and executives understand that a continued focus on *workforce upskilling/reskilling*, *employee well-being*, and *process/workflow optimization* will be required to boost productivity in 2024 and beyond (see Figure 4).

Figure 4. Given productivity is the #1 driver of transformation this year, what could move the needle?

*C-suite question: Investment in which areas would give the biggest boost to productivity in your organization? (Select all that apply)*

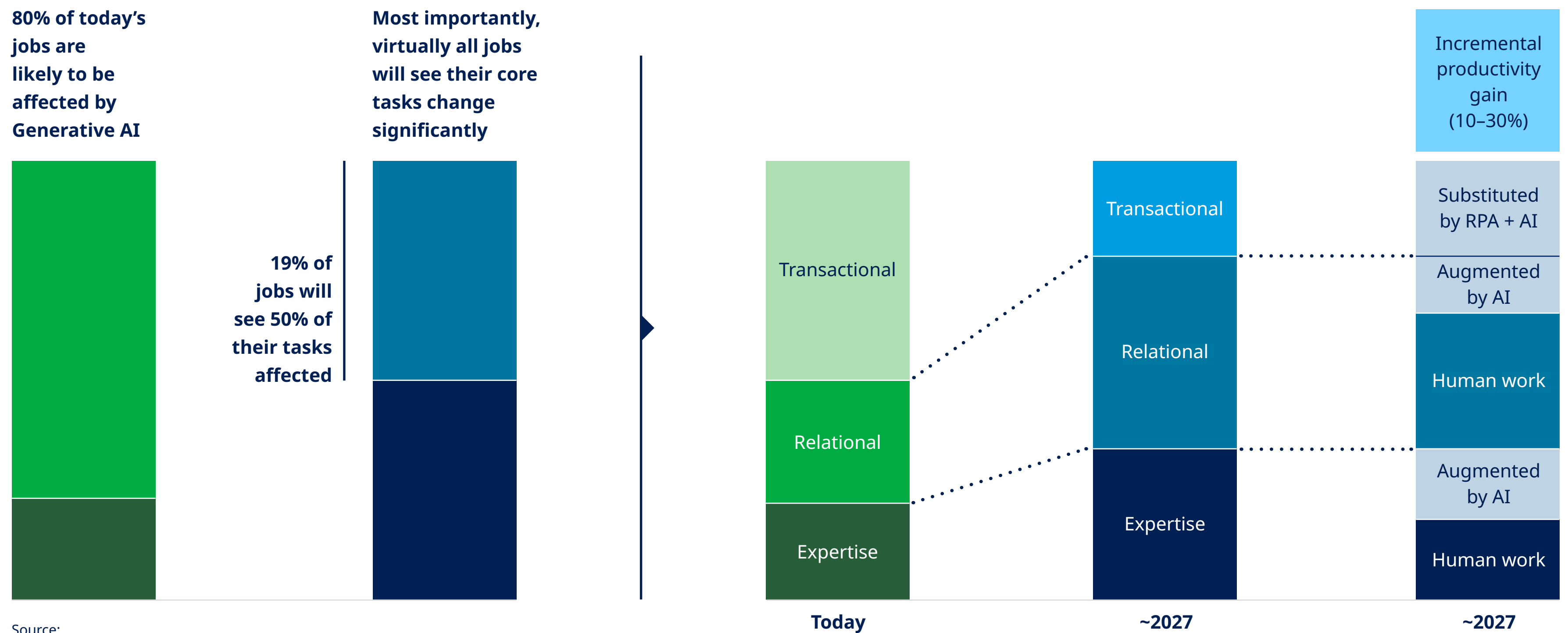




Now, organizations large and small are racing to capture the upside of “augmented intelligence.” Fifty-six percent of executives see AI as a *job creator* in their organization (44% believe the opposite), but with one in four saying that AI will *fundamentally change their business model*, changes will permeate across all jobs. Both executives and HR are grappling with one question: What will be the impact on the workforce and the skills needed to compete? Generative AI is already augmenting jobs at the task level and demanding a shift in skillsets (see Figure 5), ushering in a new debate around how best to measure, reward, and cultivate human contribution.

If new technologies promise efficiency hikes, why do productivity gains remain so elusive? One reason is that tech deployments are not translated into new ways of working and not enough time is spent on helping people make the change. Another is that traditional “hours-in, widgets-out” [measures of productivity](#), while easy to quantify, fail to reflect workers’ longer-term contribution.<sup>6</sup> Many business leaders agree: One in four executives say that *today’s productivity metrics do not fully capture the value workers provide*. And workers themselves feel commoditized, with nearly two in five employees (39%) believing they are *more replaceable and less valued than before the pandemic*.

Figure 5. The power of “And” — How Generative AI is augmenting jobs



Source:

<sup>1</sup> OpenAI, OpenResearch, and the University of Pennsylvania

<sup>2</sup> Brookings Research

<sup>3</sup> Goldman Sachs Research, Reinventing Jobs: A 4-Step Approach for applying automation to work (Jesuthasan and Boudreau, HBR Press 2018)





The past few years have underscored the importance of workers' energy levels as a driver of productivity. When asked what gets in the way, workers noted *busy work, too many interruptions, ineffective organizational structures, and unsustainable workloads* (see Figure 6) — with fifty-seven percent of employees reporting that they are *working longer hours than ever before*. While employees do not see a lack of *autonomy* as

an issue, they do point to poor work design, ineffective work habits, and a desire for greater direction and feedback. AI and skills are part of the equation, but moving everyone to new ways of working and creating space for upskilling in the flow of work is going to be critical to success.

Tackling these challenges requires increased attention to capacity planning, work design to eliminate

non-value-adding work, and use of AI tools to improve skills/task matching. Addressing poorly designed jobs and making work more attractive can mitigate productivity loss in the short term and boost productivity in the longer term — allowing for junior-fication, non-traditional hires, and more widespread use of early/mid career moves. Sustaining a healthy talent pipeline also requires a shift from badge swipes to more

holistic, impact-based measures of value creation. There has been a recent shift at the top of the house: Executives are being held more accountable for human capital metrics that directly or indirectly impact productivity, such as *employee health and well-being* (50% of executives have this on their scorecard, up from 40% in 2022 and 21% in 2020), *delivering on Good Work standards* (43% this year), and *employee engagement* (40%).

**Figure 6. Biggest drains on employee productivity**

*Employee question: What keeps you from being most productive at work? (Select all that apply)*







# Redesigning career pathways for a sustainable talent pipeline at LONGi

## How a solar technology company centers skills development as a catalyst for growth

As countries set climate goals to reduce their carbon footprint, LONGi, a global leader in solar technology, is expanding to meet this rising demand while navigating intense competition. To fend off skills scarcity and drive consistent growth, LONGi re-evaluated their productivity equation and strengthened its talent pipeline, focusing on redesigning career pathways.

LONGi first added structure to job grading, performance management,

and compensation management to address inconsistencies which had impacted recruitment and career development processes, evidenced by managers' uncertainty in outlining job requirements. LONGi couldn't afford to lose ground given the strict regulations surrounding product quality, so their HR Management Center implemented a robust job grading system and redesigned career paths with a skills lens to better align with business needs.

As part of strategic workforce planning, LONGi inventories talent and skills by aligning business strategy, organizational capabilities

and position requirements. To improve skills benchmarking, they transitioned from an *iceberg model of competencies* to a *concentric circle model*. The new approach aids internal and external talent selection by identifying core skills and employee differentiators across 33 job categories and 121 sub-categories. This allows the team to assess performance, values, potential, and ability using a talent review matrix and identify high-potential talent to support business-critical campaigns. LONGi also identified six key leadership capabilities, which form the basis for their leadership development programs.

LONGi's talent development model, "Learn, Test, Train, Practice, Assess," promotes practical experience, rapid training, deployment and skills development. Their holistic approach to performance management combines typical performance reviews with project-based assessment, in which the project manager considers both individual and collaborative success. Ongoing "empowerment projects" (including job-related training, job rotations, and internal gigs) accelerate growth opportunities further. This focus on internal skills development over outside hiring is paying off:

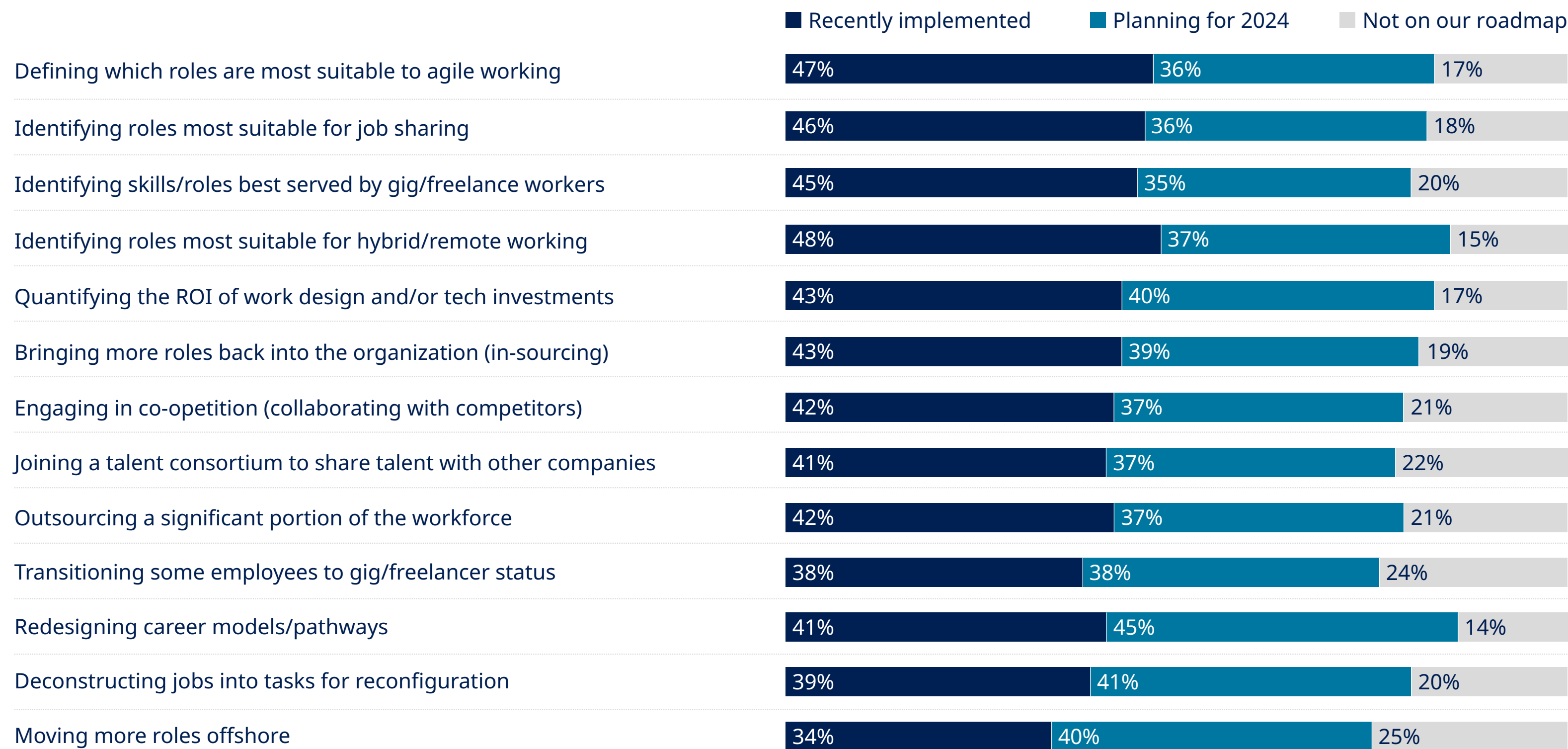
The internal talent growth rate increased by 15 percentage points YOY (from 20% to 35%).

Ma Fuhai, General Manager of the Human Resource Management Center, shares the upside: "By promoting the continuous improvement of skills, a sustainable talent pipeline is established, thereby ensuring the continuity of business development. This achieves the triple benefits of skill enhancement, productivity improvement, and future business sustainability, laying a solid foundation for the company to continuously innovate in the rapidly changing market."



**Figure 7. Increasing productivity through intentional work design**

HR question: Which work design changes have you recently made or are planning for 2024? (Select all that apply)



## Designing work for new demands

Fifty-three percent of executives project that *AI and automation will bring a 10-30% productivity boost* to their organization over the next three years, and an additional 40% see an even greater upside. Estimates suggest that AI could add [trillions of dollars](#) to the global economy.<sup>7</sup> While these figures are alluring, productivity gains will remain out of reach unless organizations take a fundamental look at how work is done today and actively redesign it for a machine-augmented future.

Employees report that *one-third of their work today is mundane and repetitive*, presenting an obvious opportunity for process and cognitive automation. But AI holds promise as more than just an efficiency play. One-third (32%) of executives believe AI will add the most value in their organization

*by amplifying intelligence to enable higher quality work.* They see the potential of human-machine teaming to mitigate some of the most pressing talent risks of our time — constrained supply, rising labor costs, ineffective talent mobility, low workforce energy levels, and more. These benefits will be realized only if work is designed around how humans want to work and their skills are continuously nurtured at pace with technological advances.

To that end, *98% of organizations are planning work design changes in 2024, with increased productivity as the main driver.* Their recent redesign efforts focused on *identifying which roles are best suited for nontraditional work models and reallocating work to different talent pools* (see Figure 7). HR leaders in lower-growth organizations are more likely to say these work design changes are *not on their roadmap this year.*





Thoughtful work design will broaden an organization's talent supply options, a critical advantage when 48% of HR leaders see *skills shortages as a top threat to their business this year*. By deconstructing jobs and redeploying tasks to optimize work, organizations can create new jobs that reflect changing skills needs and make work more accessible to non-traditional talent.

Translating post-pandemic pockets of agility into a permanent "new shape of work" has proved

challenging. Companies that are building a more systematic approach have identified which roles are best suited to fixed, flexible, or flow-to-work talent models and strengthened their underlying career architecture and skills taxonomy to enable more agile ways of working. AI-powered platforms have made the fixed-flex-flow framework easier to operationalize, but only 26% of organizations are using internal talent marketplaces today.

### Fixed, flex, flow: Options for connecting talent to work

#### Talent in fixed roles

- Jobs with pre-determined volume of work
- Jobs that demand consistency due to control/expertise
- Stable roles that benefit from workforce planning and managed job architecture

#### Talent in flex roles

- Jobs with a proportion of time designated for non-fixed tasks
- Additional activities from internal gigs, marketplace opportunities, etc.
- More fluid roles that benefit from skills insights and talent deployment processes

#### Talent fully flows to tasks, assignments, and projects

- Jobs with no pre-defined owner and work allocated on a needs basis
- Bursts of activity aligned to capability
- Agile roles that benefit from skills-based planning and credentialing

Adapted from: [Work Without Jobs](#)<sup>8</sup>



## Flexible working continues to deliver a productivity boost

While it may seem that employers have finalized return-to-office plans and codified their post-pandemic flexible working policies, in fact 41% are *planning further changes this year*. The good news is that conversations have moved beyond location-based considerations to include other forms of flexibility. For the 10% that are moving to more onsite work, *opportunities to learn corporate behaviors and increased cyber risks* from remote work are driving their decision. The technology

industry is leading the way in moving to more onsite work, But the majority of those making changes are more fully embracing flexible working for all. Their main driver is *increased productivity*, which aligns with the *64% of workers who say they are more productive when they work remotely*. Other top drivers are *increased employee engagement* and *improvement in the organizational culture*.

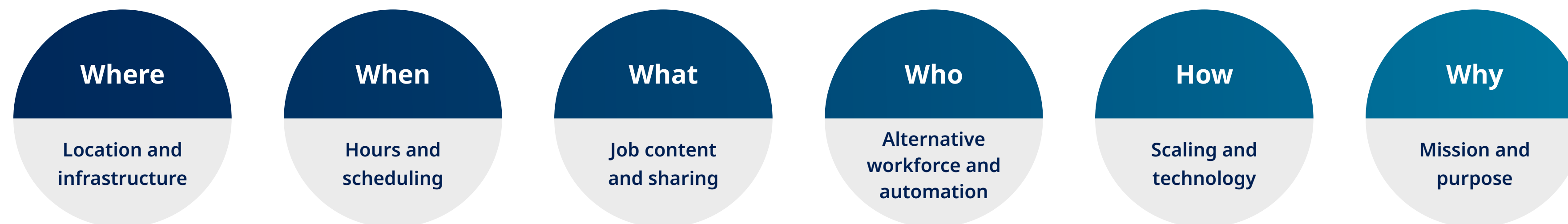
Today, the dominant model is *onsite full-time* (38% of workers, plus an additional 16% onsite most of the time), followed by 27% in a *50/50 hybrid model*,

and 10% *remote full-time* (with an additional 10% remote most of the time). Interestingly, only 22% of organizations are expanding their flexible working options to *better attract top talent*, reflecting a shift in employee preferences for “together time.” At the end of 2021, a staggering 62% of employees said they would only *join or stay with an organization if they were able to work remotely at least some of the time*. This year, that number has dropped to 41%. Overwhelmingly, people want some degree of social contact, with 46% *preferring to work onsite most or all of the time*, even if their job could be done remotely, and 27% *saying their*

*ideal would be a 50/50 hybrid arrangement*. Only 10% wish to be *fully remote* — and this is consistent across geographies, generations, and genders.

Taking a multidimensional view of flexible work is key to increasing agility and productivity. This is especially important when the nature of the job does not lend itself to location-based flexibility (e.g., in the manufacturing, retail, or healthcare sectors). Considering the where, when, what, who, how, and why of work expands the parameters and makes it easier to take an “all roles can flex” approach — opening up more possibilities for work redesign and reducing the friction that prevents talent from flowing to work. Incorporating flexible working into work redesign can strengthen the employee experience, diversify the workforce, tap into non-traditional talent pools, and access new skills — making headway on attraction, agility and productivity in unison. There is also greater acknowledgement that leaders and people managers need to partner with their team members in new ways, having more regular and proactive conversations on pay, flexibility and careers as both work and personal circumstances evolve.

### Six dimensions of flexible working







## Unlocking productivity with talent intelligence

A deep understanding of the work to be done is one input into the productivity equation; insight into the capacity and capability of the workforce completes the picture. High-growth organizations are *1.4 times more likely to be using assessment throughout the employee lifecycle*. With better talent intelligence, organizations can more objectively match people to work, yet less than half of employees (47%) say their *manager understands their current skills, interests, and skill gaps* and just 31% say they are *required to enter their skills into a centralized database*.

The world of talent insights is evolving. Psychometric assessments (that measure

employees' work style, motivations, and cognitive abilities) and technical skills audits (including self-report, proficiency scoring by managers and peers, and hackathons) are closing knowledge gaps, while big data, predictive analytics, and AI are driving new insights about enterprise skills supply and demand. Together, this talent intelligence can unlock latent productivity by better matching work to individuals' skills and motivations, fueling agile flow-to-work models, and improving the accuracy of strategic workforce planning. Understanding people's skills and gaps is also vital to encouraging employees to spend their learning time in value-adding ways — developing skills that are in-demand, pay a premium, and/or help them remain employable.

### Using talent insights to make more informed decisions

- **Enhanced insights for internal succession.** 33% use psychometrics, simulations, technical skills assessments, and situational judgment tests for internal talent decisions.
- **Rise of technical credentialing.** 30% use technical skills assessments to fuel their talent marketplaces, with 25% of employees saying that their technical skills are being validated when applying for internal gigs.
- **Increase in manager/peer validation for skills.** 30% require validation of skills if used in performance reviews, and 24% require validation if used for compensation.

### Emerging trends

- **Increasing skill visibility:** Centralized databases that give all employees access to everyone's skill information
- **Well-being:** Worker well-being assessments, work habit self-insights and work culture audits



In addition to capability, productivity rests on having sufficient capacity — not measured in hours alone, but also in capacity to learn new ways of working, to have dedicated uninterrupted time to work, and to optimally integrate life inside and outside of work. As the productivity equation shifts with greater human-machine teaming, it's never been more critical to move from headcount planning to skills-based strategic workforce planning. Leading firms are mapping future demand, modeling internal taxes on people's time and quantifying needs in skills rather than FTEs. *Improving workforce planning* is a top priority for HR leaders this year (#3 globally), but the real advantage comes from doing this in combination with work redesign. Together, these can unlock new ways of working, define the ROI of tech investments on capacity, and more effectively address forecasted talent shortfalls.

 **48% of HR leaders see skills shortages as a top threat to their business this year** 

## Shift from churn & burn to reskill & redeploy with skills-powered organizations

Armed with robust talent intelligence, leading employers are matching people to work using skills, not jobs, as the currency. Solving for skills shortages today and keeping the workforce employable tomorrow requires intentional planning to effectively migrate talent from sunset to sunrise roles and avoid successive rounds of “churn and burn” as demand shifts. HR leaders are predicting, on average, a *19% turnover rate* this year (higher in the healthcare and construction sectors), with RIFs impacting, on average, *20% of their workforce*. There may be a disconnect here: *60% of workers trust their employer to provide a career for them even if their job is eliminated*.

When the nature of work is changing rapidly and in-demand skills are not available or affordable, building a [skills-powered organization](#) will pay dividends.<sup>9</sup> The talent crunch is requiring HR to take a “build from within” approach, rather than relying on the “buy” strategy most popular over the last five years. High-growth companies are already seeing the return, having invested more in *skills intelligence platforms*, migrated to *agile talent practices*, and gained leverage through increased use of a *variable/contingent workforce*.







### Pay-for-skills models are finally incentivizing skills development

What's different this year is that organizations are increasingly using rewards, not just talent levers, to address skills gaps. Forty-five percent of HR leaders report that *rewarding skill acquisition* has been the number one approach, a dramatic rise from number nine in 2020 (see Figure 8). Even as these practices have been gaining ground, they have a way to go in reaching their intended audience: *Only 18% of employees say their organization pays a premium for critical skills*. If too many workers are left wondering "what's in it for me?", upskilling and reskilling efforts will fail to deliver a return for an individual or their organization.

**Figure 8. Leading organizations are powered by skills**

*HR question: What approaches have been most successful in ensuring you have the skills you need in your organization? (Select all that apply)*







Executives see human-machine teaming as a productivity game changer, economists believe it will reshape markets, and employees are already experiencing the benefits firsthand. Early productivity gains from AI and quantum computing are enticing (mostly due to short-term cost savings), but it's human-centric design — not tech implementations — that will unlock real productivity and innovation. As the technology landscape moves from written prompts to multimodal large language models and domain-specific knowledge applications, AI's ability to amplify human intelligence will have a profound impact on hiring and mid-career moves. Together with more robust talent insights, diverse voices and a focus on healthy work habits, technology can be the catalyst for productivity that benefits all.





# Enabling human-centered change to create a skills-powered organization at Arcadis

## How a design, engineering and consultancy firm is on the journey to use skills-based practices and smart technology to accelerate business and career growth

Arcadis recruits for thousands of jobs annually, but with approximately a third of leavers citing a desire for greater career opportunities, the business knew they had to take action. The move to a Skills Powered Organization is central to the pillars of the company's business strategy: *digital and human innovation, sustainable project choices and powered by our*

*people*. The company's journey calls for human-centered change that leverages technology to build a skills-powered organization and cultivates future-ready skillsets.

A key part of the change is enabling employees to identify their skills, create career paths, access personalized learning, and apply for internal positions that align to their skills, interests and career goals.

The journey to become a skills-powered organization also aligns to the company's "Standardize and Automate" program. By identifying

opportunities to substitute, augment and reinvent work, Arcadis aims to drive smarter ways of working using a human-centered approach. This intends to drive career autonomy, allowing Arcadians to identify and step into roles that enable them to use their skills in different ways. Matching skills to tasks and connecting talent with internal opportunities aims to translate into clear and empowering career paths for employees, even if their work changes due to AI or automation. In the early adoption phase, 56% of the employee test group accessed opportunities and 20% engaged

with courses on the internal learning experience platform. The talent insights and trends Arcadis gathers from this talent intelligence will feed the company's future strategy to win, grow and retain exemplary talent.

To foster the transfer of talent between teams, Arcadis will establish governance around skills-first practices to cultivate a culture of talent mobility, where every Arcadian has transparent access to opportunities and is encouraged to explore opportunities where their skills are needed.

Amy Baxendale, Global Capability and Workforce Readiness Director, sums it up like this: "Becoming a skills-powered organization is about investing in Arcadians, their unique skills, and their personal growth. It means creating transparent and equitable access to diverse and personalized career paths, learning experiences, and opportunities that align with an individual's personal ambitions. This will ensure we are in the best possible place to meet the needs not just of our people, but also the changing needs of our clients — both now and in the future."



# Taking action



## Threats to productivity

### Enterprise risks:

- Inefficiencies and missed growth potential from lagging or poor AI adoption
- Increased liability stemming from errors and biases in AI outputs and changing data protection laws
- More frequent data breaches and cyber attacks due to remote working and networked organizational designs

### People risks

- Inefficiencies and missed growth potential from failure to adopt new work models
- Unforeseen costs and skills obsolescence by failing to up/reskill or underestimating the time/resources required
- Job disruption by AI and automation due to poorly managed skill transition

## Getting started (great for smaller employers)

1. **Establish AI governance and training for the workforce.** Institute and enforce policies for the responsible use of emerging technologies and use of un-gated large language models that can expose sensitive or proprietary information. Ensure human oversight where AI impacts people's health, wealth and career prospects.
2. **Communicate openly with employees** about how AI will impact work models and talent strategies within the organization. Specify which roles and skills will be displaced, and which ones will take on new importance in the future of work. Solicit and incorporate employee feedback into your planning.
3. **Know your people's skills and aspirations.** Understand workers' skills and motivations through skills assessments to support strategic workforce planning, career growth, and the acquisition of in-demand skills. Use psychometrics to inform hiring and succession.
4. **Embrace flexibility for all.** While corporate culture and the nature of work does not always support offsite working, the *where* is only one dimension of flexibility. Consider potential variations in *when* the work happens, *who* does it, what they're doing, *how* it gets done, and *why* — aligning to the company's mission and purpose. Ensure knowledge workers are not the only ones afforded flexibility.

## Suggestions to accelerate

1. **Build the business case for new ways of working.** Tap into human-machine synergy through work process optimization and intentional work design. Deconstruct jobs into tasks; determine whether each task is best handled by AI or humans (in fixed, flex, or flow roles). Outsource or delegate non-core tasks (e.g., fiduciary duties).
2. **Make skills the currency of work.** Realign your people processes and business models around monitoring, acquiring, upskilling and rewarding high-value skills (current and future). Create more gig-based work to encourage versatile skill building and enterprise-wide talent sharing.
3. **Increase workforce agility** through fit-for-purpose job architecture and work models that enable alternative talent pools and flexible working to quickly scale capacity up and down without adding FTE headcount. Earn worker buy-in on skills passports and internal talent marketplaces. Set up retention-based talent pools to help manage skills scarcity and competition, and outsource specialized skills when demand outpaces buy/build models.
4. **Incentivize productivity and share gains.** Reward up/reskilling and encourage employees to find and share ways to boost productivity through AI and automation. Consider how gains can be redistributed to employees via bonuses, flexible schedules, additional time off or other rewards.



# Anchor to trust and equity

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





# Anchor to trust and equity

Trust fuels relationships. When trust is in the room, even the most difficult conversations can go well. In today's business environment, value follows trust — leaders invest in the people and projects they trust to deliver. "Putting your money where your mouth is" serves as a powerful message to the workforce. But it's a two-way street, with employees wanting to work for a "trusted brand" that they believe will honor its commitments. Leaders, take note — employees' trust in their organization is the strongest variable in influencing how energized they feel at work, their sense of thriving, and their intent to stay.

## Trust: An intangible asset with outsized value

Trust in organizations hit an all-time high in 2022 . Through listening, collaboration and empathy, much of the world came together in the face of crisis. Companies invested in purpose and people throughout the pandemic period, taking actions to serve the greater good that resonated with employees. Now that trust is wavering. Employees' trust in their company,

though still strong, has declined significantly over the last couple of years. Today, 69% believe their employers will *do the right thing for society*, down from 78% during the pandemic. Trust that employers will *do the right thing for employees* also fell, from 80% to 69%. HR leaders see it too — 45% rate their organizational culture as *low trust*.

In the 21st century, trust is complicated. The [latest research](#) shows that roughly 30% of U.S. adults say most people can be trusted,<sup>10</sup> a steady decline from previous decades. Technology has permanently changed people's relationship with trust — calling into question the information from Google search results, Wikipedia pages, social media, and now generative AI tools such as ChatGPT. In fact, executives around the world have identified [misinformation/disinformation](#) as the top risk over the next two years<sup>11</sup> — especially critical in the 2024 election cycle as more than half of the world's population heads into the voting booth.







## Cracks in the foundation of employee trust

So what is eroding trust? Employees point to broken promises — both on *promotions, raises, and career opportunities* (#1) as well as on *stakeholder commitments related to sustainability and Good Work principles* (#4). Failing to take a *human-centered approach to organization design* can also impact the trust equation (#2) — when employees feel that the ground is constantly shifting under their feet, they may be less likely to fully buy in to the changes and try to “ride it out” until the next restructure. A sense of equity is also intimately connected to trust. Increased pay transparency, more scrutiny on pay gaps, and cost of living concerns have pushed living wages, fair pay, and fair opportunity into the spotlight — it’s no surprise that *unfair/unequal treatment* (such as perceived favoritism, bias, and discrimination) also erodes trust (#3).

Notably, return-to-office mandates and a perceived lack of autonomy (hot topics in the past) were cited less often this year.

In today’s uncertain economy, power is shifting back to employers. The *rising cost of living, job uncertainty, and cost cutting that reduces rewards/benefits* are top concerns among workers. The result is that more employees report feeling “stuck” — with employees in Japan most likely to be unsatisfied with their job but staying anyway (29%) but only 9% in Mexico feeling the same.

Too little turnover is as concerning as too much — especially against a backdrop of transformation plans that demand high energy and commitment from workers. Organizations are trying to nurture an engaged workforce with the will and skill to transform, yet 42% of employees say that *their employer is not meeting their needs* (significantly worse than the 19% in 2022).



## Benevolence, competence, and integrity build trust

What actions can organizations take to address the erosion of employee trust? The [research](#) in this area is well established and validated.<sup>12</sup> Psychologists have uncovered three factors for highly effective, trusted relationships: benevolence, competence and integrity (see Figure 9). All three matter; for example, you cannot make up for a lack of integrity by being more competent and benevolent.

Let's take each in turn. **Benevolence** as a business strategy means listening to employees, understanding what they want, designing work that brings out the best in them, and including them every step of the way. *Job security* is naturally the top reason that people stay at their current employer; this year, *fair pay*, *positive work culture*, and *growth opportunities* trend next. Investing in these areas demonstrates an organization's trust in its employees and willingness to commit to their long-term success.

Figure 9: How organizations can build back employee trust

### Benevolence

**"I trust that you will do right by me."**

#### Employee view:

- 81%** trust their manager to have their back (up from 66% pre-pandemic)
- 79%** say that people trust each other at their company (up from 67%)
- 68%** say their company designs work to bring out the best in them

#### HR leader view:

- 54%** say that decisions are made via top-down mandates rather than co-creation with employees
- 47%** say that continuous listening platforms are a core component of their EX approach

### Competence

**"I trust that you know what you're doing."**

#### Employee view:

- 78%** say that when someone makes a mistake, it's easy for them to recover (up from 62% pre-pandemic)
- 48%** say that their unique skills and experience are valued
- 40%** say that their current role aligns with their motivations and makes the best use of their skills

#### Executive view:

- 36%** say their org culture is to trust decisions to be made locally

### Integrity

**"I trust that you are telling me the truth."**

#### Employee view:

- 34%** believe that pay/promotion decisions are made fairly, equitably, and without bias

#### HR leader view:

- 55%** say that their org culture promotes genuine caring over "lip service"
- 31%** share pay/ranges for all roles, and 17% believe this level of transparency is critical to attracting & retaining top talent





**Competence** goes both ways: leaders trusting that their people have what it takes, and employees trusting that their leaders are being held accountable. If employees feel that their leaders don't have faith in their abilities, they might be right — three in four (74%) executives believe that the *majority of their workforce cannot adapt to the new world of work* (up from 61% in 2020).

**Integrity** is “walking the talk,” consistency between words and actions. Radical transparency can help — especially on decisions such as pay and promotion that [matter the most to employees](#).<sup>13</sup> This underscores the importance of companies living up to their pay philosophies, recognizing workers for their unique performance, contributions, experience, and skills. Transparency applies not

only to decision making, but also extends to admitting mistakes, addressing concerns, and seeking feedback for continuous improvement. Through open and honest communications, organizations can strengthen relationships with their people and build a reputation as a great place to work.

Employees who trust their organization are *twice as likely to report they are thriving*. This year, what helps people thrive is notably consistent across gender and generation, with some differences by geography (see Figure 10). Saying that, the influence of Gen X and Gen Y is evident. Topics that have been important to these populations over the last few years are now trending upwards for everyone: *Working for an organization with a purpose they can be proud of* (45%)

shot up from ninth to first position, *a sense of belonging* (40%) moved into second place, and *feeling valued for their contributions* (37%) rounds out the top three.

  
**Employees who can bring their authentic self to work are two times more likely to trust their organization**  




Figure 10: What helps employees to thrive at work?



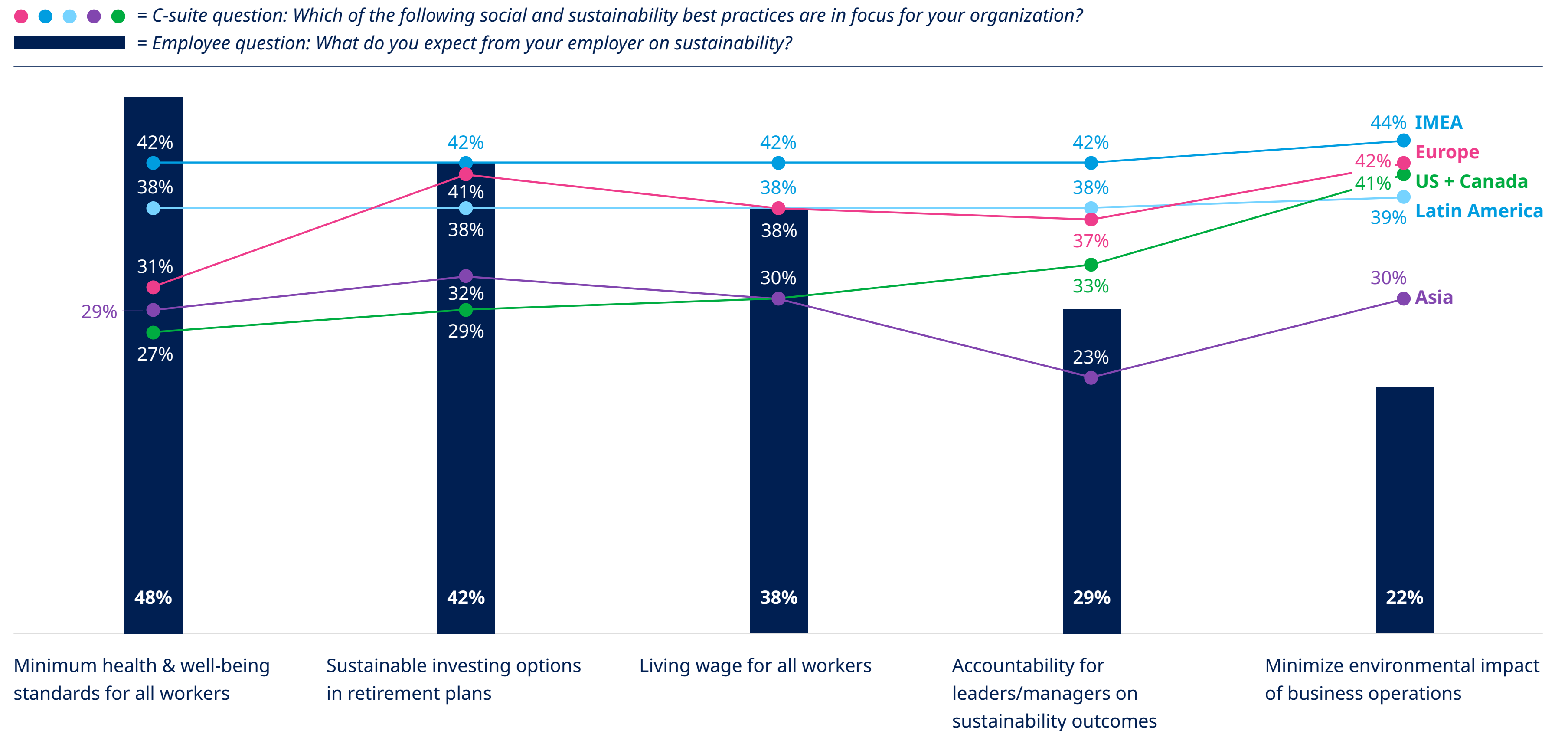


## Pride in the purpose

One out of every five employees who feel at risk of burnout this year attributes it to a *misalignment between their own values and the values of their employer*. Employees are increasingly looking to their organizations to prioritize social issues, diversity/equity and environmental impact. Nearly all employees (99%) expect their employer to *pursue a sustainability agenda*, and one in three say that *setting goals is not enough*; they are demanding that *leaders be held accountable for sustainability outcomes*.

When asked what they expect from their company on sustainability, employees' top priority was *offering minimum health and well-being benefits to all workers* — yet only *one-third of organizations* have done so (see Figure 11). Employees' second priority was *sustainable investment options in retirement plans*, which was rated by HR leaders as one of the most effective ways to *make progress on ESG outcomes*. Demonstrating commitment to a greener, healthier, and more socially responsible future helps to earn employees' trust in the organizational purpose. The challenge will be maintaining the momentum from the last few years — over half of organizations (55%) have *pulled back on ESG due to societal and/or customer pushback*, which could do irreparable damage to employees' trust levels.

Figure 11: Perceived values misalignment on sustainability is eroding employee trust





## A sense of belonging

A strong EVP ties the company's purpose and talent strategy to employees' personal experience at work. Much of this comes down to fostering diversity, equity, and inclusion (DEI). Once a distinct discipline, DEI now shapes the entire workforce agenda, and it's become even more important given AI's potential to [deepen inequities](#).<sup>14</sup> Both employees and HR acknowledge the positive momentum: Only 4% of workers say that their company's *DEI practices leave much to be desired*, and 98% of HR leaders report their company's DEI initiatives have produced concrete results over the last few years. But the details paint a less rosy picture of the true progress made (see Figure 12). Notably, employees in India and South Africa are more likely to say their company has *a clear DEI strategy* (51% and 50%, respectively), with employees in France less likely to say so (33%).

While issues of race and gender continue to shape DEI efforts and the employee experience, other dimensions of diversity are often overlooked. This year's results reveal that people with certain disabilities are substantially less likely to be *energized at work*, feel positive about their *workplace culture*, and *trust their organization* — and are far more likely to *feel unsatisfied at work but obligated to stay*. Older workers

are also the least likely to *feel energized*, *trust their company*, and *feel valued at work*.

To widen their lens, employers are expanding the objectives of their DEI initiatives to include fostering a sense of belonging — whether employees feel seen, heard, and valued without needing to change who they are. A majority of employees (76%) feel they *can be themselves at work always or*

*most of the time*, with notable differences between Millennials (79%) and Baby Boomers (69%), as well as between managers/leaders (79%) and individual contributors (70%). Importantly, employees who feel comfortable bringing their authentic self to work are two times more likely to *trust their organization* and over five times more likely to be *satisfied with no intent to leave*.

**Figure 12: Build trust by ensuring work works for all**

### Employees



My workplace has a diverse and inclusive culture where different opinions are valued (47%)



Our workforce diversity reflects the diversity of our customers and the communities in which we operate (36%)

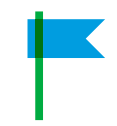


Women and minority groups are well-represented in higher leadership (32%)

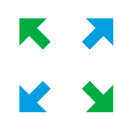
### HR leaders | Our DEI initiatives have led to...



An inclusive, fair, secure work deal for all workers (42%)



DEI as an explicit part of our workplace identity and culture (29%)



DEI as a visible part of our external brand (25%)

## Age is just a number

A staggering 76% of employees report that they have witnessed *age-based discrimination at work*. This can impact both younger and older workers. Misperceptions abound: Younger workers are often underestimated and undervalued, and older workers are perceived as set in their ways or unable/uninterested to learn new skills.

While RIFs used to take a “last in, first out” approach, now more tenured workers are being targeted. This is short-sighted: The rapid expansion of new technologies has put a premium on digital savvy, but it should also make

experienced employees' wealth of institutional knowledge that much more important.

HR leaders are aware of the problem, with 49% already *measuring and addressing age discrimination in talent decisions* and a further 34% planning to start this year.

With Gen Z expected to be the largest generation in the workforce by 2035 and 86% of current employees planning to *work past retirement age*, intergenerational working will continue to bring together a range of skill sets and worldviews and make the workplace a more complex environment to navigate.





# Easing the burden in key employee life milestones at Siemens Energy

## How a leader in energy technology supports employees in the moments that matter

Across the globe, the pace of population aging is accelerating. Juggling multiple caregiving responsibilities (children and aging loved ones) alongside the demands of maintaining a career is becoming the norm for many people. Siemens Energy was sensitive to this long-term challenge and the impact it has on employees who are feeling the pressure in their personal lives. This fact informed a multi-year program to level up their approach to employee leave on a global scale.

The approach sought to address critical milestones for different persona groups. A critical milestone for Generation Y for example was starting a family, with Mercer research finding that 78% of this demographic have caregiving responsibilities for children. The other

point at which employees felt the pinch was navigating multiple caring responsibilities, with Mercer research finding that 74% of Gen X juggle care for both children and aging parents. Siemens Energy also wanted to address bereavement by bolstering minimum standards of leave to support employees at a difficult time. In recognition of each of these experiences, the HR team, along with the I&D (inclusion and diversity) council, developed a policy targeted at key Life Events. This led to inclusive parental leave, bereavement leave, and family care leave, giving employees worldwide a minimum standard in the event of childbirth or adoption, the death of a close family member, or the need to care for a family member.

A key challenge was addressing the inconsistencies in current local HR policies to improve inclusivity and ensure equitable access across the 80+ countries Siemens Energy is present in. To do this, the team

worked with local HR to either introduce or extend coverage that often went beyond the local statutory requirements. Siemens Energy also considered language, updating policies to better reflect the range of family structures and relationships across their workforce. For example, they de-gendered their family leave policy and extended leave where it was previously only offered to the primary caregiver.

“Awareness is always the first step towards inclusion,” says Daniel Eppinger, Head of Benefits and Pensions. “Before you establish a minimum standard or a global policy, take the time — we took more or less a year — to discuss what this will mean for each different region, society, and country, as part of your preparation. Each of us has our own biases and knowledge gaps which need to be addressed to better understand the different needs and challenges for colleagues in each region.”



## Feeling valued for my contributions

For employees, a big part of feeling valued at work is knowing that decisions are being made in a transparent and equitable manner. Few decisions matter more to employees than how much they are compensated. Cost-of-living pressures and easier access to salary data are making more people question whether they are being paid fairly.

### Trust impacts executives' decisions to leave

C-suite executives are less likely than rank-and-file employees to say they *intend* to stay with their organization this year (46% versus 68%). One in three senior leaders *plans to leave* in the next 12–18 months, and a further 20% think they may be *let go or see their role eliminated*. Of those who do plan to leave, one in three cite a *loss of trust in their organization*.

Pay transparency, especially in job postings, is fast becoming an expectation (not to mention a regulatory requirement in at least 10 U.S. states and 20 countries), yet only 38% of employees say their organization is *transparent about the pay/range associated with each job*. This is especially relevant as employees are considering a new opportunity — this is the point where they ask, “Does it pay to stay?” [Compensation data](#) shows that in 2023, merit increase budgets in the U.S. averaged 3.8%, the largest since the 2008 financial crisis.<sup>15</sup> Employees who did not change jobs received an average base pay increase of 5.6% (including off-cycle pay changes), while job changers received an average base pay increase of 16.4%. People not only want compensation that reflects their contributions, but they also expect *pay equity relative to their colleagues*. This is less about *market-competitive pay* (which ranks as number six on the list of why people stay, see Figure 13), and more about the perception of fairness. HR leaders are aware that fair pay is rising in importance, while other items like flexible working are becoming table stakes. They also understand that compensation should not only be retrospective and reviewed at year-end; it is an ongoing conversation that needs to reflect the changing value of skills and reward loyalty on a continuous basis.

Figure 13: Why do people stay?

HR overestimates the importance of well-being programs and organization brand/reputation, and underestimates the importance of manageable workload and coworkers/people







## Modernizing total rewards to better reflect how employees contribute

When asked how their employer can improve their compensation, employees first and foremost want *more types of rewards and the opportunity to personalize their package* (see Figure 14). This request is not new (it was the top ask in 2020 and 2022 as well) and HR has been listening, with 51% of companies having recently implemented improvements in this area. But only 15% have gotten *hyper-personalized*, leveraging advanced

employee listening and analytics to deliver the [rewards that employees value most](#).<sup>16</sup>

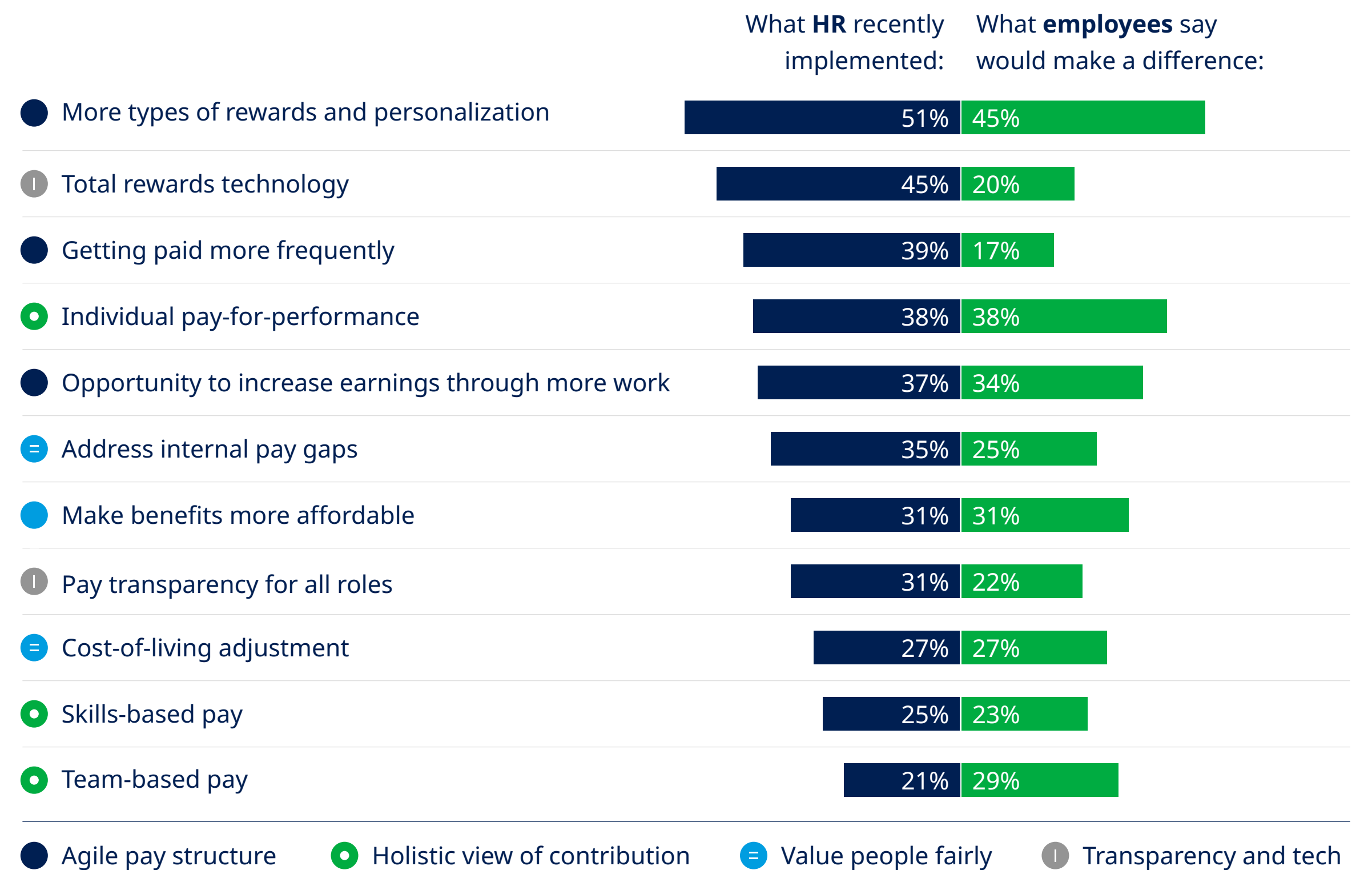
Personalization is not just about salaries and bonuses. This year, 46% of employees said they would be willing to forgo a 10% pay increase in exchange for *additional well-being benefits* (the top response) and 41% cited *increased employer contributions to retirement/savings programs*.

A personalized approach is now more possible than ever due to advances in AI. Another area that can benefit from AI is simplification. While 45% of companies *recently implemented total rewards technology*, there is still a long way to go to eliminate superfluous pages, portals, and platforms. A generative AI front-end can help to create one place for employees to get the information they need (e.g., health benefits) and the information they want (e.g., paid time off). No more time wasted searching for the right tool or most recent data.

A word of caution: HR may struggle to get attention and funding to modernize total rewards. When asked which People initiatives would deliver the greatest ROI, C-suite executives ranked *enhancing pay practices* last from a list of thirty choices. And only 16% believe that *failing to improve pay practices will expose their organization to considerable risk*.

**Figure 14: Show me the money: Are companies giving employees what they want?**

*How are organizations rethinking rewards?*







# Reimagining the EVP to strengthen trust and belonging with WorkSafe Victoria

## How a workplace health and safety regulator is building their new EVP around shared purpose

*What do you value about working here? How does it feel to play a vital role in your community?* WorkSafe Victoria, faced with a tight talent environment, set out to better articulate their unique EVP and redesign their total rewards offering. This would allow them to quickly recruit hard-to-fill roles and improve retention where they were being out-competed by greater flexibility and higher remuneration.

WorkSafe Victoria recognized the lasting shift in the employee-employer psychological contract, with people reimagining what they want from work and expecting more in terms of safety, well-being, flexibility, and career development. Through focus groups and data insights, the People & Culture team uncovered a rise in employee fatigue, compounded by the organization's necessary changes in focus during the pandemic. It was also clear that people were unsure how to leverage internal career opportunities.

Despite the underlying challenges, there was remarkable alignment in values across persona groups. Many highlighted pride in the company's purpose and impact on the Victorian community, along with its commitment to DEI through an active council and employee-led networks.

Another bright spot: Most employees trust the organization cares about their well-being. Engagement scores also showed higher satisfaction with work-life balance compared to other public sector organizations, another differentiator to leverage in the EVP.

While previous messaging focused on the contractual elements of employment, the EVP project provides an opportunity to showcase how WorkSafe Victoria inspires, empowers and celebrates its people across the key areas of career development, well-being and shared purpose. By surfacing their strengths, the reimagined EVP is set to reflect the strong sense of belonging and pride that employees feel, thanks to a shared purpose.

The EVP promise also feeds into recommendations for an updated total rewards framework. As a public body, the business is subject to the Victorian Public Entity

Executive Remuneration Policy and Classification Framework (they face tighter compensation constraints than private businesses). To stay attractive, WorkSafe Victoria leans into the areas where their offering is most competitive: career, well-being, and leave entitlement. "Don't underestimate the unique benefits your organization can offer, or the importance of clear and frequent communication about said benefits," advises WorkSafe Victoria's Culture Specialist, Catherine Boyd. Organizational Development Manager, Elizabeth Bremner, adds, "You'd be surprised how many employees are simply not aware of what's available."



## A living, breathing work contract

Feeling valued isn't just about salary and benefits. Employees are getting better at evaluating the entire deal, and one of the things they look for is transparency of opportunity. It's concerning, then, that only one-third of employees think *pay and promotion decisions in their organization are made fairly, equitably, and without bias.*



**Employees' trust in their organization is the strongest variable influencing how energized they feel at work, their sense of thriving and their intent to stay**



Inequities of opportunity can show up across many dimensions — including work location, with 34% of employees thinking that *remote working will have a negative impact on their career prospects.*

One way to democratize opportunities is to use skills as the currency of work. Companies have made significant progress: Today, only 21% of employees say that career progression at their organization is *based on tenure rather than skills* (an improvement from 36% in 2022). Getting the full value from a skills-based talent model requires radical transparency and a growth mindset — a belief that with enough effort and support, people can upskill and add value in new ways. Here, organizations have a long way to go: 36% of workers say that *job/project opportunities are visible to everyone*, and 32% say that *promotions mostly go to current employees rather than outside hires*. It's not just upward movement — three in four employees say that *horizontal and lateral moves are not prevalent* in their organization and that their employer does not support mid-career changes. Nudging people to make internal moves will be critical to fueling sustainable growth.

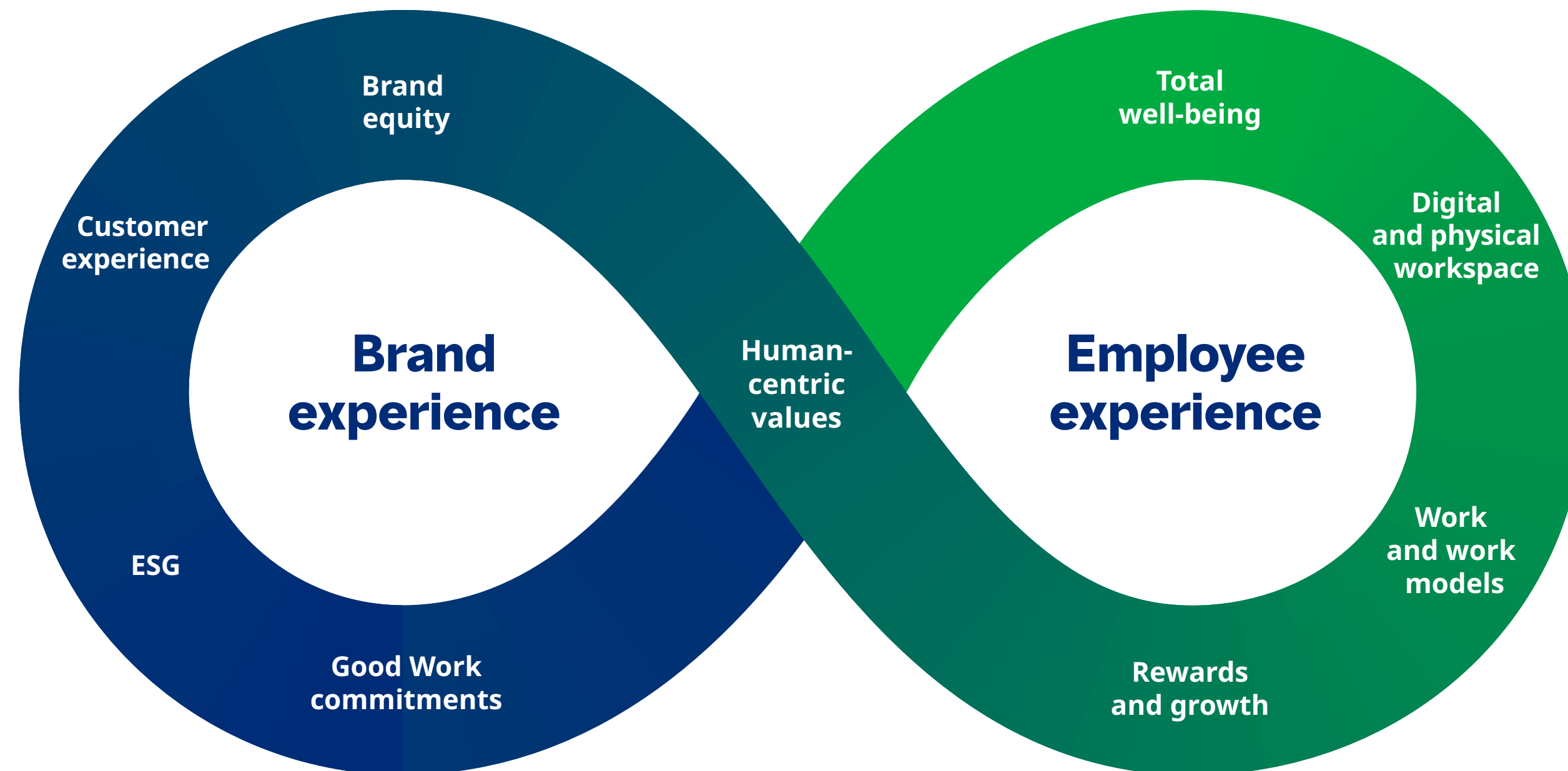




Congruence between brand and employee experience has never been more critical to get right

**84%**  
of employees  
say their work  
contributes to a  
worthwhile mission

**69%**  
of employees trust  
their company  
to do the right  
thing for society



**65%**  
of employees trust  
their company to  
provide them with  
the latest tech

**61%**  
of employees feel  
more valued (less  
replaceable) at work  
now compared to  
the last few years

Organizations are looking for ways to connect talent to work more seamlessly, and employees are eager for more opportunities to contribute. Technology can act as an enabler — [talent marketplaces](#) seamlessly connect talent to work, whether it takes the form of gigs, projects, assignments, or full-time jobs.<sup>17</sup> The most effective talent marketplace platforms generate workforce insights, recognize worker potential, and recommend personalized and dynamic learning pathways that lead to future opportunity.

Ultimately, workers want to feel valued and like they are getting a fair deal. There is a need for organizations to partner differently with their people, less structured around annual reviews and more responsive to employees' evolving needs. Organizations need to stay in constant contact with workers and be willing to renegotiate rewards, flexible working arrangements, skills development, and career paths as circumstances change. Line managers are critical to maintaining a living, breathing work contract and helping people find their unique path. While most employees *don't stay because of their manager*, having a manager who advocates for them is in the top five factors that *help them thrive*. To shore up the foundation of trust, the lived experience of employees needs to be constantly shaped by leaders, nurtured by people managers, and supported by a culture of [human-centric values](#).<sup>18</sup>



Employees found their voice during the pandemic, and they're not ready to give that up. As people reshaped their relationship with work, they depended less on their manager and built a more direct relationship with their organization's brand. When the economy shifts and workers feel like they

have more options, the degree of trust they have in their company will be a deciding factor in their choice to stay or go. For organizations to preserve trust and for employees to thrive, the latter needs to feel like they're getting a fair deal and their full lifestyle needs are being addressed.

### The evolution of the employee/employer relationship







# Sustainable advancement of true pay equity, diversity and inclusion at LSEG

## How London Stock Exchange Group (LSEG) is moving the needle on pay equity

One of LSEG's sustainability priorities is *creating inclusive economic opportunity for all*. As LSEG has grown in scope and scale over the last five years (including via its acquisition of Refinitiv), the company had to balance different equal pay/pay equity reporting standards across 67 markets, while addressing any pay discrepancies between the entities. LSEG went beyond regulatory requirements, applying a level of scrutiny on par with financial reporting to understand the "why" behind pay

gaps — key to achieving its ambition of bias-free pay.

Driven by data insights, LSEG's plan of action aligns to their sustainability goals. Even though the non-identifiable gender pay gap (which may result from bias or inequity) was low at 1.5% and was not statistically significant for ethnicity, LSEG reviewed pay and performance frameworks, policies and processes to scan for inequity of opportunity and began transparent reporting of annual average salary increases and bonuses. The top drivers of the identifiable pay gap for gender (31.1%) and underrepresented ethnic groups

(18.1%) were: *role and location, experience* and *business sector*. While pay gaps can be explained, this does not mean they can be justified; so LSEG set about improving representation and championing career progression. This includes manager training to recognize and mitigate bias, and a development program focusing on Black, Latinx and ally leaders. Alongside this, their talent acquisition process includes diverse shortlists and hiring panels, and tech to ensure job advertisements use inclusive and gender-neutral language.

2023 results are expected to maintain the proportion of

underrepresented racial and ethnic groups in senior leadership (14%) and LSEG aims to increase this to at least 25% by 2027. There was also a steady improvement in the representation of women (currently 40%), with a goal to maintain this moving forward. Next steps include collecting employee ethnicity data globally, which can be challenging due to inconsistencies and regulatory limitations. Over time, LSEG will establish initiatives to address other elements of diversity. Leadership accountability is formalized by connecting DEI to Group Strategic Objectives.

Bola Ogun, Group Head of Total

Reward, Performance and EDI, highlights: "As employers, one of our key responsibilities is making meaningful progress on equity, diversity and inclusion. People therefore expect organizations to be on top of pay equity as part of wider business initiatives. It's an ongoing journey, so businesses need clear data to measure their progress and action plans to address any challenges. It takes multiple years to get where you ultimately want to be, but we are proud of the steps we are taking and progress we have made so far. That said, we also know there is more to do and we will continue our focus and efforts towards our goals."



# Taking action



## Threats to trust & equity

### Enterprise risks

- Brand and reputational damage from broken promises around ESG and DEI impacting attraction and retention of customers and employees
- Investor impact and regulatory fall-out by failing to abide by reporting regulations and human capital disclosures
- Business continuity risk and cost issues due to not managing total worker health

### People risks

- Loss of institutional/tacit knowledge due to talent leaving at pace
- Stalled transformations from talent stagnation and low engagement
- Costs stemming from failing to proactively manage pay equity gaps

## Getting started (great for smaller employers)

1. **Make trust an enterprise-wide competence.** Identify what it means to be a trusted leader, a trusted advisor and a trustworthy employee/manager. Empower workers to make decisions that are value-based and aligned to the company's belief system.
2. **Recharge the EVP** by embedding DEI and belonging into all aspects of your employer brand. Use internal labor mapping to pinpoint where the EVP is failing different populations, and use data to course correct.
3. **Deliver full transparency** by redesigning HR processes, policies and communications that emphasize the impact of transparency on achieving business objectives.
4. **Foster a sense of belonging.** Create an environment in which people feel comfortable bringing their authentic self to work, enable managers to encourage diversity in all forms, and encourage everyone to solve business problems and openly flag concerns. Take a hard look at how fairness is perceived by workers at all levels.
5. **Celebrate employees' contributions.** Define what great looks like at the individual and team level (goals and performance metrics). Invest in digital platforms to help colleagues and managers share positive feedback and give public recognition. Ensure meaningful acknowledgement of value-adding contributions.

## Suggestions to accelerate

1. **Personalize the EVP.** Offer a deal that reflects the needs and values of your workforce. Use AI-powered people analytics to infuse your employer brand with an inclusive and purpose-driven culture, and benefits that excite a diverse talent pool.
2. **Cut off inequity at the source.** Tackle the root causes of pay, health and career inequities and put in place guardrails to ensure that AI doesn't perpetuate them. Adapt HR practices to meet employees' standards of fairness and design for longer term health and wealth outcomes. Start small with regulatory compliance, but work toward comprehensive measures that offer a fair total rewards package to all workers, including part-timers and freelancers. Ensure career accelerators such as international assignments are accessible to all, especially women and underrepresented minorities.
3. **Boost workforce engagement** by communicating the rationale for changes in pay, benefits, promotions and expectations in advance. Take a persona-based, intersectional approach across the employee lifecycle. Invest in engagement platforms that facilitate an ongoing dialogue with employees.
4. **Define your sustainability targets.** Set clear commitments against the WEF Good Work Standards or the UN SDGs. Consider providing sustainable investment options in retirement and long-term savings vehicles. Use climate transition and people sustainability metrics to stay on track with a multi-stakeholder agenda.



# Boost the corporate immune system

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





# Boost the corporate immune system



The risk landscape is changing in unexpected ways, with risks exacerbating, intersecting, and resulting in cascading effects. The imperative has never been greater for organizations to operate as sensing organisms, alert and ready for what's next. New technologies disrupt in known and unexpected ways, extreme weather events impact supply chains and workers alike, and geopolitical tensions are high. Deepfakes feel real and misinformation permeates daily life. These realities impact each and every organization, and weigh heavily on the minds of their people. To thrive in an uncertain and volatile environment, leaders and employees need to shore up their risk mindset and build resilience at both the individual and enterprise level.

## If People risks are business risks, it's time to raise the alarm

According to the [Global Risks Report](#),<sup>19</sup> talent remains a critical factor driving enterprise risk, with nearly every country ranking *skills shortages* or *unemployment* as a top 10 concern. Workforce health continues to cause business continuity challenges, with [non-communicable diseases](#) (NCDs) accounting for 74% of worldwide deaths and stress-related illnesses on the rise.<sup>20</sup> A company's leadership and workforce practices also impact a company's evaluation, according to asset managers. Nearly nine out of 10 (89%) see *workforce engagement* as a key driver of company performance, and 84% consider a "churn and burn" approach damaging to business value. Not all executives are alert to the consequences of not addressing People risks in their own organization (see Figure 15): only one in three say that failing to invest more in *benefits to prevent chronic illnesses* (35%) and in *reducing employee burnout* (32%) will expose them to considerable risk this year. With eight in 10 employees (82%) *feeling at risk of burnout* and the burden of NCDs impacting younger generations, the stakes are high and the demand is greater than ever to proactively address risk-exposing behaviors.

Figure 15: The business impact of not addressing People risks

C-suite question: Which of the following People initiatives will most impact your business this year? (Select all) / Top 10: Not addressing will expose us to considerable risk







## The resilience factor: A roadmap for enterprise and individual resilience

Six in 10 executives (64%) believe their business can *withstand unforeseen shocks* this year, up from four in 10 in 2022. These resilient organizations (as rated by C-suite executives) are further ahead in building a risk-aware culture by investing in skills and structures that build “readiness” and “response” teaming (see Figure 16).

Governance models and policies set the foundation for risk awareness and mitigation. One example is an organization’s cybersecurity program. There is reason for concern: Only 55% of executives are very confident that their company is *constantly updating its cyber-risk protocols to deal with new threats*, with executives in the higher education (62%) and automotive (61%) sectors more confident than those in financial services (46%) and life sciences (45%). Even fewer (41%) say their employees are *effectively trained* in this area. Perhaps most concerning is that 54% of leaders say those responsible for their company’s cyber-risk program *do not understand all of the available options for risk mitigation and risk transfer*. At a time when new technologies, networked organizational structures, and remote working are exacerbating data security concerns, traditional cyber-risk governance may

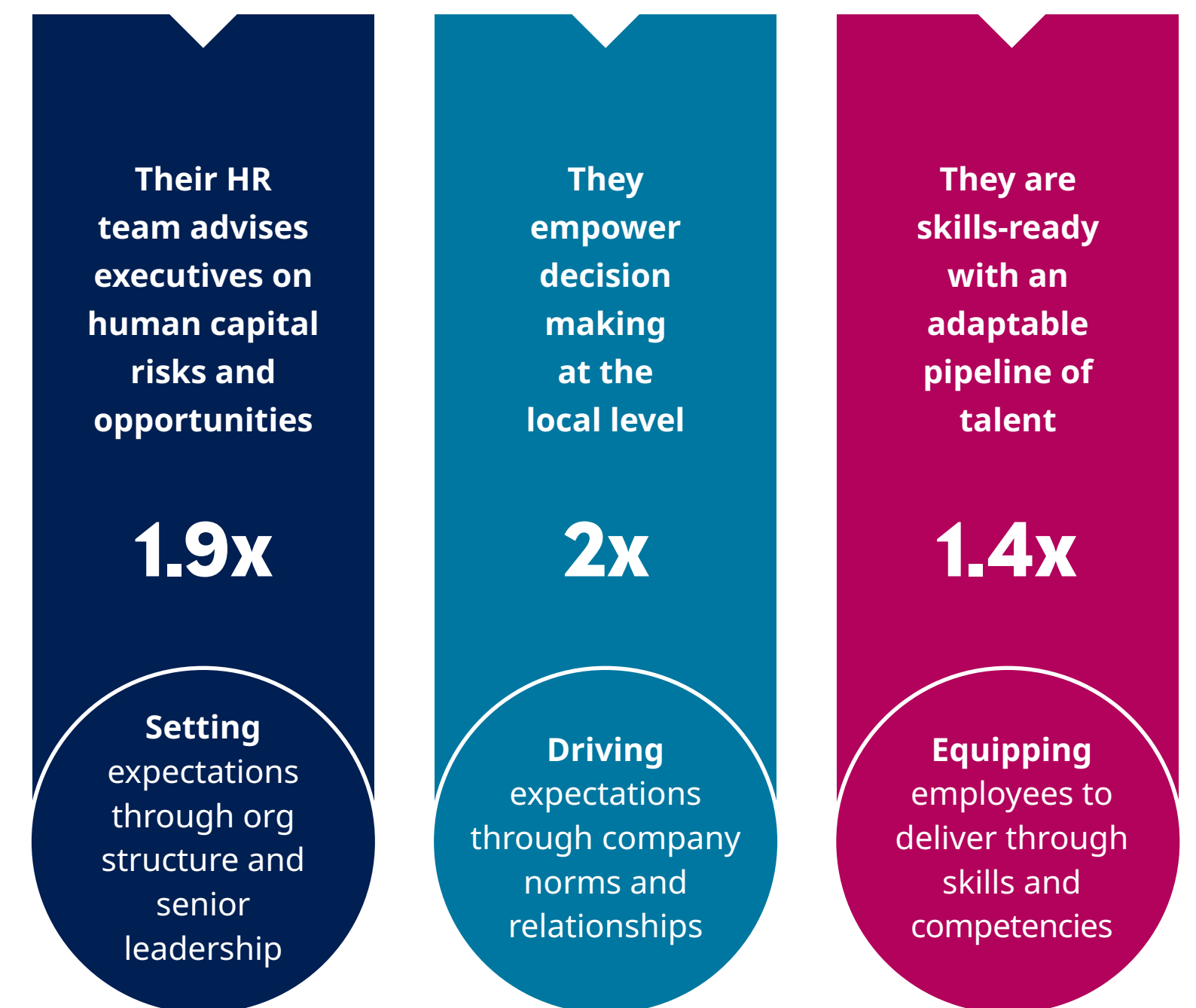
not be enough. To stay ahead of potential threats, leading organizations are scenario planning and fostering a mindset that is attuned to the evolving nature of risk.

One important way to move from reactive resilience (the capacity to recover quickly) to anticipatory resilience (reducing the impact of disruptive events) is by building a risk-aware culture from the ground up. The challenge lies in balancing increased resilience with agility in People models. Trust is key (leaders at resilient organizations are 1.8 times more likely to say that their company *places the right amount of trust in its employees*), as is empowerment (resilient organizations are twice as likely to *make important decisions at a local level*).

Leaders clearly set the tone. Resilient organizations are 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. Executives of resilient organizations are 1.3 times more likely to say that *jobs should be made redundant, not people* amid the continued rise of AI and automation. Reskilling and deploying workers whose jobs are impacted by new technologies requires a growth mindset — yet less than half (46%) of executives rate their organization’s culture as high on *skills agility*.

Figure 16: The building blocks of enterprise resilience

Resilient organizations are different from their less resilient peers in three important ways:







## Enabling enterprise resilience with insight and foresight

Evolving risks have the potential to grind businesses to a halt overnight, and their enterprise-wide implications challenge traditional approaches to risk governance. As an example, AI requires competence across all departments (not just IT) and constant monitoring of new use cases. [European laws on AI governance](#) reflect this new approach to risk,<sup>21</sup> requiring additional checks and balances for use cases that are deemed more risky (e.g., decisions that impact people's health and wealth outcomes). Timely, actionable intelligence is critical to creating and sustaining a self-regulating culture that foresees and reacts to evolving People risks. To boost resilience, leading organizations are operating as "sensing organisms," where all workers are expected to be risk vigilant and help shore up their organization's resilience in the face of new/evolving risks. Delivering on this culture requires three important shifts.

**Shift 1: Be proactive.** Managing risk reactively instead of proactively can increase an organization's exposure. For example, executives say that *extreme weather and natural disasters accelerated by climate change* strongly influence their three-year plans,

but *net-zero and environmental goals* that address climate change are last on the list. The pandemic demonstrated the value of multidisciplinary teams tasked with scenario planning and empowered to proactively act on risks. Diversity in the design team is critical to flag issues early and think through various use cases. Tackling tomorrow's challenges today requires scenario planning and immersive techniques that bring the future forward. Other approaches that are paying dividends include setting goals that address all stakeholders' needs (see the WEF's [Good Work framework](#))<sup>22</sup> and ensuring risk mitigation costs are built in to business planning and P&Ls. It also means empowering individuals to take action on early warning indicators.

  
**Executives in resilient organizations value agility over efficiency and effectiveness** 



**Shift 2: Be predictive.** Increasingly sophisticated analytics and scenario modeling can inform data-driven decisions on risk mitigation, transfer, and management. Shifting from lagging metrics (such as engagement and productivity) to predictive analytics (such as worker capacity and well-being indicators) is key to staying one step ahead.

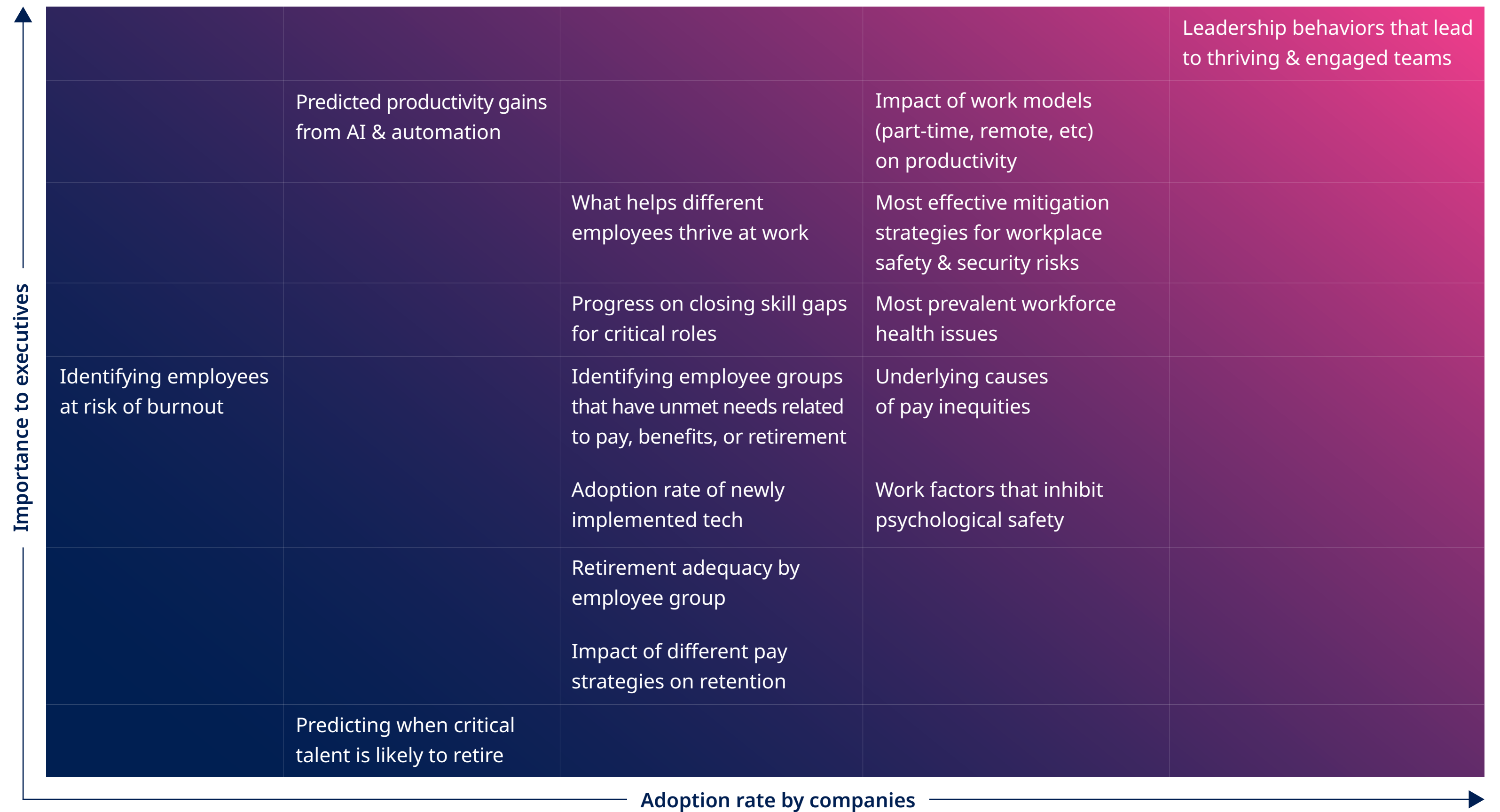
Although HR leaders have planned to move toward leading indicators for years, few have followed through. For example, in 2022, one in two said they would start *identifying employees at risk of burnout* the following year, yet the percent who do so has remained at 42%. A similar pattern emerges with *predicting when critical talent is likely to retire* (44% do so today, not much higher than the 39% back in 2022). HR's intentions are reflected in this year's top priorities, where improving people analytics capabilities ranks fourth.

Which human capital insights do executives believe would improve decision making? At the top of the list is understanding the *leadership behaviors that contribute to thriving and engaged teams* — but only one in two companies provides these insights today (see Figure 17). Notably, *predicting burnout risk*, which rose up to the number two ask from executives during the pandemic, is back down to pre-pandemic levels.

**Shift 3: Be accountable.** Recognizing and reinforcing a risk-aware culture starts at the top. This year, 50% of executives have *employee health and well-being metrics* (e.g., healthcare costs, burnout rates, etc) on their scorecards, up from 40% in 2022 and 21% before the pandemic. Interestingly, fewer executives are being measured on *total labor cost* (from 35% in 2022 to 23% today), which can signal a mindset shift that People investments do pay dividends.

**Figure 17: What gets measured gets managed**

*C-suite question: Which insights would be most useful in helping you to understand your workforce? (Select up to five)*  
*HR question: Which of the following data-driven insights do you make available today? (Select all that apply)*







# Mitigating people risks with data-backed people strategies at Mercado Libre

## How Latin America's largest ecommerce and fintech company identified the root causes of employee turnover and evaluated the true impact of new work models

Following a period of hyper-growth, Mercado Libre's workforce more than tripled. But as voluntary turnover began to creep up, reaching 15% in critical developer roles, they suspected it was driven by more than compensation.

To test their hypothesis, Mercado Libre leveraged Mercer's predictive AI model — feeding it insights from five years' worth of HR

data, including HRIS feeds, salary benchmarks, engagement surveys, office presence, team hierarchy, geographical distribution, rates of digital communication, and exit interviews. Using both supervised and unsupervised machine learning techniques, they identified areas of higher attrition risk.

Their analysis found that while remote working did not hinder productivity, it made it more difficult to sustain team culture, encourage desired behaviors, and plan for succession. With a workforce distributed across 18 countries, leaders who were not geographically close to their teams

struggled to promote the culture, especially with so many new hires. As Hernán Jara, Director of People Operations and Analytics, commented: "Leaders in Mercado Libre are not hired because they can do, they are hired because they can learn. They have behaviors and values that align with our cultural principles." To maximize leadership effectiveness, they restructured IT to bring managers geographically closer to their teams, to cement culture, drive development and ultimately retain talent.

Results from the AI model also prompted a few changes to the company's well-being program.

For example, Mercado Libre introduced a new employee benefit — a six-month "Work from Anywhere" program — which many developers have taken advantage of. And to address the financial insecurity that young tech professionals face in Latin America, Mercado Libre now hosts financial literacy workshops and pays this group partially in hard currency as a direct response to employees' needs.

Not only has this combination of initiatives brought voluntary turnover down from 15% to 4% in three years, engagement and quality of work are on the up, too.

Likewise, 74% of developers plan to stay with the business for 3+ years, with intent to stay rising by nine percentage points YOY. Changing tides in the IT industry helped, too, with competition for developers falling in the years after the pandemic. By using data as a compass to steer their strategy, Mercado Libre is able to meet employees' needs with sustainable talent and reward practices, and tackle a myriad of risks that influence turnover. Their approach strengthens the company's resilience and enables Mercado Libre to maintain its position as a market leader.





## Resilient organizations prioritize total workforce health

The resilience of every organization depends on the health of its people.<sup>23</sup> Long hours, key person dependencies, and sick leave can be warning signs that the workforce is distracted, disengaged, and depleted. Asset managers are taking note: One in three say that an *unsustainable talent pipeline* would negatively impact their view of a company from an investment perspective. Healthy employees are more likely to be present and productive, be able to cope with stress, and avoid costly accidents. They also feel energized to invest in success for tomorrow — whether that’s learning new skills, taking on new responsibilities, or rethinking ways of working that open up opportunity and mitigate risk.

Leading organizations are auditing their culture for risk awareness and resilience, and providing feedback and coaching to employees on their own overall well-being. They are reframing health benefits not as a cost but as an investment in total workforce health, as is evidenced by the fact that one in three executives would *increase spend on employee benefits and well-being initiatives* even if faced with an economic downturn.

Which investments could make a difference to worker health? First and foremost, employees expect work to be designed *with their well-being in mind* (see Figure 18). When it comes to stand-alone initiatives, they think *prevention and training* will make the biggest difference, asking for health screenings and programs to improve their health both in and out of the workplace.

**Figure 18: 46% of employees would give up a pay increase for additional well-being benefits**

*Employee question: Which of the following well-being offerings are most important to you? (Select all that apply)*  
*HR question: Which of the following do you currently offer to support employee health and well-being? (Select all that apply)*



● = Requested by thriving employees more than non-thriving





As the growing prevalence of mental health challenges and NCDs leads to long-term absences, presenteeism, inflation of healthcare costs, and business continuity risk, prevention remains high on HR's priority list. AI that *helps employees make better health choices* is already in use at 44% of companies, and is on the 2024 agenda for an additional 37%. Interventions such as *vaccinations and screening programs* are particularly critical for boosting the resilience of vulnerable staff segments at both the individual and community level. For example, employees with a disability — who are *less likely to be thriving at work* (54% versus 68%) and at *higher risk of burnout* (94% versus 79%) — are also less likely to *trust their employer to provide a safe working environment* (66% versus 76%).

### **Workplace safety has evolved. Have organizational policies kept up?**

Ensuring safety at work is more than a legal and moral imperative; a safe work environment is part of the culture of care that every employee should expect from their employer. Concerns about risk contagion, extreme weather, digital fatigue, and customer abuse (to name a few) have expanded the definition of what it means to feel safe. This year, companies are continuing to mitigate the risk of *work-related illnesses and injuries due to accidents, unsafe exposures, or security incidents*. Despite these efforts, 59% of employees say they *feel safer working remotely than onsite*.

With fears about future pandemics, workplace violence, and widening sociopolitical unrest, safeguarding worker's physical safety and security is more critical than ever. But a resilient culture gives equal priority to psychological safety. Again, there is work to be done: Only 35% of employees strongly agree that they can *voice their opinion freely without fear of repercussion*, and only 42% strongly agree that they feel *psychologically safe at work*. Those who do feel safe are 5.5 times more *satisfied with no plans to leave*, and 2.1 times more likely to *recommend their employer to a friend*. Beyond the legal obligation, safety is good for business: 70% of executives say that *investing in psychological safety and workforce security will deliver a measurable return*.

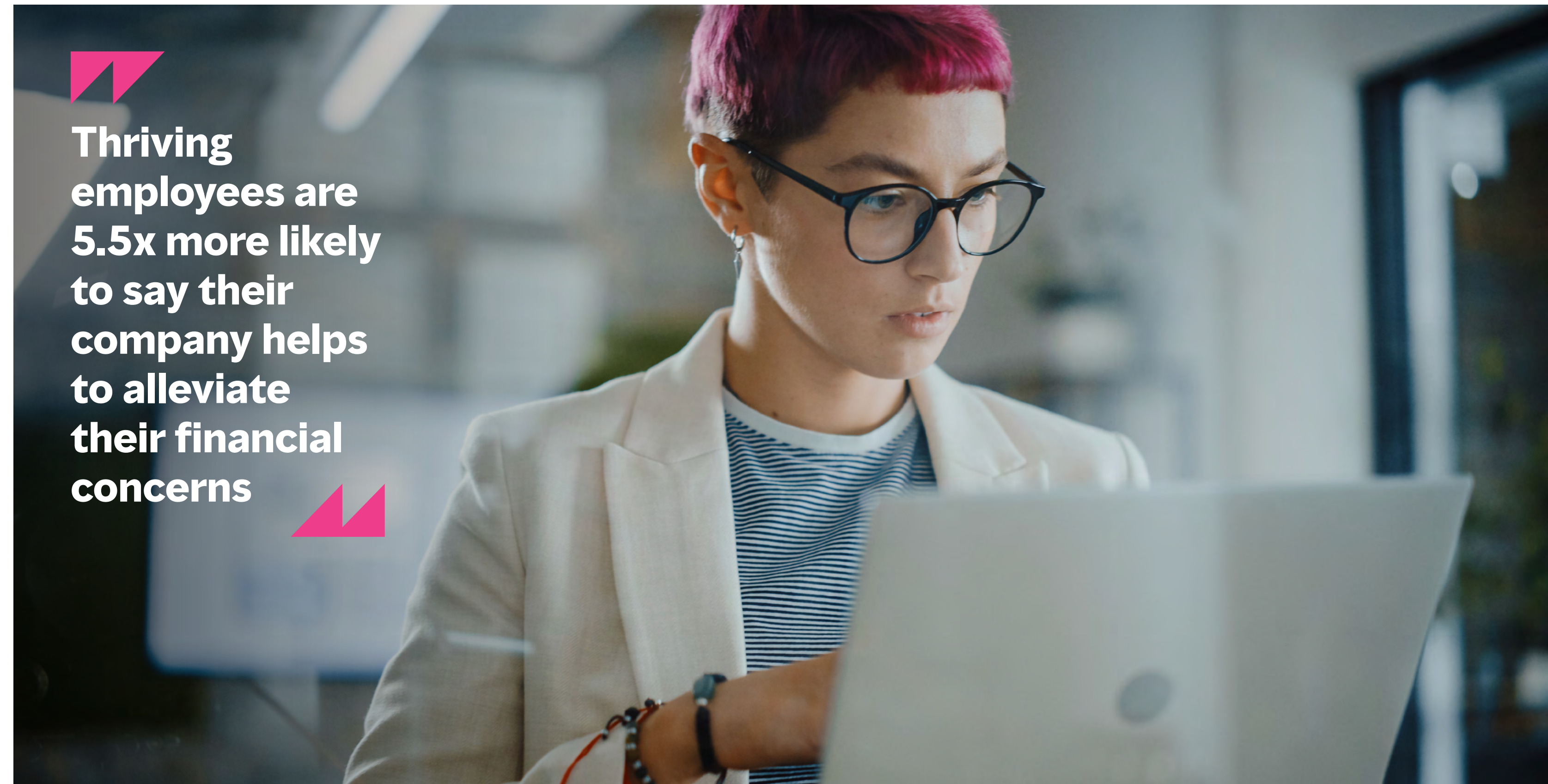


## Money matters: Building wealth at work

The cost-of-living crisis and persistent inflation have put financial concerns front and center, and employees' financial worries are costing employers. Employees spend, on average, *six hours of work time* per month worrying about their finances, the top driver of burnout risk this year. According to an [OECD survey](#), 43% of people would run out of savings within a month and 28% within a week if they experienced a loss of income.<sup>24</sup> The same study found that only 45% of employees believe they are saving enough for retirement, and they trust their employer more than an independent financial advisor to provide a good retirement plan. Thriving employees are 5.5 times more likely to work for a company that helps alleviate these concerns. They are 1.5 times more likely to perceive that their company *offers market-competitive*

*pay* and more than twice as likely to have access to *employer-sponsored financial wellness advice and tools to model their future financial security*.

With life expectancy slowly rising again after the pandemic, people don't just want to live longer — they want to [live longer better](#).<sup>25</sup> Employers have an important role to play in ensuring quality of life for their older workers. While 21% of Baby Boomers expect to *stop working completely when they reach retirement age*, just 9% of Gen Z workers feel the same. Across all age groups, 36% of employees say that they will work past retirement age *out of financial necessity*. Flexible working and retirement arrangements will allow workers to contribute across all life stages and help employers take advantage of older employees' wealth of knowledge, yet only one in three (32%) companies *proactively offer phased retirement options* today.



**Thriving  
employees are  
5.5x more likely  
to say their  
company helps  
to alleviate  
their financial  
concerns**





In today's interconnected risk environment, every risk is a People risk. To minimize their exposure, resilient organizations are acting on the underlying causes of deteriorating workforce health and fostering a culture of care. They are boosting their corporate immune system through strong governance and using data to foresee the outcomes and trade-offs of business decisions. They are also building individual resilience by creating a healthy risk culture — the skillset and mindset in the workforce to speak up and the willingness of leaders to empower their people to take action.

By taking actions to improve longer term health and wealth outcomes and nudging people to make better decisions today, organizations can tackle the structural issues that deplete people's ability to learn and thrive. Without this resilience, the transformative potential of emerging technologies and new ways of working will not be realized.

#### Workforce health boosts the corporate immune system

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# Promoting a watertight risk culture at APRA

## How a financial regulator embeds industry-wide risk awareness and resilience

The Australian Prudential Regulation Authority (APRA) maintains the safety and soundness of financial institutions. Integral to this is their long-term goal of raising industry-wide standards of governance, culture, remuneration and accountability (GCRA) to ensure businesses can make informed decisions, protect employees, avoid pitfalls and deliver sustainable growth.

APRA recognized that when risk management practices and accountability differed across businesses, critical risks could slip through the cracks. APRA also suspected that technology employees in particular might not fully understand their risk management responsibilities, raising questions about cyber security, a risk that would only become more critical.

In a decentralized management structure, embedding a business-wide risk-aware mindset was a growing

imperative. In response, APRA created a new GCRA risk assessment process to support their supervisors and enable institutions to more effectively measure, monitor and report on risk culture. APRA's Risk Culture framework sets expectations for regulated entities across ten dimensions: Leadership, Decision making & challenge, Communication & escalation, Risk capabilities, Alignment with purpose & values, Risk culture assessment & board oversight, Risk appetite & strategy, Risk governance & controls, Responsibility & accountability, and Performance management & incentives.

To enhance the framework's impact and gather benchmarkable data, APRA ran a pilot survey with 10 multiline insurers, before expanding it to 60 insurers, banks and superannuation funds. The survey rollout reimaged their approach to risk assessment by giving voice to all employees, rather than senior executives only. The broader range of perspectives led to a better understanding of each entity's risk culture and the implications for its success and reputation.

The study highlighted a gap between how comfortable employees felt to challenge decisions compared to senior leaders, a concern given the criticality of psychological safety and its impact on effective change management. Knowledge gaps existed too: Legal, Risk and Compliance employees were less likely to believe the business had the budget, systems, skills, and/or capacity for effective risk management compared to executives.

The new framework and survey rollout allow APRA-regulated entities to better identify priority actions to strengthen processes, guided by the need to ensure the *voice of risk* is heard, accountability is defined, and employees are empowered. Strengthened by its improvements to risk culture assessment, APRA continues to support the financial industry's risk readiness, embedding resilience into each institution's DNA.



# Taking action



## Threats to resilience

### Enterprise risks:

- Neglecting to cultivate a culture of risk management that mitigates exposures due to disruptive technologies, supply chain disruptions, extreme weather events, and other risks
- Systemic blind spots due to inadequate risk sensing and scenario planning
- Lagging metrics that inform on past health, wealth, and safety events but do not predict future risks, nor serve to drive better outcomes

### People risks:

- Fatigue, errors, and burnout caused by inadequate staffing levels
- Rising health and benefit costs
- Lack of diversity leading to increased groupthink, decreased innovation and overlooked/ underestimated risk exposures

## Getting started (great for smaller employers)

1. **Give everyone responsibility for risk awareness.** Empower local offices and individual contributors to flag and address risks in real time. This often requires more training and intelligence-sharing across the organization, but reduces the burden on upper management to approve decisions and ensures everyone is poised to act in response to threats.
2. **Free up space for what matters most.** Outsource and automate non-core services that can take resources away from your business objectives and people strategy. This may include total benefit management, outsourced investment services or other areas that give leverage.
3. **Rally the organization around a few key metrics** that measure value and contribution. Pull back on the nice-to-haves and focus resources on what's required, ensuring that everyone pulls in the same direction.
4. **Join a risk consortium / AI roundtable** to stay abreast of rapidly changing regulations and advancements in AI and data privacy/security, and to share mitigation strategies.
5. **Regularly audit your work climate and worker habits.** Conduct a resilience review and/or worker well-being assessments to understand the true health of your people and business practices.

## Suggestions to accelerate

1. **Design for total workforce health.** Prioritize safety and well-being across the employee lifecycle. Centralize benefits management to be globally consistent, locally relevant, and optimized for less waste and better take-up. Promote healthy lifestyles and preventive healthcare to manage long-term costs.
2. **Foster a risk mindset** by keeping all stakeholders informed and accountable. Quantify exposures to threats like cyber, climate and AI, and use scenario planning to keep crisis management plans up to date. Apply vigorous risk assessment to potential M&A targets.
3. **Contribute to workers' financial security** by offering financial planning advice and calculators to model scenarios such as retirement and surprise expenses. Provide at least a minimum amount of insurance against key life risks.
4. **Monitor leading indicators** (including People analytics) and leverage AI tools to predict and mitigate risks before they happen. Build these risk metrics into executive scorecards to incentivize progress.
5. **Think bigger on climate resilience.** Responding to climate change and weather events goes beyond concerns about infrastructure, corporate travel and logistics. Consider if employee benefits and the healthcare system more broadly are equipped to ensure business continuity in the face of climate catastrophe.



# Cultivate a digital-first culture

Design an adaptive, digitally fluent organization where people can thrive





# Cultivate a digital-first culture



Everyone is chasing organizational agility, individual and enterprise resilience, and long-term people sustainability. To make progress on this ambitious agenda, organizations need to learn how to “Be Digital.” Aren’t all companies “digital” these days? Not exactly — being a fully digital enterprise means cultivating a culture that promotes human-machine teaming in how people learn and collaborate, how data is harnessed, how innovation is encouraged, and how decisions are made. This new era of connected-up working also requires a reimagined HR function with the ability to iterate and align processes that fully unlock workforce capacity. Doing so maximizes the potential of both humans and technology — for the benefit of the organization and its people.



## Digital by design: Transforming, inspiring, and enabling

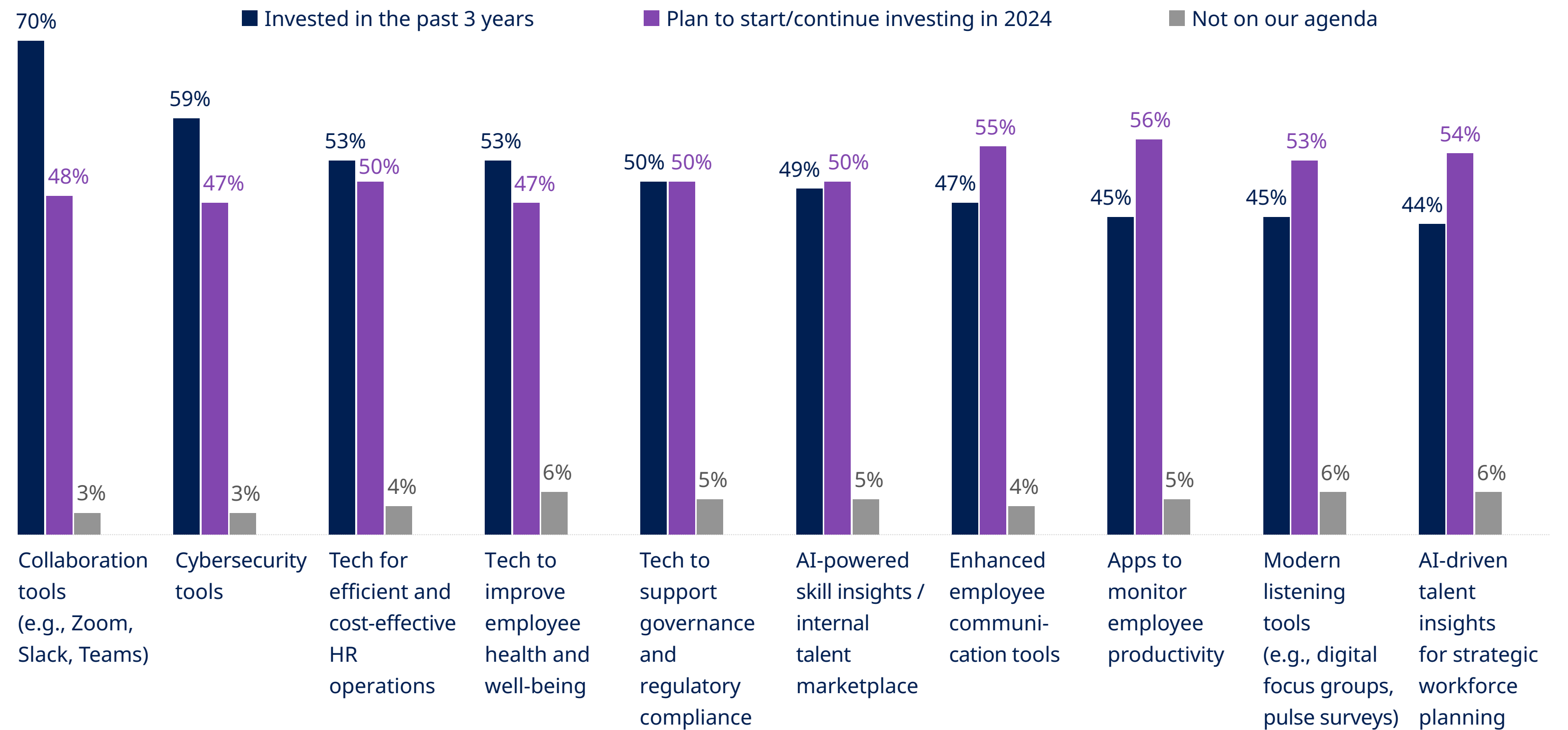
Two-thirds of executives (65%) say that their organization needs to be more digital than it is today, and 31% see *technological disruption* as the biggest short-term threat to their business this year, significantly ahead of *compliance issues* (18%) and *environmental concerns* (15%). Asset managers agree — they rank *changes in the tech landscape* as a top short-term risk to business success this year. Companies across every industry are working to close the gap: 51% are *rolling out new tech this year* (see Figure 19). Having access to the *systems and tools that make their job easier and less mundane* is a key enabler for employees across all geographies and industries, and it is one of the top 10 factors that helps them thrive. But on the flip side, one-third of workers (32%)

*feel overwhelmed by too many tech tools* — the #4 reason for employee burnout.

Truly “being digital” requires a future state vision, business strategy alignment, and full commitment. It is a cultural mindset coupled with intentional, interactive work design. The people side of digital transformation can be harder to get right than the tech side. One in six HR leaders report that their *recent HR digital transformation initiatives were not successful*. Why? Because 67% of organizations *adopt new technology without transforming the way they work*. Executives are concerned about how tech is being rolled out in their organization: Nearly three in five worry that the *rapid pace of tech innovation is surpassing their organization’s ability to reskill and redeploy their workforce*, and that their organization is *not doing enough to inspire workers to adopt new technologies*.

**Figure 19. Tech spend: From collaboration & control to insight & connection**

*C-suite question: In what areas have you prioritized technology spend?*







## Human-centered technology keeps people coming back for more

A human-centric approach to digital transformation measures success in human terms, not technological ones. Does the tool or platform fulfill an unmet need? Does it seamlessly integrate into the flow of work? Is the human-tech balance right? Digital solutions that enhance productivity and alleviate pain points make work more intuitive, frictionless, and enjoyable. This requires attention to both the logical and emotional aspects of change. If new tech is hard to learn or use, if there is little governance to ensure alignment with other tech and processes, or if it fails to integrate into the natural flow of work — it is set aside. Thoughtful change enablement plays an important role in reframing perceived threats and painting a picture of what can be. Done right, “being digital” can actually make an organization more human — knowing its people, anticipating their needs, and responding in a way that helps them thrive rather than dragging them down (see Figure 20). Delivering on this vision requires a radical rethink in how organizations are designed and a re-alignment of the HR function and HR agenda.




Moving from reactive HR processes and band-aid tech to HR systems that understand human behavior and anticipate employees’ needs will jump-start productivity. This requires more sophisticated commitment to continuous listening and empathy, and human-centered tech designed with an authentic UX that delivers results and is a joy to use.

## What is different about digitally inclined employees?

Employees who enjoy experimenting with new technology are *1.6 times more likely to say that they are thriving* compared to digital laggards (75% versus 48%), and *1.7 times more likely to be satisfied with no plans to leave* their current employer (66% versus 38%). But these digital pioneers are not sure about the promise of AI — overall, only 27% of employees expect that AI and/or automation will *improve how their job is done* over the next three years (with no meaningful differences between digital pioneers and laggards).

Regardless of their comfort level with new technologies, employees from Baby Boomers to [Generation Z](#) are all

## Figure 20: Thriving employees are more likely to trust their organization to:

-  **2.6X** — Design work experiences that bring out the best in them
-  **2.8X** — Empower them to make decisions independently and work with minimal oversight
-  **2.4X** — Provide them with the latest technologies (such as generative AI) to do their job

digital consumers in their personal lives.<sup>26</sup> They expect their digital experiences at work to help them find the answer, connect with others, and make things easier. Unfortunately, marked differences exist between workplace tech and consumer tech. At nearly two in five organizations (38%), the *technology available for employee use is not as leading edge as the technology provided to customers*. This chasm appears when implementation teams create processes rather than journeys, and when they focus on the technology itself as the experience rather than designing for the human experience of work.



## Managing business risks in a digital world

The rise of AI is ushering in [new enterprise risks](#) and demanding robust governance that often surpasses legislative requirements.<sup>27</sup> AI — particularly when used as a general, all-access tool — requires risk awareness to be embedded in the organizational DNA. Many AI-related risks are extensions of familiar exposures, such as cyber attacks, data privacy breaches, misuse of technology, and copyright infringement, that have been on the risk register for decades. But there are also new threats emerging from AI solutions:

- **Unintended use and bias**

AI, especially generative AI, can develop capabilities that its creators never envisioned. While [emergent capabilities](#) can provide new benefits to users, their lack of predictability makes them especially tricky to govern.<sup>28</sup> Similarly, AI's lack of "explainability" can expose businesses to significant risk, especially when "black box" AI models are being used to inform sensitive or consequential areas such as credit assessments, medical diagnoses, and talent decisions.

With *two in five organizations already using AI in HR processes*, care must be taken to avoid inadvertently biased and discriminatory outputs that perpetuate or deepen inequalities. A lack of transparency and traceability puts the onus on organizations to defend AI-based decisions not only from legal challenges but also from public scrutiny.

- **Technological convergence**

The combination of AI and mixed reality technologies such as AR and VR blurs the line between the physical and digital worlds, making it challenging (sometimes impossible) to differentiate between artificial and human creations. Democratized access to AI shifts this issue away from the IT department and empowers less informed leaders and employees. Since policing individual usage is untenable, risk awareness becomes an essential organizational competency. With one in five organizations providing *no employee training on the proper use of AI*, there is still more to do on the mitigation front.

- **People risk**

Anxiety is creeping in as AI augments and disrupts jobs in every industry. While the percentage of employees who fear that *AI will make their job redundant* has declined from 53% in 2022 to just 10% today, more than double (21%) are concerned that advances in AI will raise expectations and put pressure on them to *work faster or produce more* — in turn increasing the risk exposure.

The threats are real, yet 23% of organizations implementing AI *do not have any risk mitigation in place*. For the benefits of AI to outweigh the costs, organizations need a robust and holistic framework to identify emerging risk factors, measure key risk indicators, and work across organizational silos to put mitigation strategies in place. An intentional and continual change enablement plan helps to de-risk transformation efforts and ensure that AI fulfills its potential as a net value creator.





## A digital-first, human-centric approach to a winning EX

Shifting digital transformation from technology-led to human-centered requires a broader appreciation of the [employee experience](#) and a rethink of what defines success.<sup>29</sup> Human units of productivity can no longer be the central tenet of digital ROI. To measure success in a digital enterprise, the focus should be on enhancing how work gets done. Today, six in 10 employees say that their organization is *not good at communicating how AI or automation will improve the way they work*.

Understanding employee needs is essential to cultivating a digital-first culture, as evidenced by the fact that 45% of organizations have *invested in*

**67% of organizations adopt new technology without transforming the way they work**

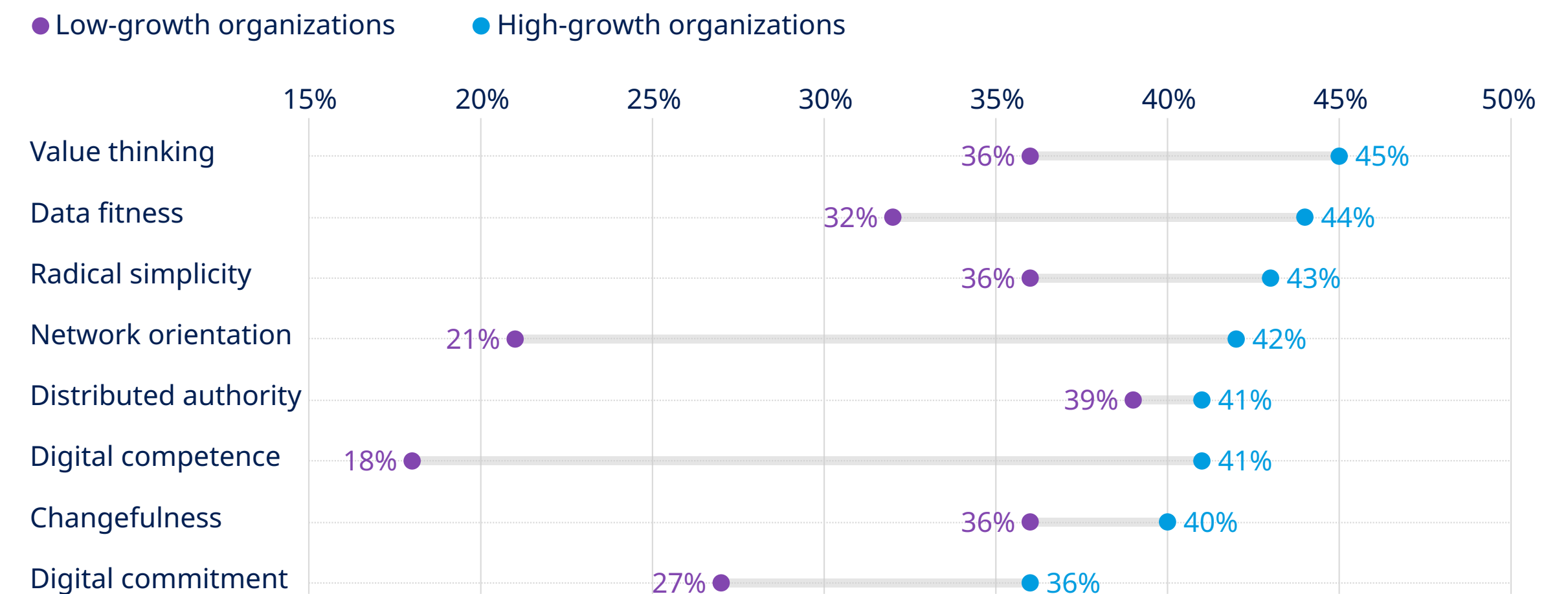
*new employee listening tools* in the past three years and 53% are *planning to invest* in 2024. Creating an environment where employees are encouraged to speak up, propose solutions, try new things, and fail fast is just as essential. High-growth organizations are well-positioned for successful digital transformation (see Figure 21). They are not only more *digitally competent* (with two times more *digitally savvy employees* than low-growth organizations), they are also *more networked* (less siloed) and more *willing to experiment* — doing so with *democratized decision-making authority* and *simple user journeys*.

The top barrier to transformation is *insufficient deployment of new technologies* — a concern for 51% of executives this year, nearly double the 26% in 2022. This is true across all industries, and especially a concern for executives in the technology and life sciences sectors. Organizations are increasing their investment in digital transformation, but there comes a point of diminishing returns. To avoid over-engineering, a common approach has been to roll out minimum viable products (MVPs) — but these can lead to disengagement as they fail to hit the mark. Leading organizations are shifting to minimum lovable products (MLPs) that don't just meet employee expectations but aim to solve a problem with a sense of delight.



**Figure 21: Eight habits of digital organizations**

*C-suite and HR leaders: Combination of several questions related to organizational culture*







# Sustainable HR digital transformation backed by skills at SuMi TRUST Bank

## How digital transformation at a leading bank and trust company is fueling company-wide skills utilization

Sumitomo Mitsui Trust Bank (SuMi TRUST Bank) is a financial institution that houses a range of business functions, such as commercial banking and trust businesses, under one structure. Maintaining their competitiveness, which stems from their diverse range of business functions, requires a skills-ready talent pool, yet multiple departments were facing labor shortages. In response, SuMi TRUST Bank's HR team focused on making employees' skills more visible,

enabling the bank to effectively plan and nurture the specialized talent it needs for future growth. This was set against a backdrop of company-wide digital transformation which required the HR team to improve their own digitalization, as well as reassess company workflows to boost productivity.

Initially, it was difficult for HR to assess skills shortages and which business strategies could be considered based on the company's talent portfolio. In addition, while the HR team defined autonomous career-oriented talent as "individuals who create their own careers by thinking for themselves

about what to focus on and how to integrate multiple specializations in addition to the basic knowledge of Trust banking", employees were struggling to consider potential career paths due to insufficient data to measure their expertise against.

To address these issues, the HR department set out to reform the HR system and operations, including by establishing a digital promotion team in HR, consisting of HR talent with high digital literacy to champion digital ways of working. Through business analysis and interviews with a range of employees inside and outside HR, the team formulated plans to

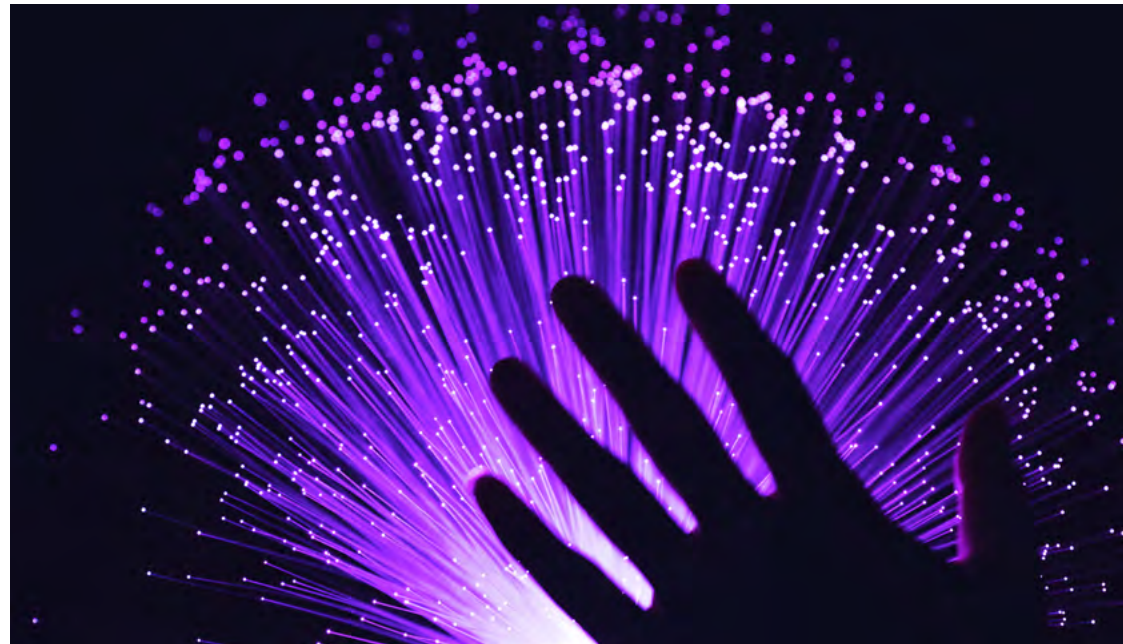
introduce a talent management platform, chatbots, and inquiry and application management tools.

The introduction of the talent management system allows the HR team to collect data on skills (general, management, and specialized) as well as competencies and conditions, to better assess the capabilities of all employees. This means improved management of the transfers of hundreds, sometimes thousands, of employees every quarter. The system also aids HR in succession planning, and helps employees autonomously develop their skills. Alongside this, the introduction of chatbots and other technologies aims to

significantly reduce the workload of both employees and HR, bringing the dual benefit of improving business results and increasing employee satisfaction.

Head of HR, Natsuhiko Yonezawa, shared, "Even if we introduce cutting-edge technology, its effectiveness is nullified if we can't utilize it properly. Therefore, it's crucial not only for the digital promotion team but also for the entire HR department to enhance its operations. Furthermore, in order to promote continuous digitalization, I believe it's important to maintain a team within the HR department that is permanently responsible for IT digital promotion."





## How HR teams are transforming to support a digital-first culture

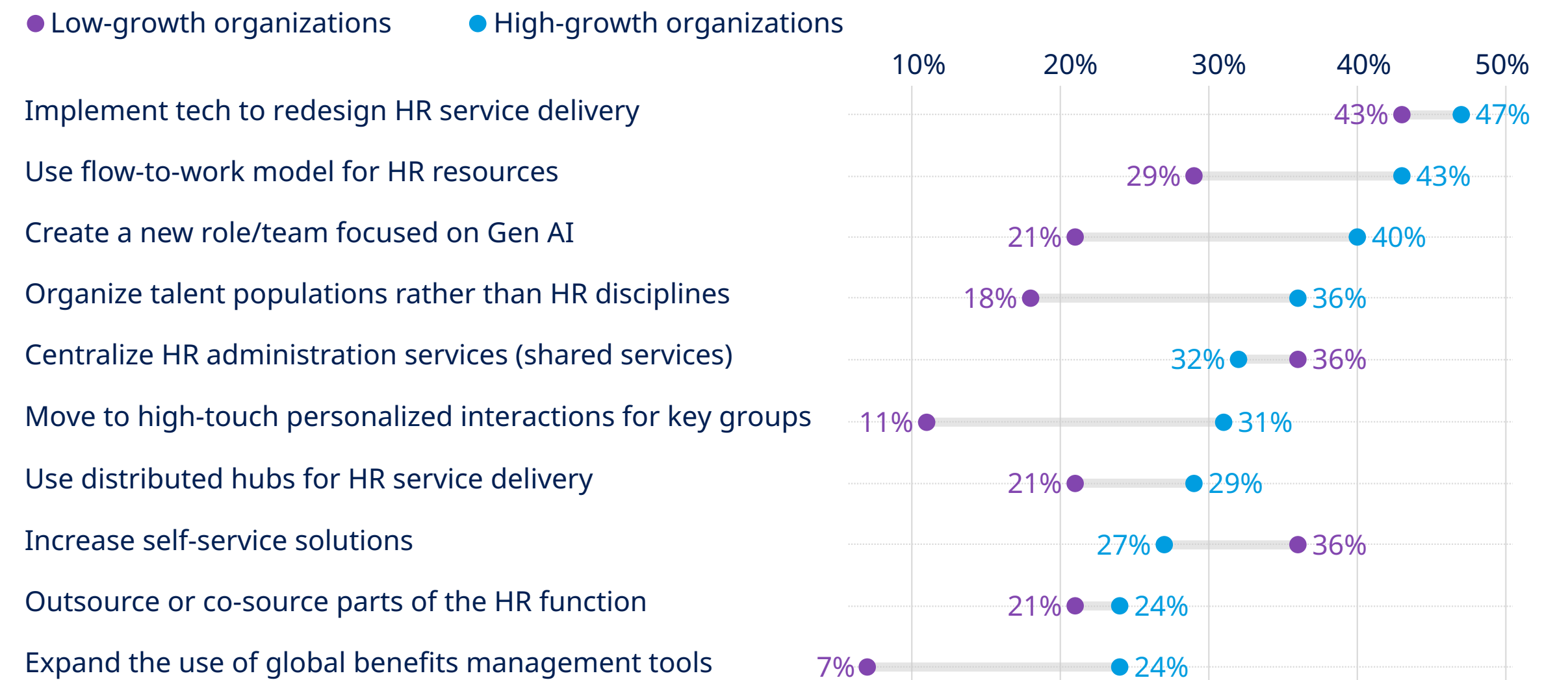
If one objective of digital transformation is future-proofing the organization, people sustainability is a critical element. For people to thrive in the new shape of work, HR needs to design tech-enabled experiences that deliver on this promise. As HR

leaders redesign their function to have a greater impact this year, their top priority is to *implement new technology* (45%), with over one-third (36%) *creating a new role/team dedicated to generative AI*. Given 60% of executives are concerned about *losing the human touch after implementing digital tools*, it's no surprise that high-growth companies are re-organizing their HR structure, practices, and interactions to get the tech-touch balance right (see Figure 22).

Evolving the HR function for a digital age requires not only the right skillset, but also a mindset that puts data at the center of decision making. Most executives (63%) believe that *advances in AI and automation are changing the profile of a successful HR professional* — and an ongoing analysis of [global market data](#) shows that tech skills rank #1 for professionals across nine HR specializations.<sup>30</sup> But *difficulty attracting and retaining HR talent with digital skills* remains the number one challenge facing HR today (see Figure 23).

**Figure 22: Taking HR's impact to the next level**

HR leaders: What plans are in place to redesign the HR function in 2024? (Select all that apply)



**Figure 23: Top five challenges facing the HR function**

HR leaders: What are the biggest challenges with your current HR operating model? (Select all that apply)







The HR operating model and work-tech ecosystem will need to evolve in tandem to enhance the employee experience (EX) in the reality of whirlwind perpetual change. Defining the desired interactions between HR and different persona groups can help design engaging EX journeys and bring together HR and IT to deploy tech features that can enhance productivity and relevance in the workplace. [Target Interaction Modeling](#) is a way to scope out the range of HR services needed, ensuring fluidity and helping desired changes resonate and stick.<sup>31</sup> When considered in full, these types of commitments and interactions among varied functional, leadership, and employee groups demonstrate how employee listening, alignment and well-planned change initiatives create cultures that are digital-first while remaining human-centered.

The same principles that fuel digital empowerment in employees also apply to the HR model. Consider the natural overlap and intersections among talent attraction, talent acquisition, job and skills architecture, career management, performance management, learning & development, and strategic workforce

planning. Each of these HR disciplines has its own agenda, experience design, and success metrics. For example, the talent acquisition team will measure time to hire, cost per hire, and quality of hire. But do their measures of success align with the broader people agenda? This might mean skill detection and alignment to the business, time to velocity and overall retention, and thriving at work become better measures of success. These are important shifts for any organization to make if it is to become a truly digital enterprise, and they require a mindset shift before any tech is even considered.

### How to make change feel natural when it's anything but

How does an organization become equipped to perpetually transform? *Maintaining employee commitment during constant upheaval and combating change fatigue* is a significant concern for nearly one-third of HR leaders. New technologies — especially ones, like generative AI, that lend themselves to

alarmist news headlines — can cause existential angst. One in three employees are concerned about the *rise of AI and its impact on humanity*, and one in four say that AI is creating *job uncertainty*. Taking a human-centric approach to digital transformation means infusing technology into the flow of work and never losing sight of the people who are being asked to change.

**Shifting from a process-driven to a human-centric mindset is one of the top transformation challenges this year**





# Reinventing the employee experience for the digital age at Sagility

## How a healthcare servicing company reimagined HR processes to create a truer picture of employee data and deliver a seamless EX

Sagility's legacy HCM platforms were not fulfilling modern EX requirements. Siloed data prevented HR teams from fully leveraging employee insights, while employees were overwhelmed by multiple platforms that lacked cohesion.

To address these challenges, Sagility established a new partnership between HR and IT. In addition to modernizing their HCM, they knew that every HR process needed a

rethink. They flipped the paradigm — thinking first about the populations each process would serve and how interactions could change.

The team started with EX workshops and employee personas to define pain points and map them against the capabilities of different platforms. From there, they created a compelling vision for a superior EX — a critical step in engaging executives in the case for change.

The rollout was “glocal”; although 80% of HR processes were standardized, local entities could flex for country-specific nuances. One unexpected benefit of this transformation

was the enhanced collaboration between geographically diverse HR teams, laying the foundations for continued global knowledge sharing and problem solving.

When communicating to the workforce, Sagility followed a “start with *why* before teaching the *how*” philosophy. Cross-region champions and an employee learning center with video and simulated events detail the new processes and offer technical training on Workday, the new HCM platform.

Sagility's vision leverages a variety of technologies, conversational AI, and traditional desktop apps to minimize user input while giving

the business better data to guide strategic decisions. One example is the introduction of “bot-based hiring” to support the recruitment of 20,000 roles annually. By using AI to guide entry-level candidates through job openings, screening and assessment, the bot reduces the process from weeks to a matter of hours. Internal recruiters only get involved at the interview and offer stages, leaving more time for strategic work. As Manish Dubey, Head of Enterprise Technology, notes, “In the Netflix Age, for the younger generation in particular, instant gratification is often the only way. Our entire design is based on this concept, by reducing

the length of the hiring process and being able to instantly connect with candidates using AI.”

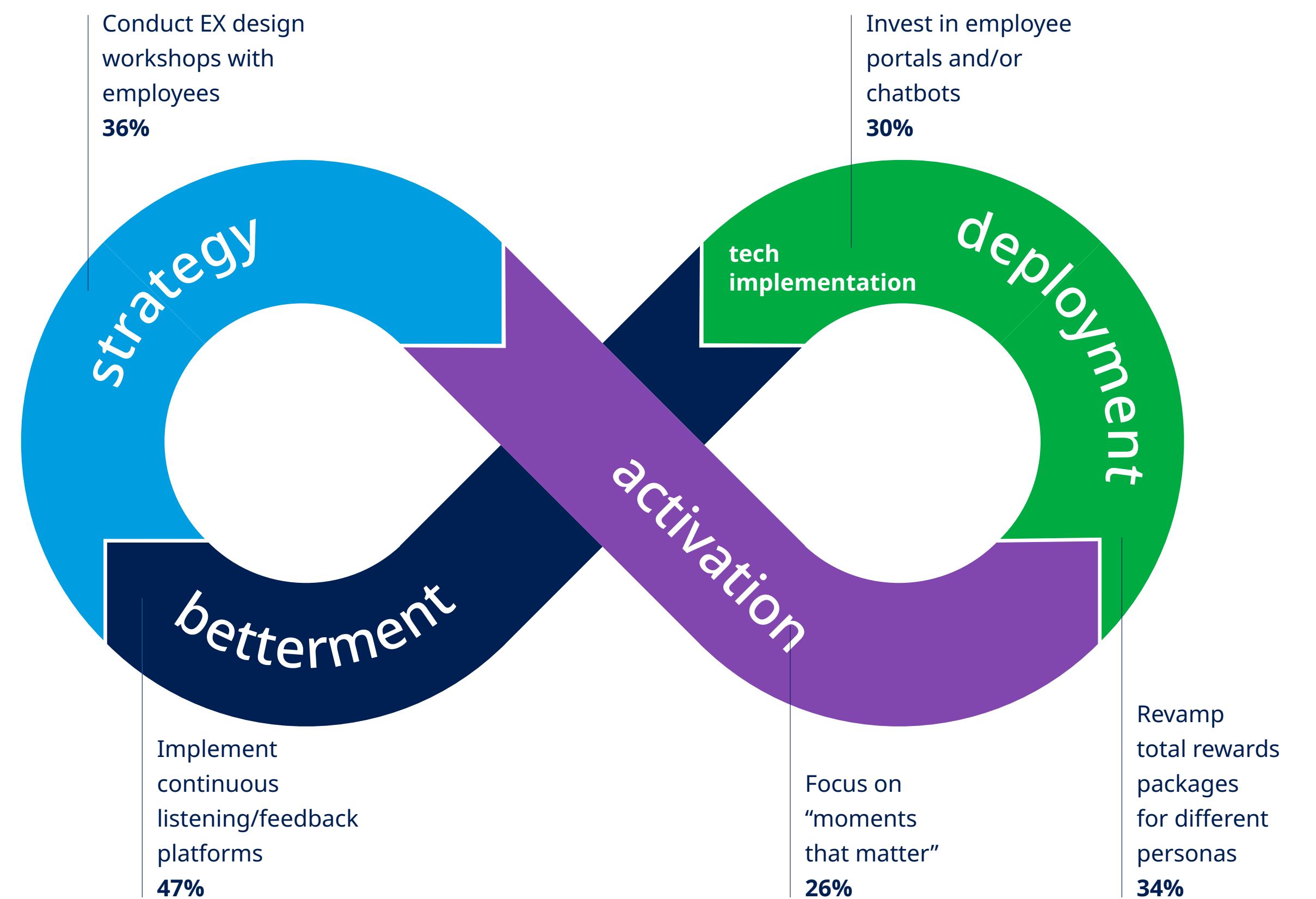
This transformation is an 18-month work-in-progress with further changes ahead; a reflection of the nuance and global collaboration this scale of change requires. Manish Dubey reiterates: “To deliver this level of transformation, you need a team with techno-functional mindsets, where they understand not only business processes but the technologies that underpin them. HR and IT need to work together, have healthy disagreements, and create collective solutions.”





Successful transformation is an infinity loop (see Figure 24). It starts with a clear strategy that defines the need for change and aligns leaders on what success looks like. It brings together all stakeholders — most of all, employees — to co-create a desirable future that everyone can get behind. It requires constant communication to set expectations and mitigate risks, enabling understanding and acceptance. Keeping in touch with people early and often allows the organization to hold itself accountable, watch for warning signs, and iterate as needs change. Bringing employees on the change journey and ensuring that they experience the benefits every step of the way are key to generating excitement and [sustaining momentum for change](#).<sup>32</sup> If HR is looking for one way to make a difference this year, let it be in using human-centered design to super-charge adaptable human-machine workflows and activate a winning experience for the digital age.

Figure 24: How leading companies are reshaping the digital experience







The path to “being digital” is both cultural and structural. It starts with understanding the human experience of work and realigning around the outcomes that will drive sustainable success. It continues with reimagined employee journeys and personas to design better work. HR plays a critical role in shaping this human-centric future state vision and strengthening the organization’s adaptive muscle. Only then will leaders have earned the right to consider the technologies that can fuel, optimize, and sustain the organization for years to come.



# Digital metamorphosis in HR delivery at Avery Dennison

## How a manufacturing firm is evolving from digital novice to digital powerhouse

Faced with HR service delivery and data gaps, heightened employee expectations, and a decentralized HR operations model, what began as a desire to move off their current Human Capital Management (HCM) system quickly evolved into a multi-phase digital transformation. Avery Dennison realized a digital-first approach, with employee experience (EX) at the core, would be key to success.

While continuing to use their legacy HCM suite, Avery Dennison envisioned its desired future state: new ways of working for HR and a modernized EX. While the team prioritized digital processes, they recommended an optimized mix of tech and human touchpoints for a new HR service delivery model and an integrated employee service and knowledge portal.

The new technology centered around a consistent digital experience and offered a single access point for employees while arming HR with digital tools to support a global workforce.

Success is measured by how each interaction in the portal adds value, looking to ensure the *true experience score* reflects a HR operating model that is built around employees. For this reason, traditional SLAs such as speed of resolution are not the primary goal. Instead, employees share feedback not only on whether their query was resolved, but how the experience made them *feel*, with 92% reporting a positive experience so far. This feedback, along with usage data, influences new features in a continuous cycle of improvement.

Avery Dennison is establishing a digital powerhouse across the HR organization. They centralized core services in a new Global Workforce Operations (GWO) center of excellence, responsible for ensuring

consistency and governance of data to enable stronger workforce analytics. Moving standout talent into this new team has cemented its internal reputation. The GWO team acts as digital torchbearers, championing continuous improvement and a digital-first, EX-centered mindset.

The GWO team is also central to digital and cultural integration of acquisitions, standing firm on the company's digital principles and migrating key processes early on to ensure a digital-first EX.

"We are seeing success on this journey because we truly believe that by looking at the employee experience as the primary benefit, we can do more in engaging HR in the digital transformation," says Chassidy Rellinger, Vice President, HR, Enterprise Workforce Solutions & Operations. "You get the benefit of engaged employees, and still ultimately get efficiency and productivity as an output."



# Taking action



## Threats to digital empowerment

### Enterprise risks:

- Increased cyber attacks and other risks resulting from human error and ineffective oversight of AI adoption
- Failure to deliver on the ROI of tech investments due to poor change enablement
- Return erosion on institutional investment programs due to operational and execution risks

### People risks:

- Change fatigue and burnout caused by ineffective pacing of digital transformation
- Sluggish technology adoption due to lack of take-up by key populations
- Employee turnover due to dissatisfaction with a lagging digital experience

## Getting started (great for smaller employers)

1. **Encourage AI adoption** with clear policies that empower people to experiment. Train employees to use AI responsibly and hold them accountable when it matters — but also give them the space and the psychological safety to learn from mistakes.
2. **Make informed tech investments.** Start by conducting a technology audit that focuses on usage and ROI. Identify gaps and be clear on must-have specs to avoid over-spending on cutting-edge capabilities you don't need, or opting for more affordable tools that never get used.
3. **Build digital skills** via internal gigs and exchange programs to give employees more exposure to new technologies. Helping people feel comfortable and confident with AI will free up time for more strategic, high-value and enjoyable work.
4. **Publicly promote the company's digital capabilities** through roadshows and permanent public displays. Demonstrating the impact of your digital-first solutions and making it tangible helps create a new level of employee engagement and buy-in.
5. **Align the HR function to meet today's workforce needs.** Take a customer-focused approach to what different populations need from HR and understand what trade-offs people are willing to make. Translate needs and wants into everyday experiences by mapping the target interactions.

## Suggestions to accelerate

1. **Evolve the EX** to provide a frictionless, digital experience for employees in the moments that matter — from costly medical bills to milestones like family planning and retirement. Transform the HR tech stack into a centralized resource hub that offers AI-powered consumer-grade apps.
2. **Shift from know-it-all to learn-it-all.** Invest in accessible knowledge management systems and social connectivity tools that maximize the reach and impact of your company's intellectual capital. Empower employees to share innovative ideas and recurring challenges through learning circles.
3. **Develop a digital-first mindset** that nurtures curiosity, experimentation, and collaboration. Co-create with employees to ensure AI tools and other new tech are designed for their day-to-day work.
4. **Unlock the potential in your existing tech investments.** Audit how current platforms are working together today and what is needed to develop “minimal lovable products” for tomorrow. Blueprint future ways of working and the desired level of “tech” and “touch” to deliver more intuitive and inspiring work experiences.
5. **Manage change effectively** and communicate with purpose. Take the opportunity to reconsider and redesign programs and processes rather than simply moving them online.



# Workforce 2.0

We are on the precipice of a significant leap in how we work and live — ushered in by advances in AI, new work models, and a greater openness to what's possible. The excitement is palpable. It is also true that society faces more near-term risks and the darkest longer term prognosis in decades. The fear is real.

Unlocking human potential in today's machine-augmented world requires a new set of organizational competencies. Companies 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 will require balancing economics and empathy in the pursuit of productivity, building a foundation of trust and equity to combat a growing sense of uncertainty, boosting organizational and individual resilience, and inspiring digital enablement. The next couple of years present

a once-in-a-lifetime opportunity to press pause on business-as-usual and redesign work around people: inspired by what they're good at, aligned to how they want to work, and informed about the future to keep them healthy, energized, and employable.





# About us



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**Mercer partners with organizations to build brighter futures.**

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

- Redesigning work for human optimization
- Increasing agility with enhanced workforce analytics
- Accelerating with skills-powered organizations
- Outsourcing or delegating non-core services such as investment management



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

- Building value-based brand equity to attract & 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



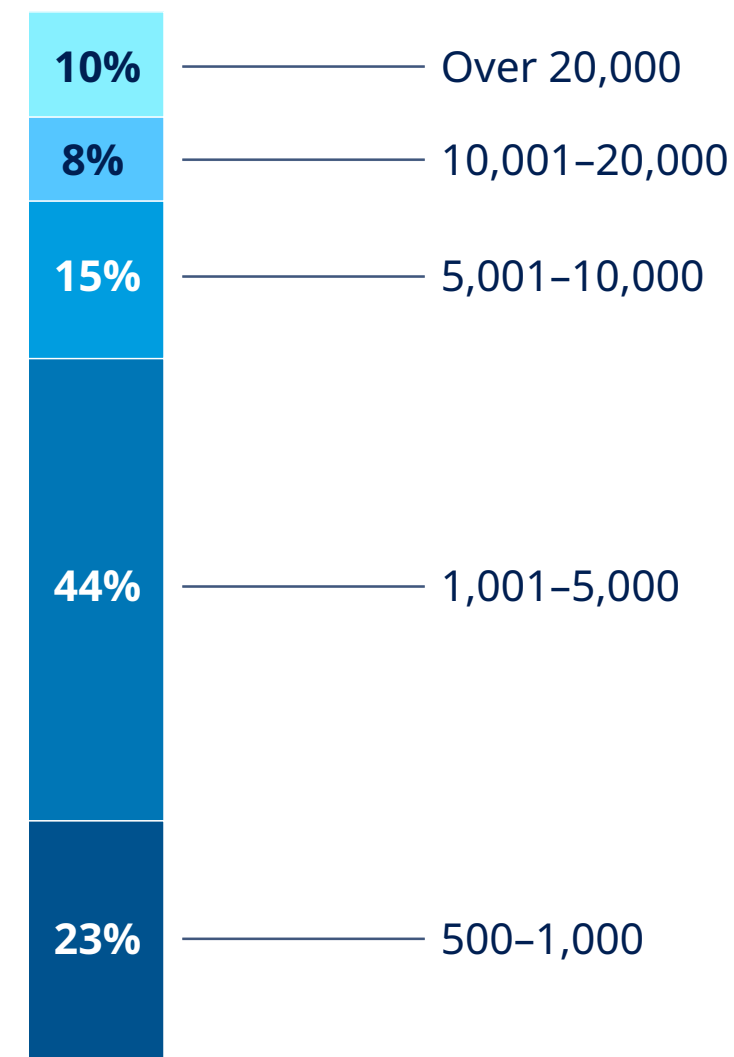
Ask us how we can help **cultivate a digital-first culture** by:

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

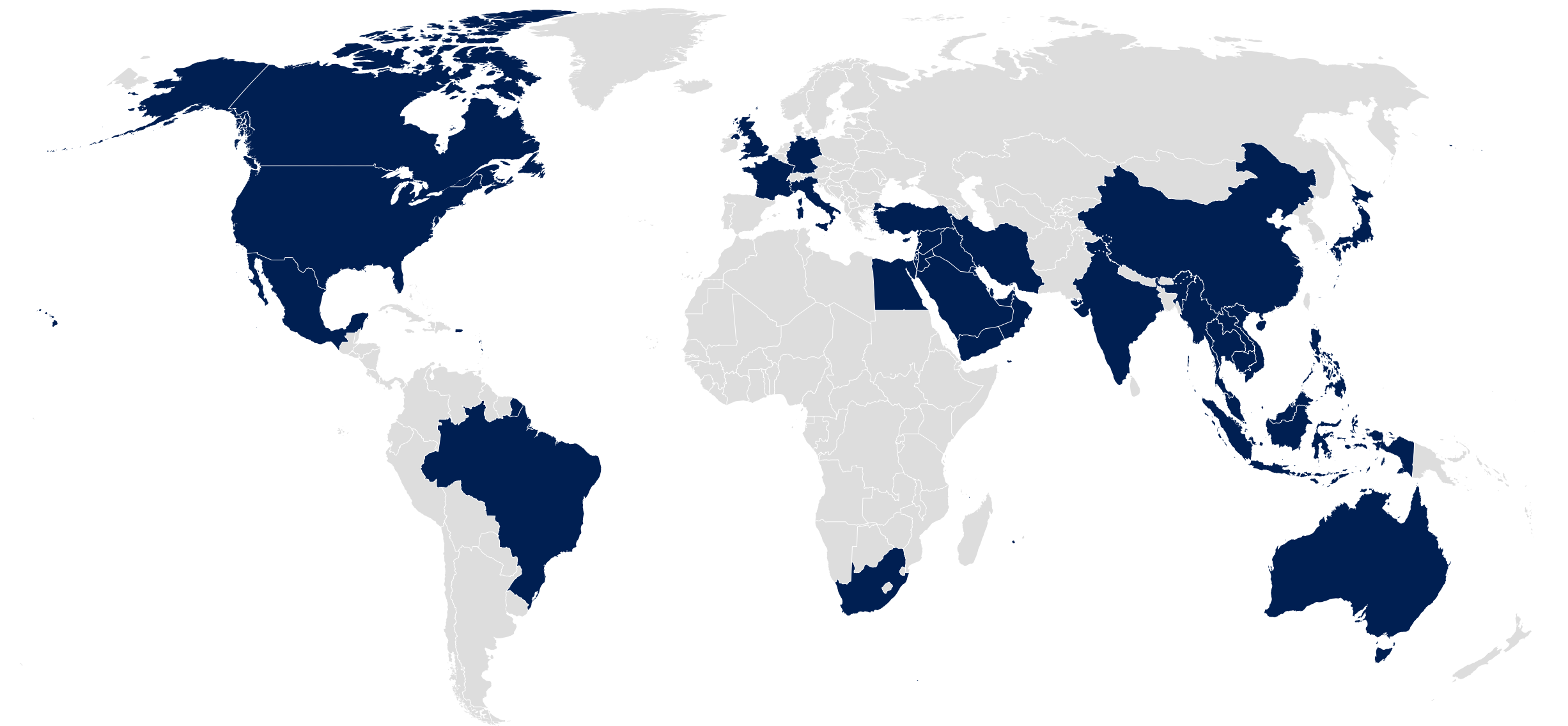


# Survey demographics (C-suite, HR leaders, and employees)

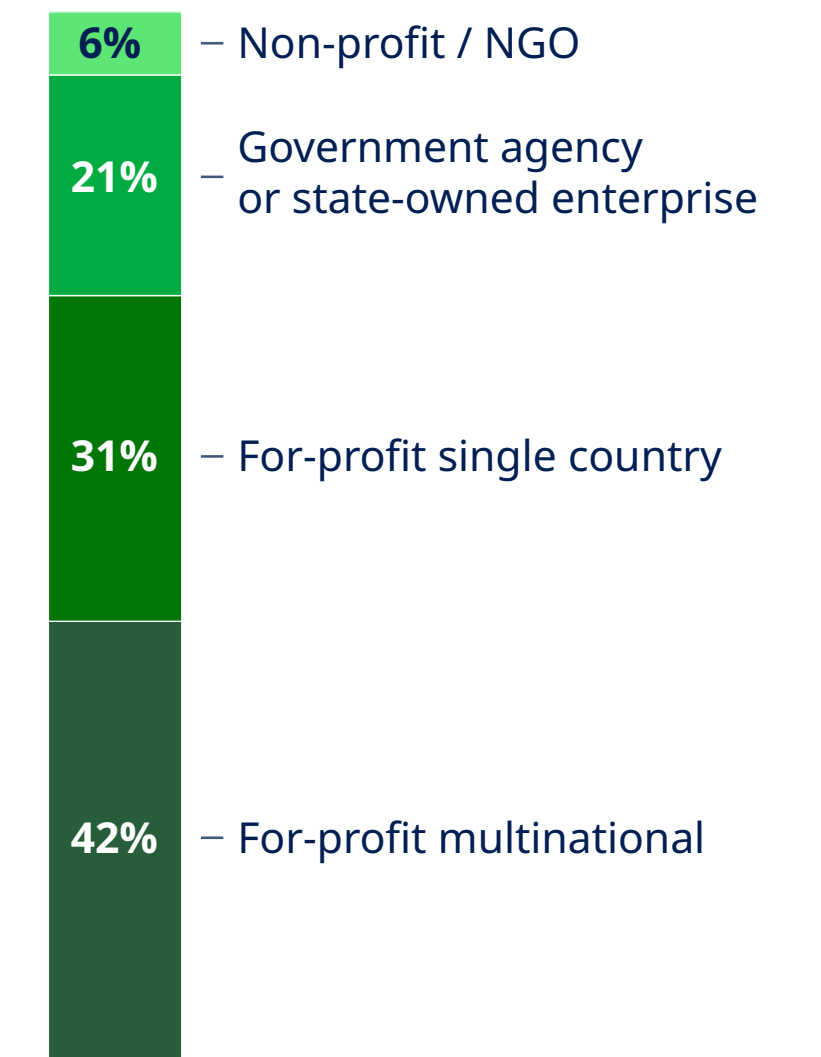
## Company size



## Geography



## Company type

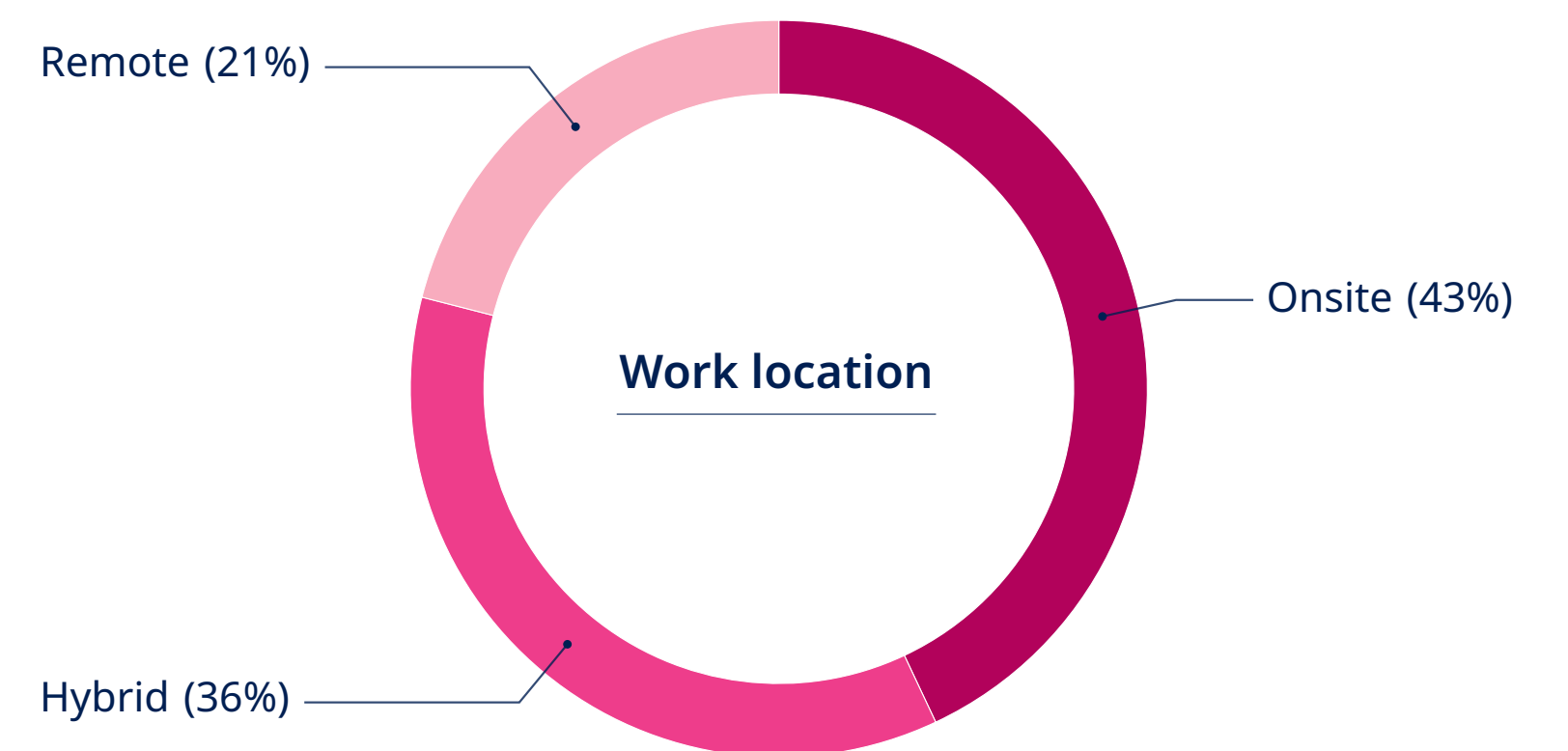
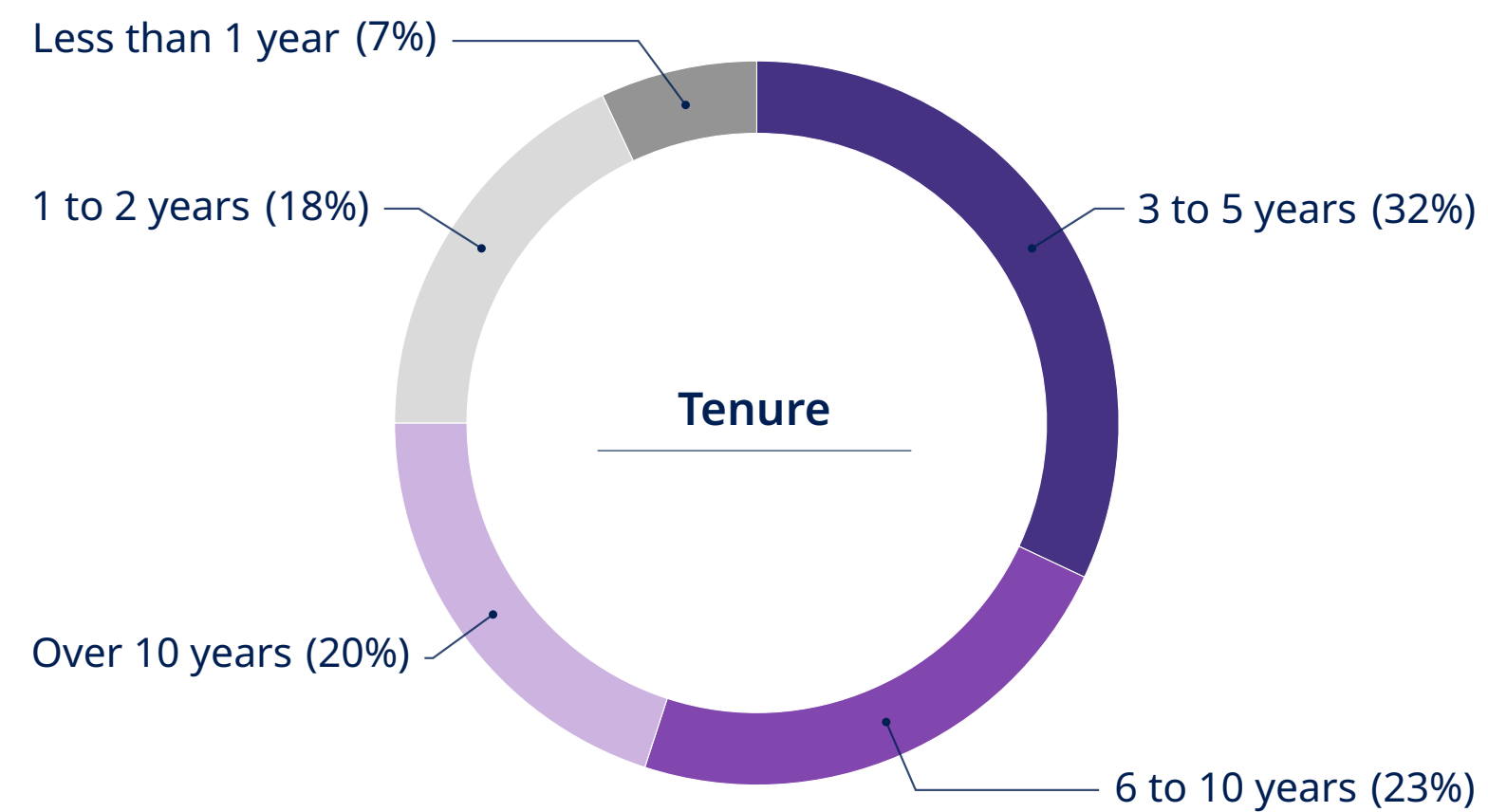
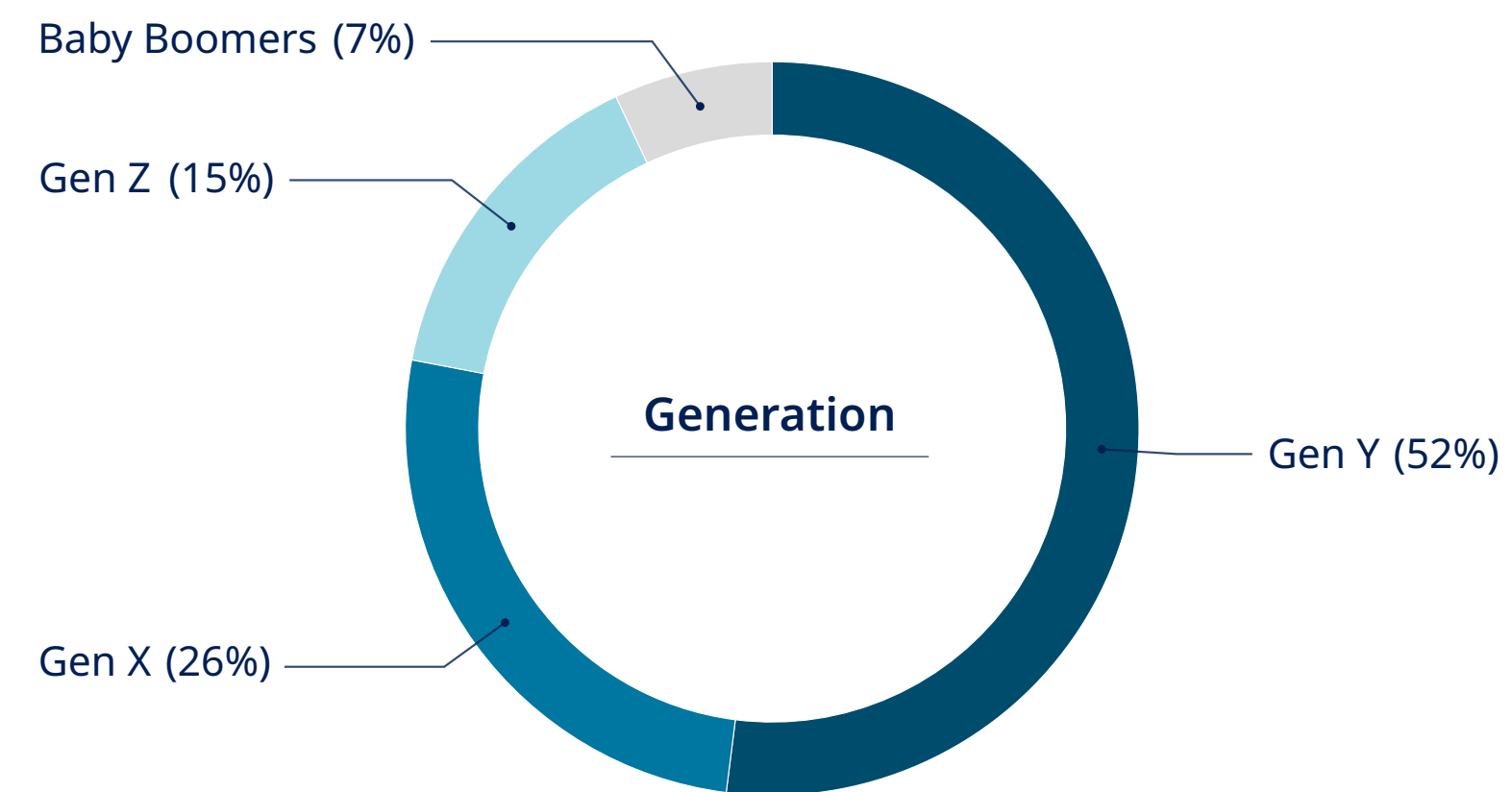
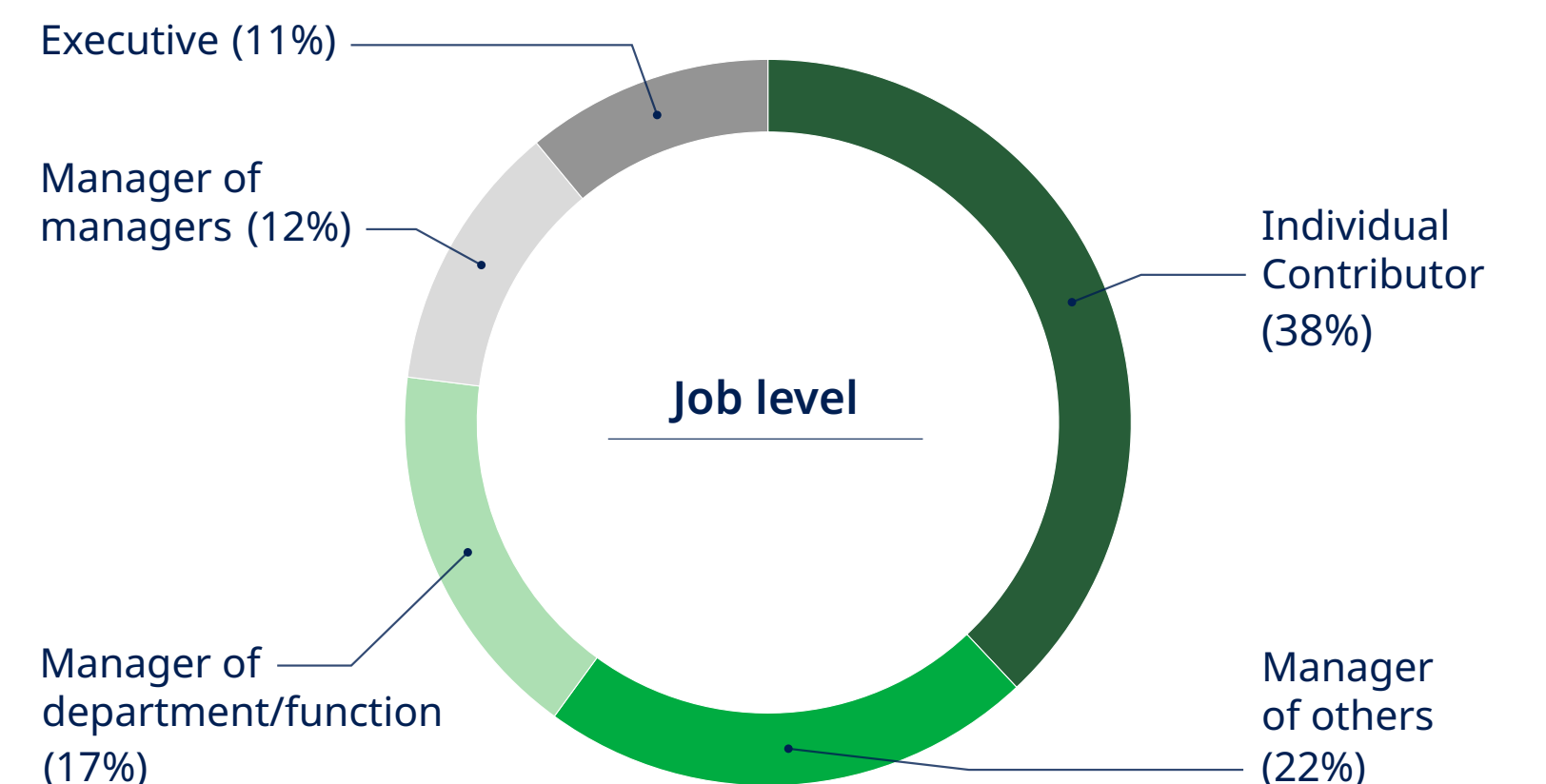
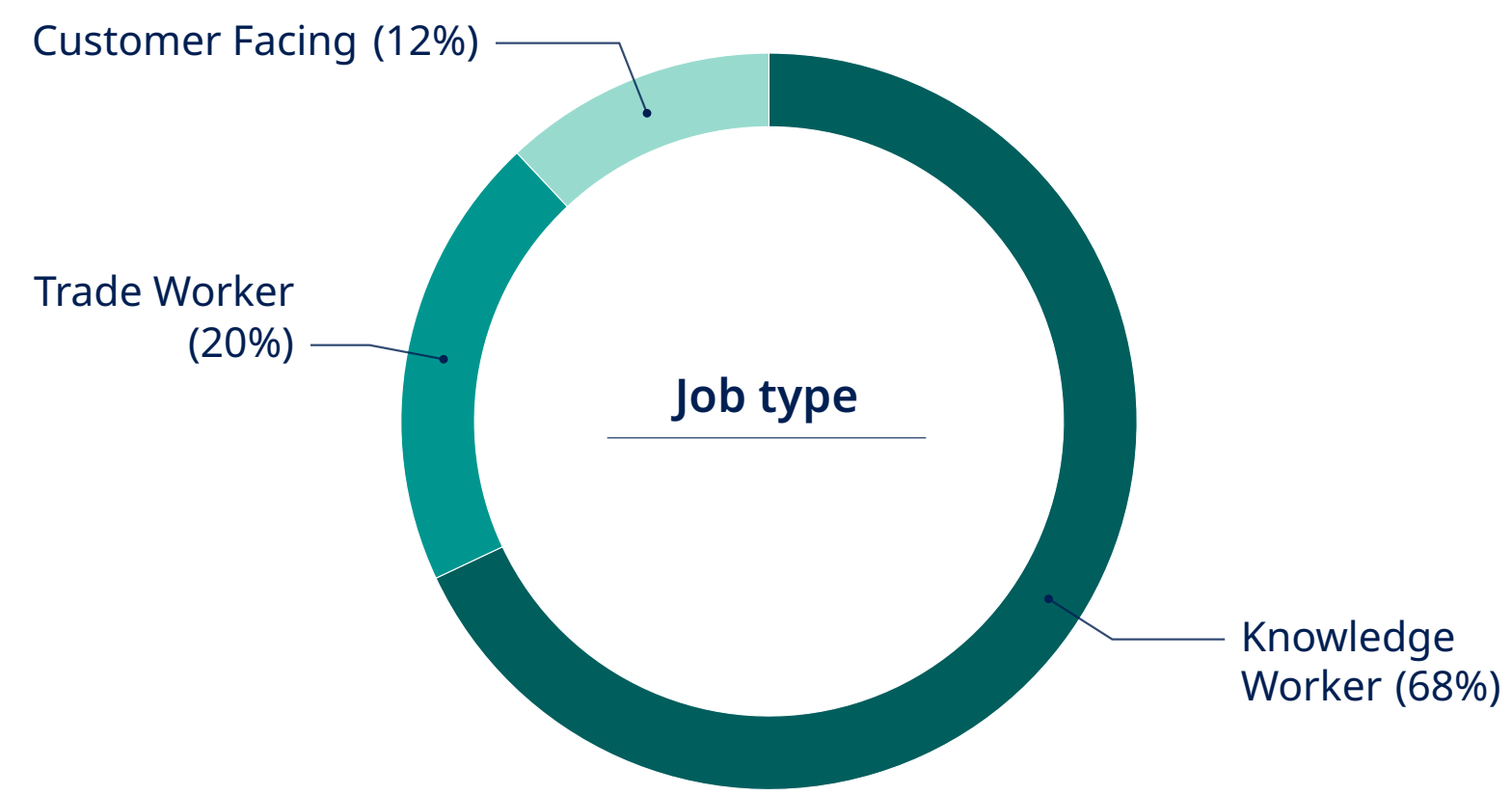
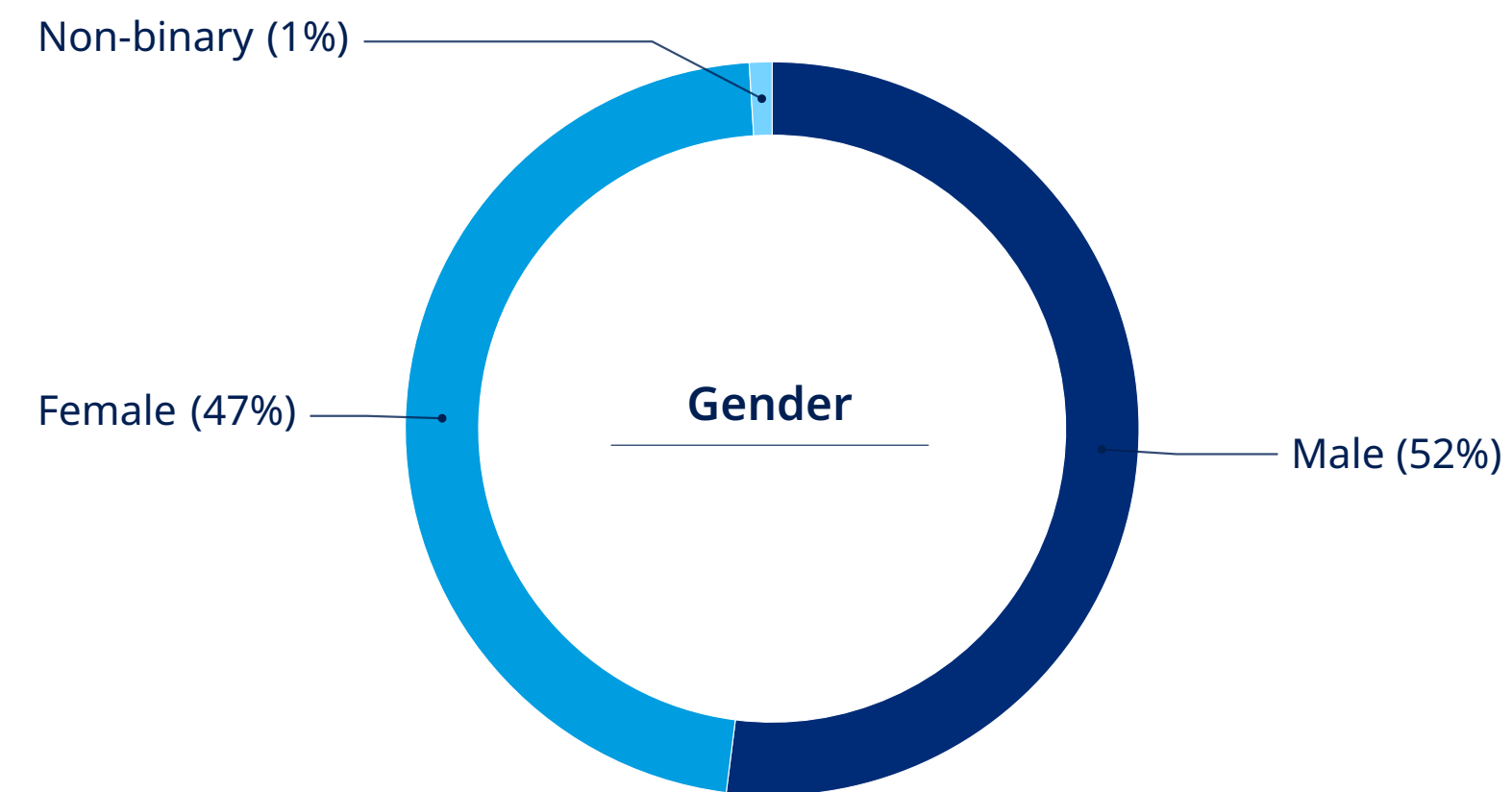


## Industry





# Survey demographics (employees)





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## Core team

Kate Bravery	<i>Senior Partner, lead author</i>
Joana Silva	<i>Strategic Projects, co-author</i>
Jens Peterson	<i>Content Writer, co-author</i>
Saminda Dhillon	<i>Program Manager</i>
Dawid Gutowski	<i>Graphic Designer</i>
Anca de Maio	<i>Global Activation Lead</i>
Molly Proefriedt	<i>Research Coordinator</i>
Ellie Green	<i>Client Liaison</i>
Kate Janota	<i>Senior Marketing Specialist</i>

## Contributors

Jason Averbook	Gord Frost	Himani Kathuria	Ted Patchet
Ilya Bonic	Lewis Garrad	Carolina Klint	Graham Pearce
Callum Burns-Green	Aditya Gupta	Nikhil Kolthankar	Stephanie Penner
Eduardo Córdoba	Kavitha Hariharan	Amy Laverock	Maurizio Quintavalle
Ana Costa e Silva	Deena Harvanek	Joe List	Karen Shellenback
Gina Fassino	Rich Hewitt	Alexandra Maher	Charlotte van Bouwel
Sayka Fatima	Julie Humphries	Jean Martin	Ivette Vargas
Will Ferguson	Mike Giacobbe	Adriana O'Kain	Jess Von Bank
Brian Fisher	Ravin Jesuthasan	Ashwini Pandit	Alex Zea



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