

Build Thriving Workforce

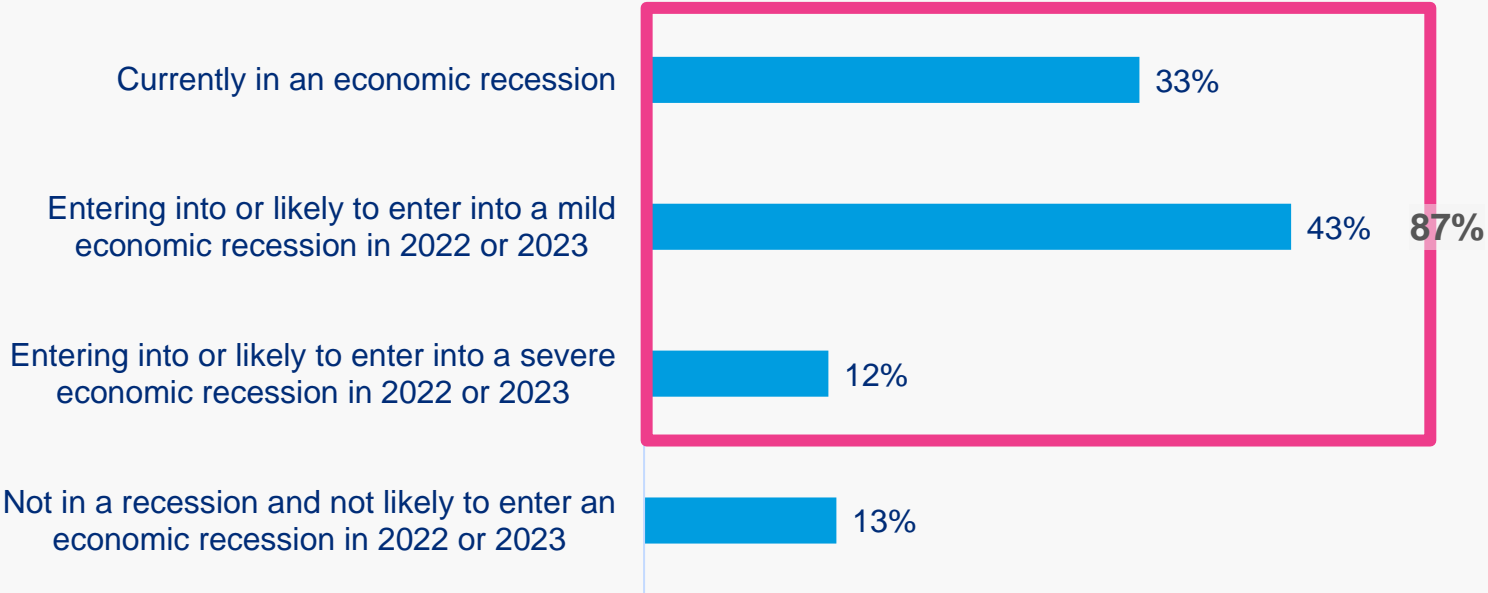


Patrick Gong, Principal

September 20th, 2023

The vast majority of CEOs/CFOs believe we are currently in or entering a recession. Half believe it will last 1-2 years; four in ten believe it will last 6-12 months.

Recession Outlook



40%

Short-term
(6-12 months)

52%

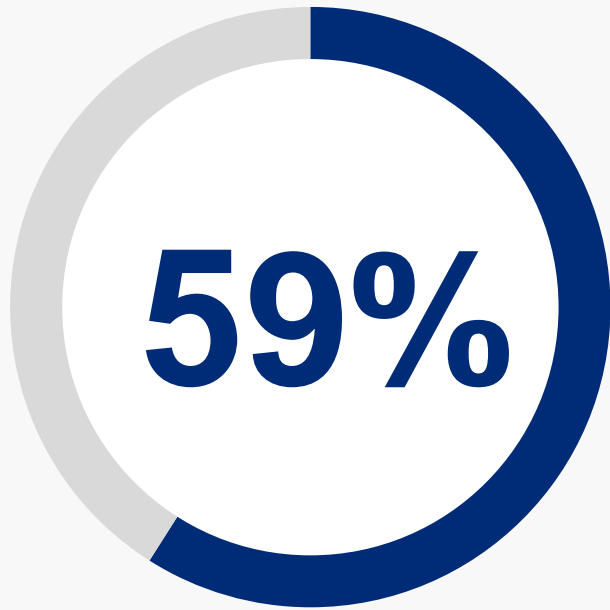
Medium-term
(1-2 years)

9%

Structural
(3-5 years)

How is the economy impacting Business & People plans?

Despite economic headwinds, the majority of CEOs/CFOs expect demand for their organizations' offerings to increase. Half anticipate they will struggle to meet demand with their current talent model.



expect demand for their organizations' products or services to increase in 2023

50%

anticipate their organization will **struggle** to meet demand with their current talent model

55%

say that wage expectations will continue to rise in 2023

63%

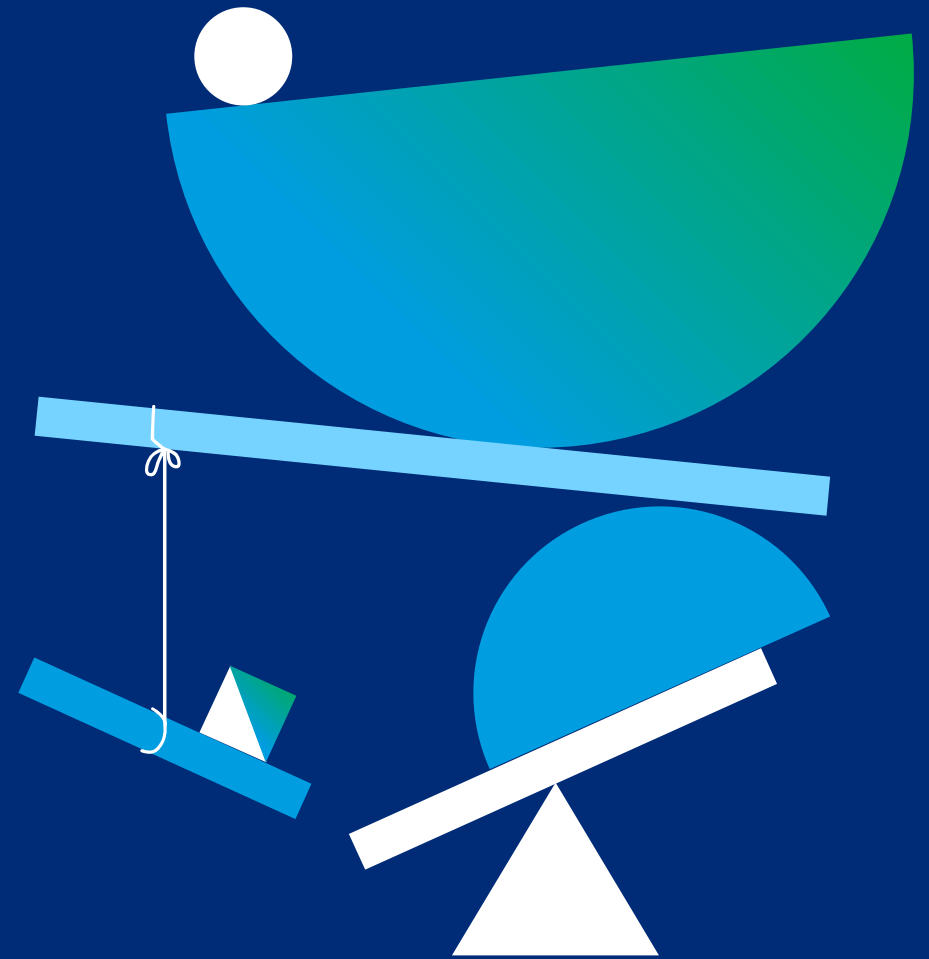
feel confident that their organization can pivot talent from one area to another

35%

feel confident that their organization can quickly scale talent needs up and down

2023 will be a defining year as ambitious transformation plans and persistent challenges come face-to-face with new realities.

C-suite and HR need to maintain energy and momentum to ready itself and the business for what lies ahead.



Pay has been a top priority, but hasn't driven a return

Top reasons for turnover

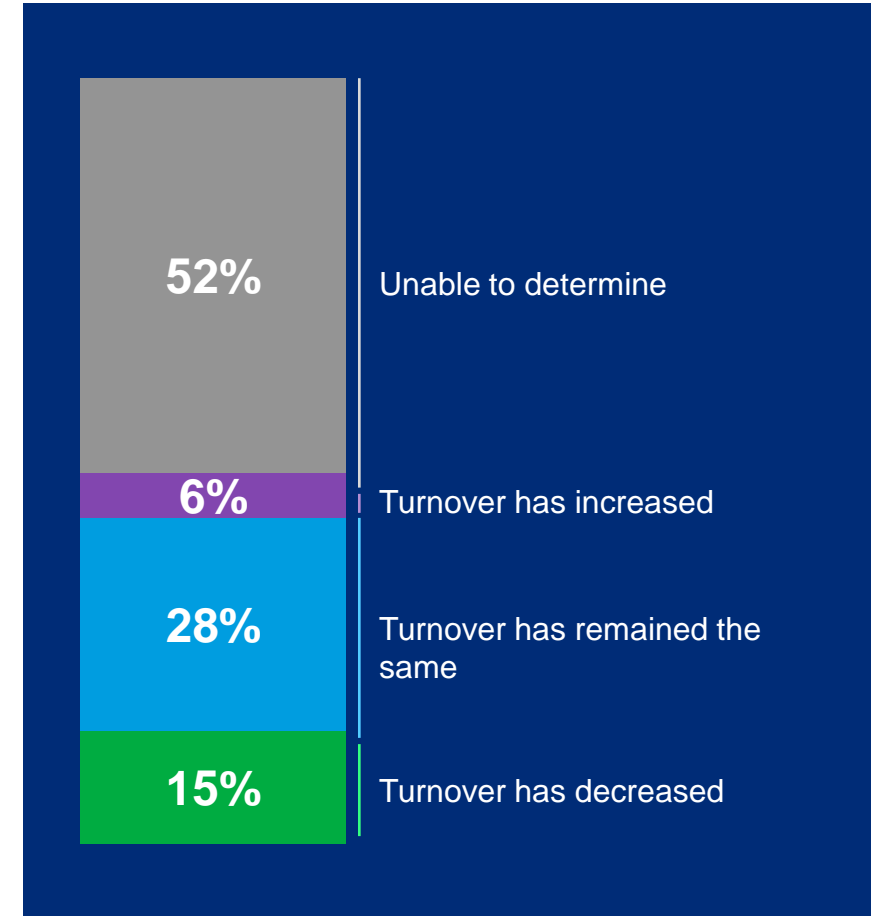
According to employers



Top pay actions being taken



Employers report limited success from pay actions



What is Thriving Organization?

Every organization has a vibe, a feeling that is noticeable from the moment you enter.

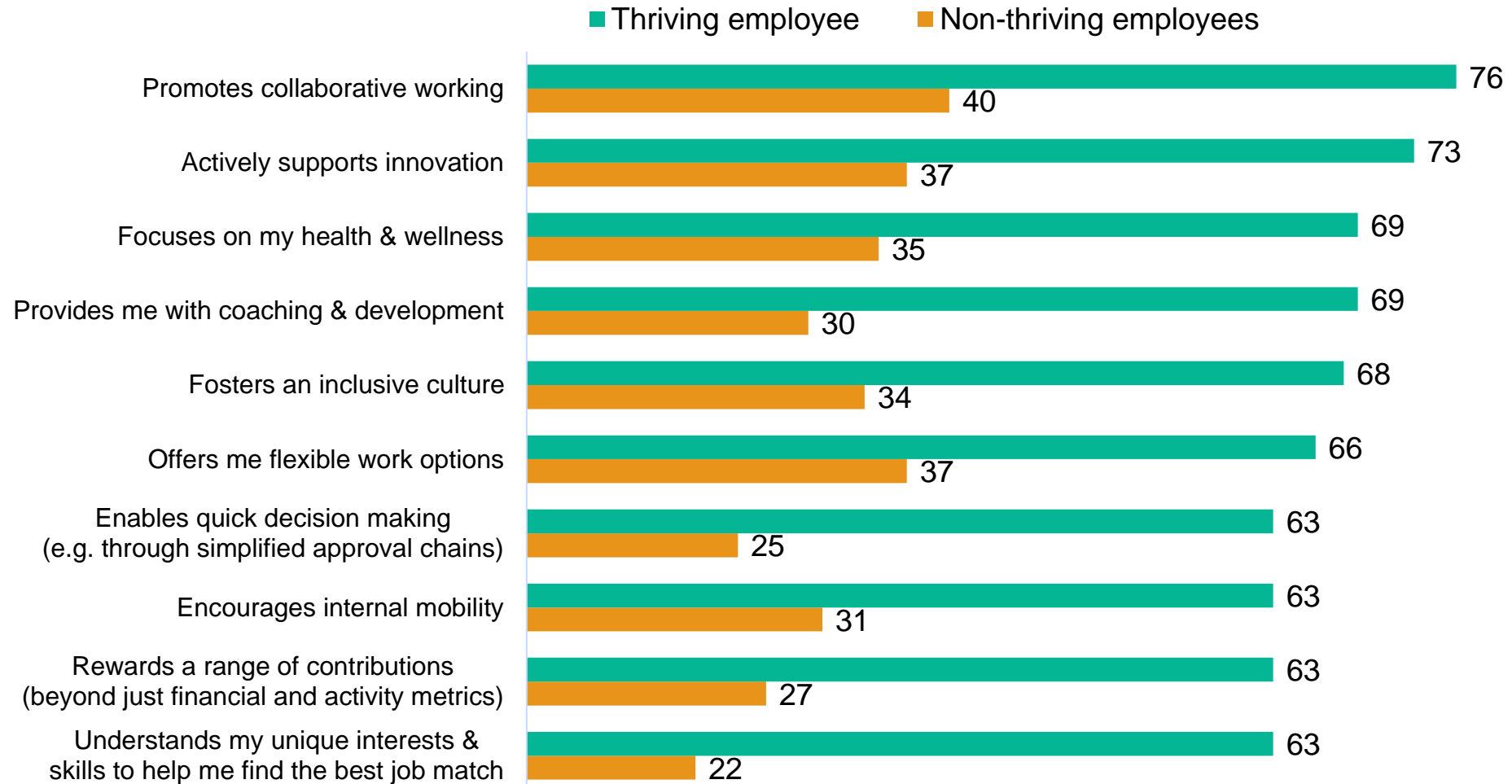
- **Hectic and stressful**
- **Cold and sterile**
- **Humdrum and dull**, with rows of **under-engaged** employees hard at work in their cubicles

- A **perceptible buzz** — an undercurrent of **energy and vitality** — permeates the air
- A clear sense of **pride, passion, and purpose** is evident in every product, every moment of truth, and every interaction



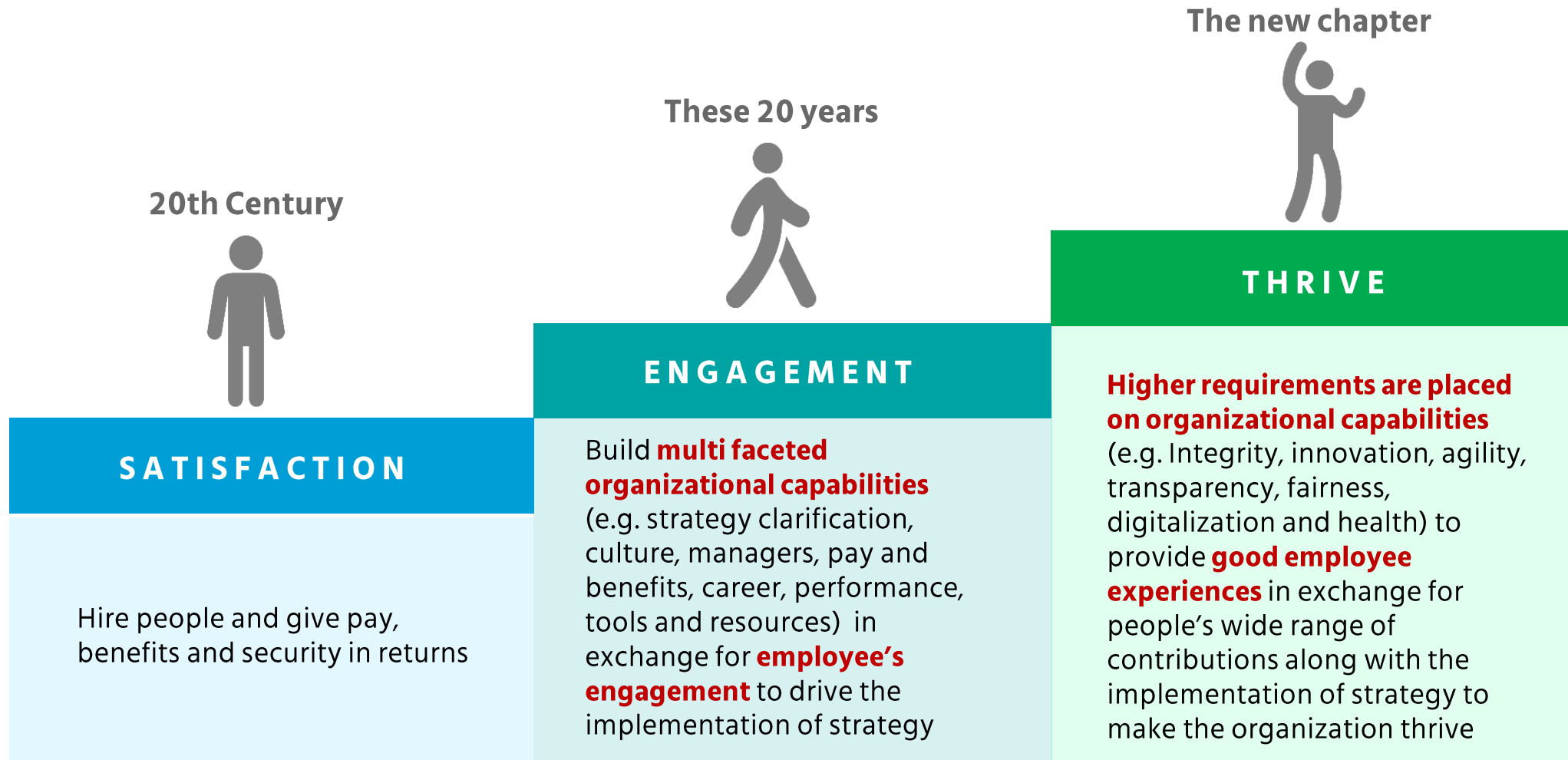
Why it Matters?

Employees in thriving organizations experience their work environment more positively, which is crucial during organization change



The way forward requires a change in the way we invest in people

As the business environment becomes more uncertain, the requirements for innovation become higher and the importance of talent continues to increase



The evolution of employees from satisfaction-engagement-thriving has different impacts on the company



Sarah

HR Officer



Employee examples

Employees only achieve the "satisfaction" state can not have enough positive impact on business performance, companies need to think about how to make employees maintain the "Engagement" and "Thriving" state, on the basis of employee " Engagement ", should maximize the " Thriving " state



Satisfaction

- Basic needs can be met, salary and benefits, job security, etc.
- Only consider work as a tool and a means to earn a living, try not to make mistakes in daily work, and make sure not be fired for making mistakes
- When the salary and benefits, job security can be met by other companies, will job hopping



Engagement

- Treat job not only as a tool to earn a living, but also as a career, and strive to accomplish daily work and performance goals
- Be proud of working in the company and willing to recommend others to work in the company
- Willing to stay in the company



Thriving

- Proactively think about how to create more value for the company through innovative ways
- Have higher expectations for growth and want to take on more challenging job responsibilities to better utilize the potential
- Always be the most enthusiastic and active in the team, and bring positive energy to the people around when encounter difficulties

Four quadrants of employee status

Thriving	<p style="text-align: center;">Unstable Risk</p> <p>Employees in this quadrant are less engaged and more thrived than the company overall. Employees are empowered and believe they can realize their potential and value in realizing the company's future. Employees may have good performance output, but are dissatisfied with the status quo due to certain issues and they are at risk of turnover.</p>	<p style="text-align: center;">Powerful Input</p> <p>Employees in this quadrant have a higher level of engagement and thriving than the company overall. In this quadrant, employees tend to work consistently and enthusiastically for the organization as a strong source of input and as an internal benchmarking team.</p>
	Thriving Score of company overall	<p style="text-align: center;">Imperative Improve</p> <p>Employees in this quadrant have a lower level of engagement and thriving than the company overall. The organization needs to focus on this group to understand the needs of employees and to improve accordingly.</p>
		Engagement Score of company overall
		Engagement

Engagement represents the employee's current work status, and thriving represents the sustainability of the employee's status.

Different teams in the company will show different states of engagement and thriving, through the four quadrants of engagement and thriving, different problems can be examined and provide input for the management of the company.

Most critical for success globally in 2023

2023 will be a defining year as ambitious transformation plans and persistent challenges come face-to-face with new realities. HR will need to maintain energy and momentum to ready itself and the business for what lies ahead.

1 Focusing on company culture development

2 Enabling new ways of working (remote, hybrid, gig)

3 Upholding diversity, equity and inclusion

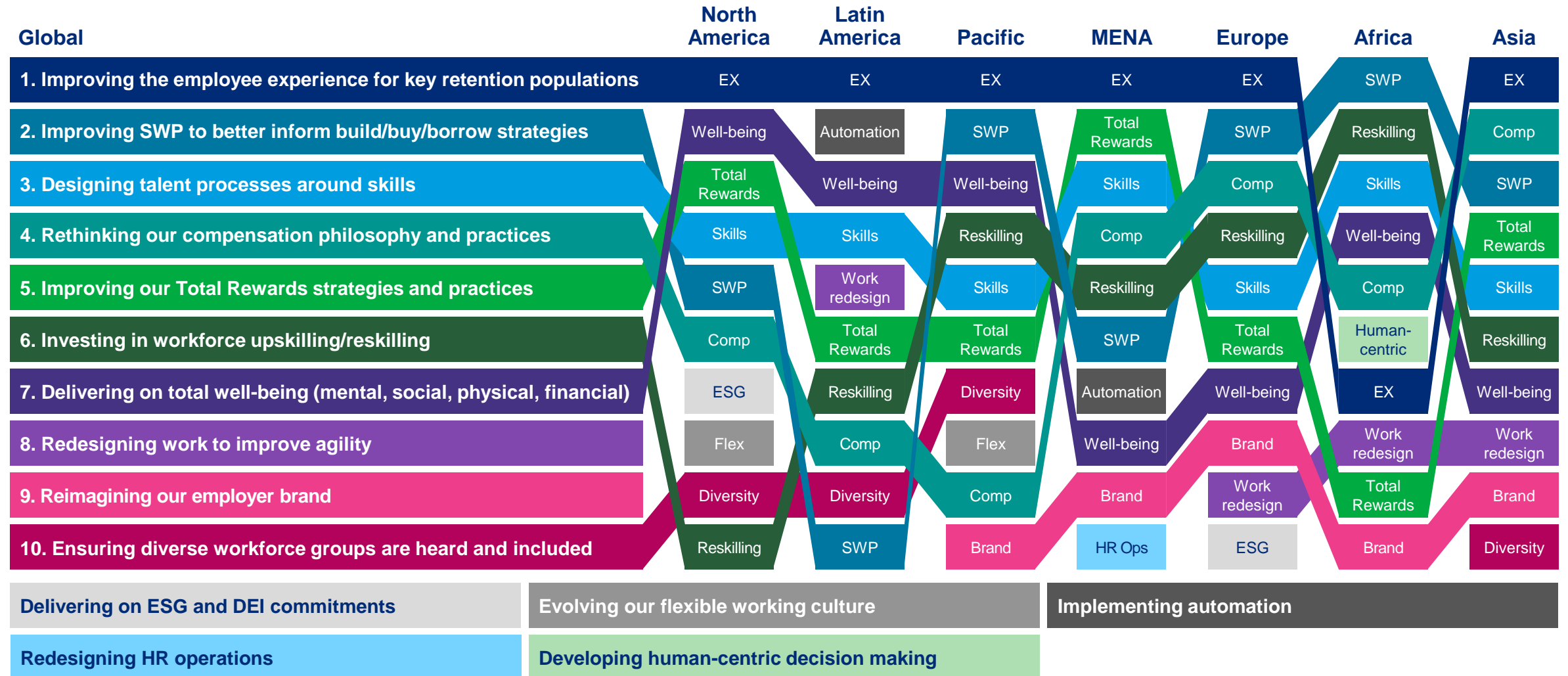
4 Enabling a skills-based organization

5 Impacting total well-being outcomes

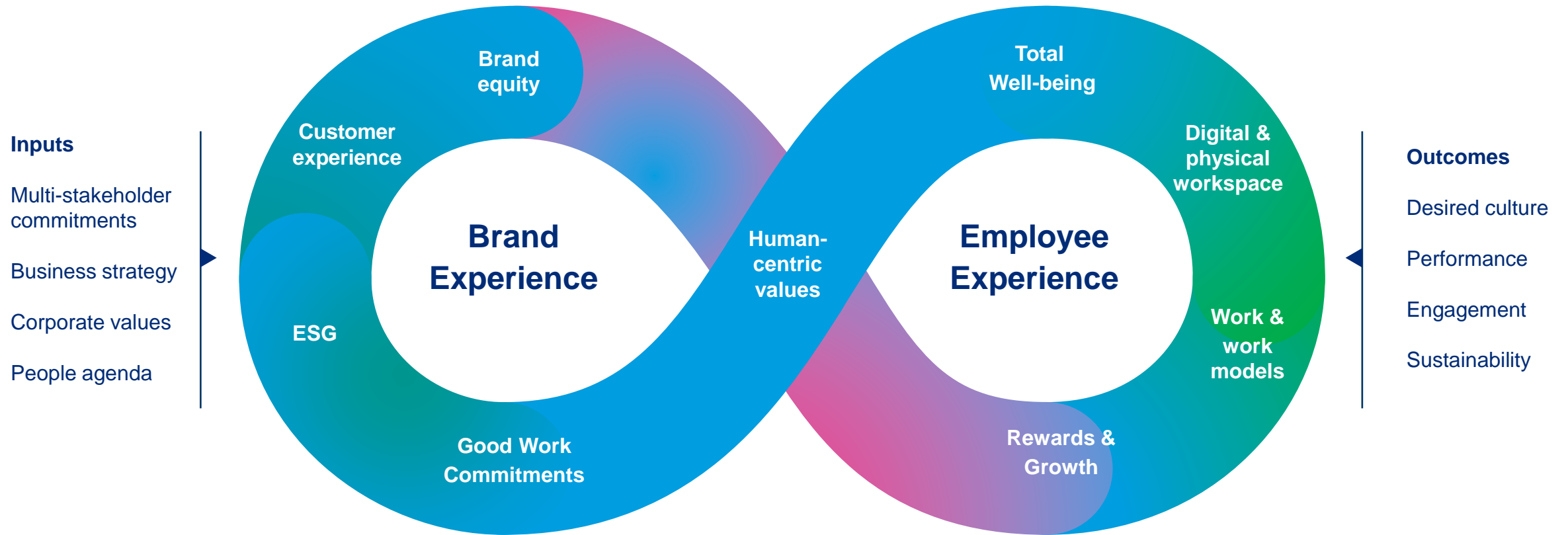


Globally, the areas that have been most difficult to make progress on are: Addressing workforce fatigue, Redesigning work and/or the organization, and Enabling new ways of working.

2023 priorities for leaders vary by geography



High-growth companies are revamping their **Employee Experience** to align with evolving expectations



In 2022, high-growth companies were more likely to:

Trust their employees

Be described as a “caring” organization

Balance EQ with IQ when making critical decisions

In 2023, HR is rethinking the work experience:

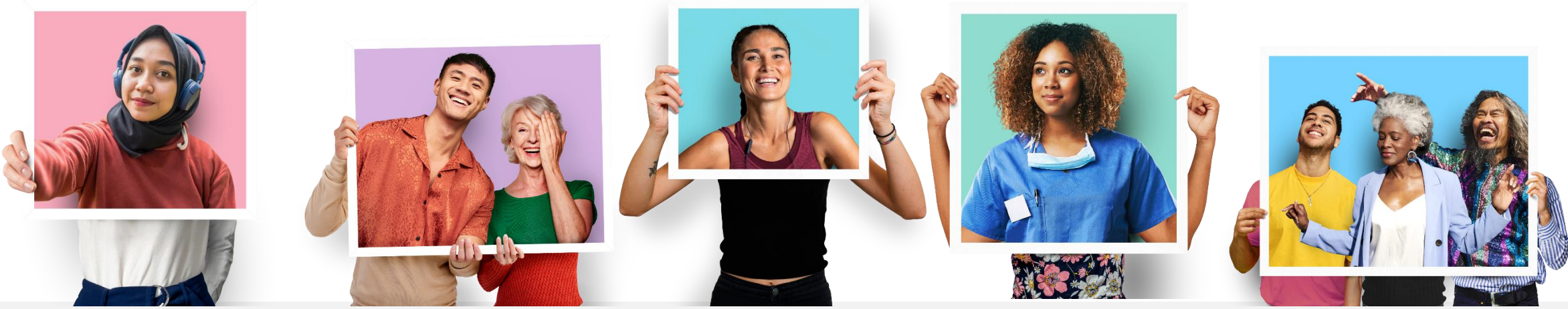
67% are working on the org culture

46% give employees time off for everyday life activities

37% are redesigning work with well-being in mind

The challenge for 2023: How are companies becoming more resilient, relatable and ready for what's next?

reset for relevance	work in partnership	deliver on total well-being	build for employability	harness collective energy
<i>Build resilience by leading with values and an adaptive design</i>	<i>Create equitable, transparent and rewarding partnerships</i>	<i>Nurture a healthy workforce with benefits that matter</i>	<i>Meet future work needs with a skills-based organization</i>	<i>Unlock potential with human-centered work environments</i>

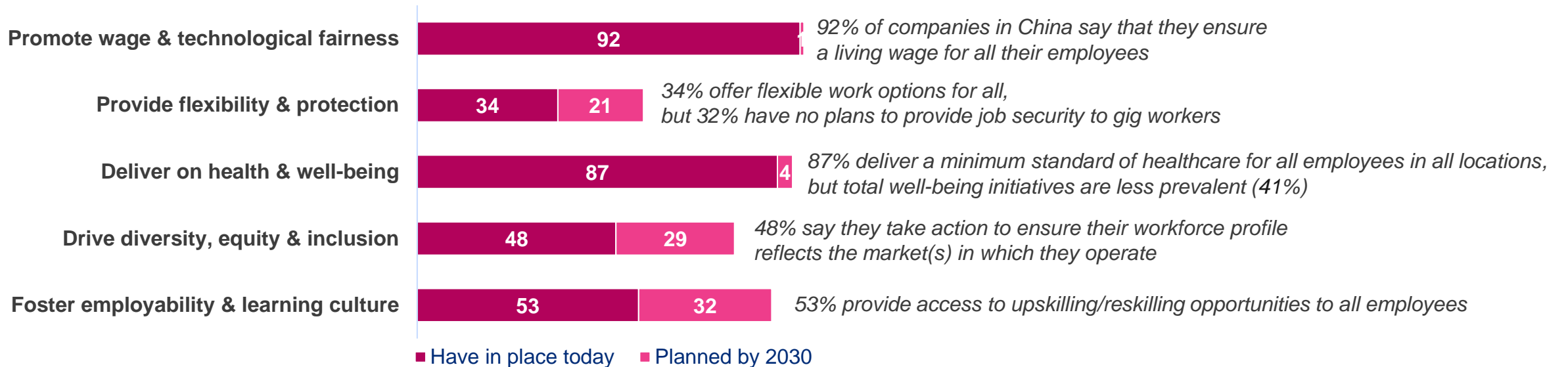


These five focus areas are shaping the People agenda this year

Companies in China are **resetting for relevance** to build resilience and lead with values



The WEF Good Work Alliance advocates for five **Good Work** objectives that, along with their associated metrics, help to deliver a healthy, equitable, and human-centric future of work. With brand and reputation a key driver for retention this year, making progress on a wider range of success metrics that extend beyond profit and return will be critical to ensure a company's multi-stakeholder relevance.



ESG activities that have made the most impact for companies in China



Companies in China are working in partnership to stay competitive in a tight talent market



74% have reset work partnerships in the past year. How does this look in practice?

36%

Increasing transparency on which jobs suit different work/flex arrangements

32%

Training managers on how to build inclusive and equitable team arrangements

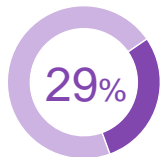
28%

Ensuring responsibility for DEI at the individual/team level, not just at a business unit or enterprise level

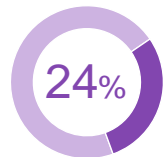
22%

Setting new work guidelines to improve collaboration effectiveness

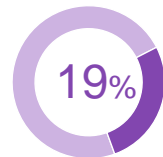
The inflationary environment is putting rewards in focus more than ever before. How are companies in China responding to this new market reality?



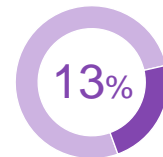
Implementing a bonus/pay adjustment across the entire workforce



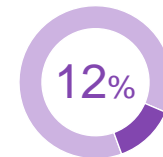
Using bonuses instead of base salary to increase total comp without long-term commitments



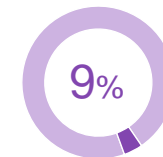
Providing a cost-of-living adjustment or other wage increases in most impacted markets



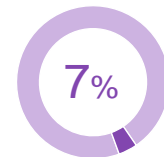
Adjusting pay or offering cost-of-living adjustments only to those paid below the market median



Increasing use of temporary workers to minimize increasing pay for permanent workers



Increasing other benefits in order to avoid increasing pay

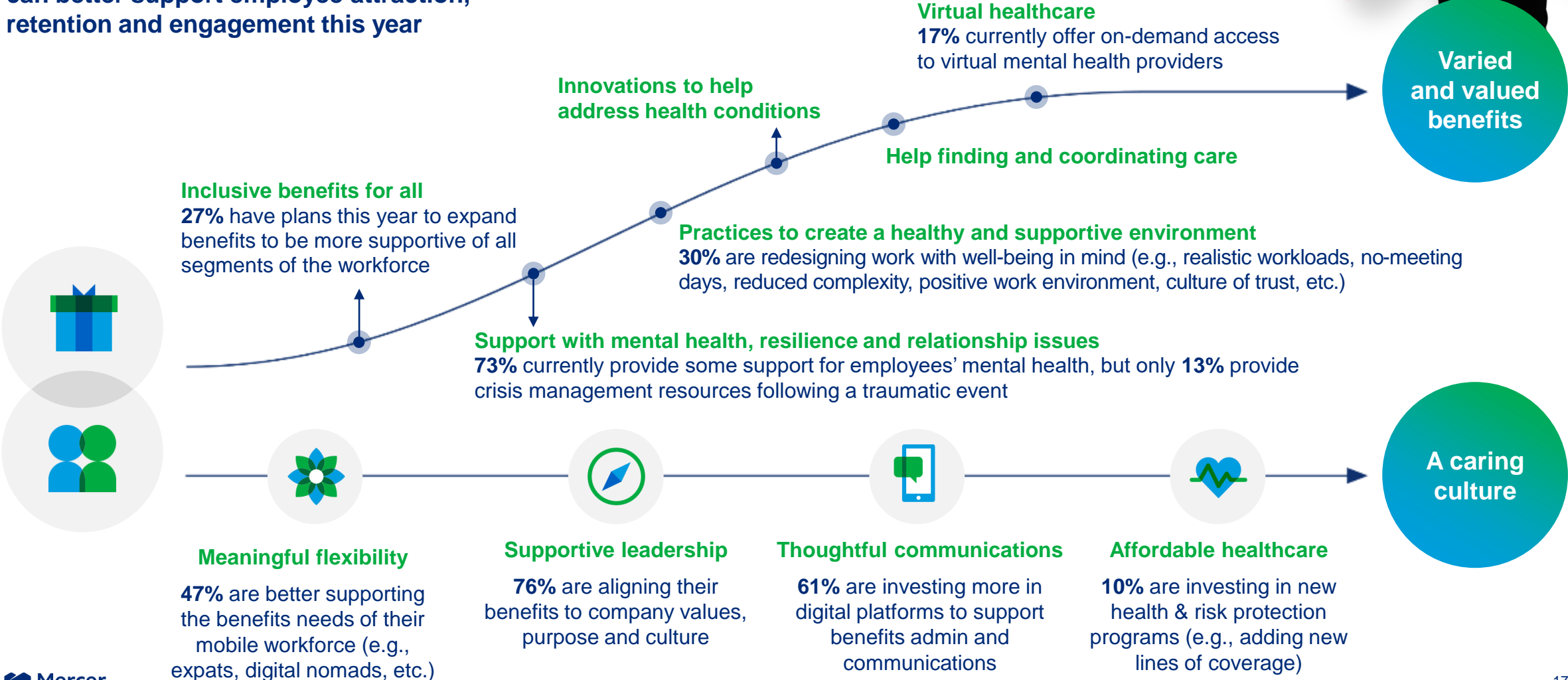


Reducing other benefits to offset higher costs related to pay increases

Companies in China **deliver on total well-being** by focusing on benefits that matter



87% are focusing on how their benefits offerings can better support employee attraction, retention and engagement this year



Companies in China are **building for employability** to meet current and future skill needs



- 1**
 - 51% have business plans with enough detail to identify future skill needs
 - 43% have strategic workforce plans that quantify skills gaps/needs in addition to headcount
 - 55% differentiate which skills can be developed versus bought
- 2**
 - 62% understand the workforce skills they have today
 - 15% use an AI-driven talent intelligence platform
 - 15% conduct robust assessments of technical skills
 - 31% use psychometric tools to measure potential
- 3**
 - 40% have an internal talent marketplace to facilitate talent sharing
 - 8% are part of an external talent consortium
 - 38% include short-term projects, not only expat assignments, as part of talent mobility
 - 19% make career and pay band information available to all
- 4**
 - 54% understand their talent development needs
 - 28% have effective up/reskilling programs to prepare talent to move into new areas
 - 65% nudge employees for learning opportunities based on their job/skill aspirations
 - 35% have built learning pathways mapped to jobs/skills
 - 49% are able to adjust internal pay based on the changing value of skills

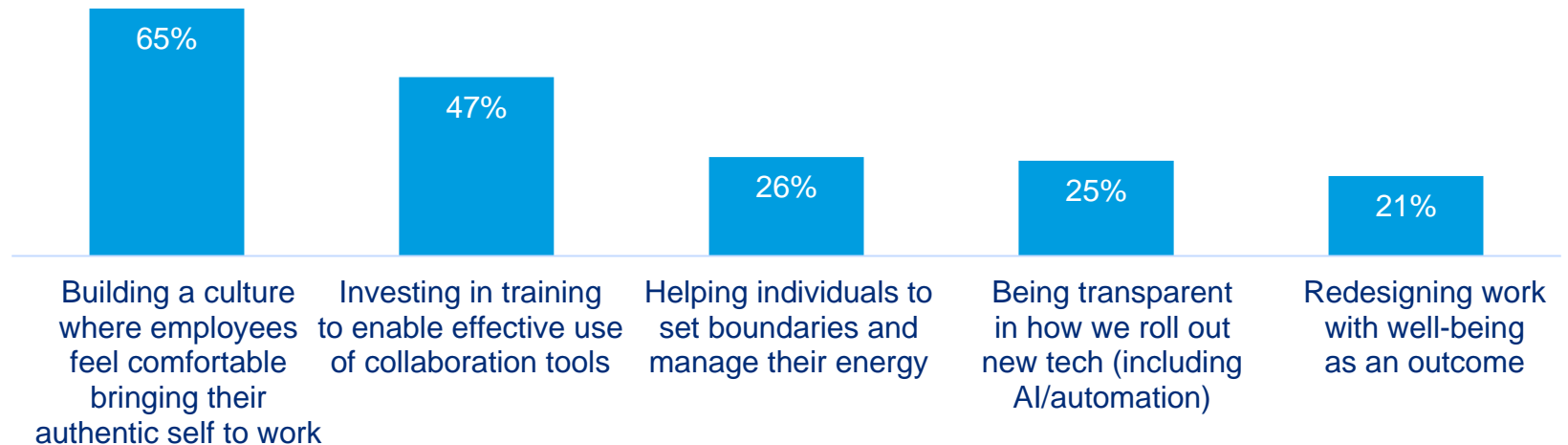
Companies in China harness collective energy to drive human-centered transformation

Employee exhaustion is perceived as one of the biggest obstacles to transformation in 2023.

What else are HR leaders in China concerned about?

- Balancing transformation plans with a survival mindset (58%)
- Insufficient budget (44%)
- Too many priorities that distract our people (29%)

86% of companies are taking steps to maximize workforce energy this year



HR is critical to the success of the transformation agenda

Top 3 focus areas for HR functional transformation:

- Ensuring HR has a seat at the table for business strategy and decision making
- Accelerating HR digital transformation
- Transforming the HR operating model to be more agile

Relatable organizations will win out in changing times

How ready is your organization for what's next?

How will you build resilience & agility into your work operating systems?

This is a moment of profound opportunity: to pick up the tools of empathy learned and honed during the pandemic period and carve a new way of partnering that is **more resilient, sustainable and attuned to the new shape of work.**

Leading organizations are redefining how they interact with their workforce and contribute to society. Our Global Talent Trends research shows that **Relatable Organizations** have five things in common: They are constantly resetting for relevance, figuring out new ways to work in partnership, delivering on total well-being outcomes, building for employability, and harnessing collective energy to drive transformative change. Even in the face of sociopolitical and economic uncertainty, these priorities must remain front and center for organizations and individuals to thrive.



For more insights and recommendations to make progress this year, visit www.mercer.com/global-talent-trends

