

the future of work | pathway to a competitive, purposeful + sustainable rewards strategy

AACA FORUM 2022 | Atlanta

October 13, 2022

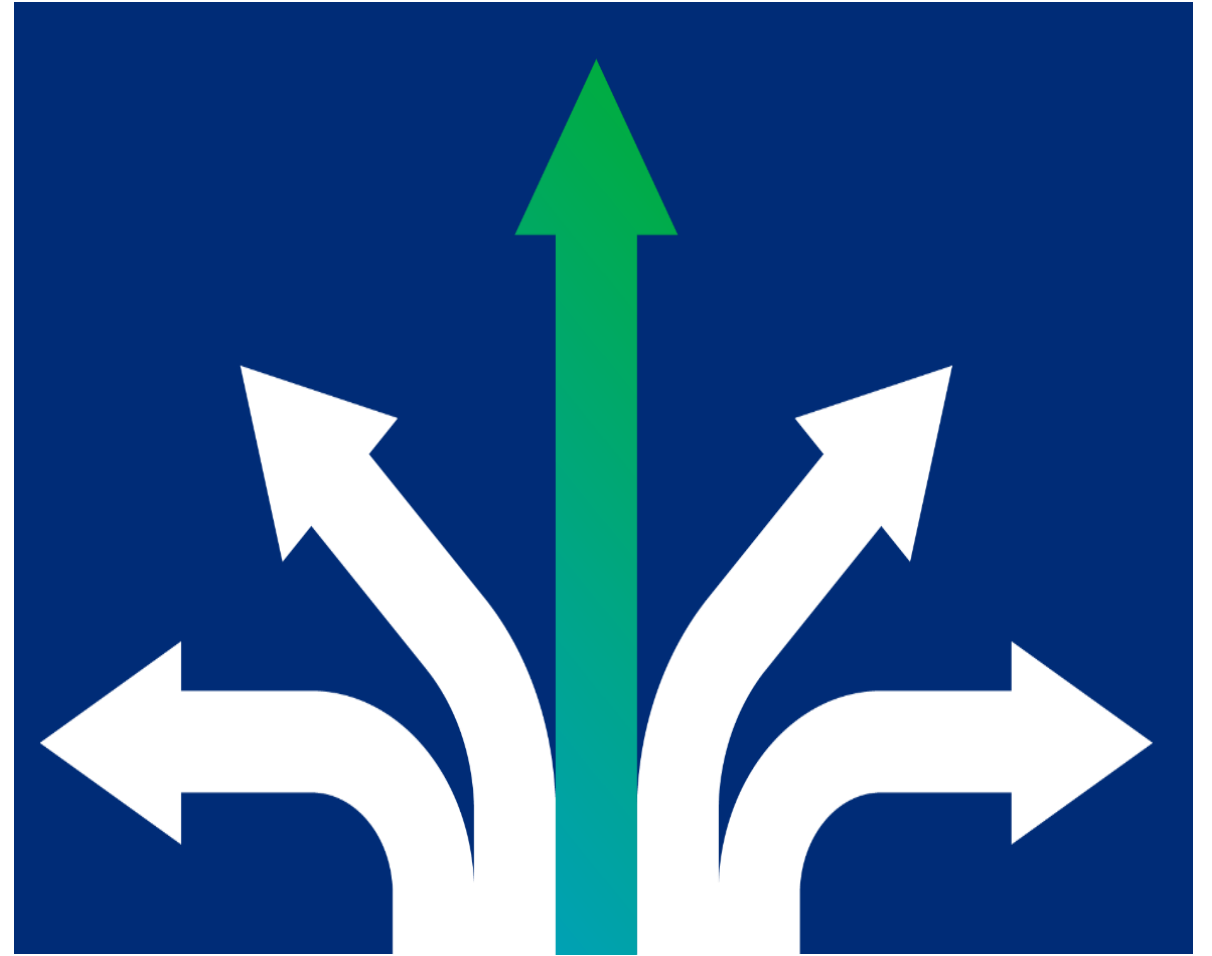
Justin Busby | Charlotte

Yakub Yahaya | Atlanta

A business of Marsh McLennan



- 1 | introductions
- 2 | where we are
- 3 | retain, retain, retain
- 4 | where do we go
- 5 | q & a



Agenda

Today's Presenters

Mercer Transformation Experts



Justin Busby
Sr. Principal

Charlotte



Yakub Yahaya
Associate

Atlanta

where we are...
fresh compensation data
facing an uncertain outlook



There's a lot of pressure on compensation professionals

Resilient US job market kept its hot streak going in August

-MSNBC

Job openings top 11.2M, well above estimate and nearly double the available workers

-CNBC

'Very high likelihood' of recession amid inflation fight says Powell

-Business Insider

Stock markets face deteriorating outlook, and returns, worldwide

-Forbes

Recession fears are rising. Why are people still quitting their jobs?

-The Hill



EMPLOYEE FRUSTRATION IS MOUNTING

WORKERS ARE FEELING THE PAIN AND LABOR SHORTAGES ARE TAKING A TOLL - ACTING WITH THEIR FEET – TURNOVER REMAINS NEAR RECORD HIGHS

51% Of workers report feeling exhausted on a typical workday

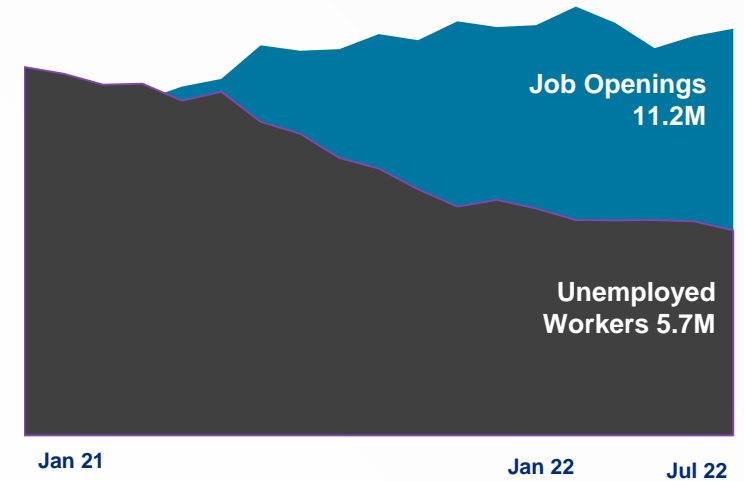
8.3% Inflation has eroded virtually all wage gains

73% Of workers say inflation and market volatility have significantly increased financial stress

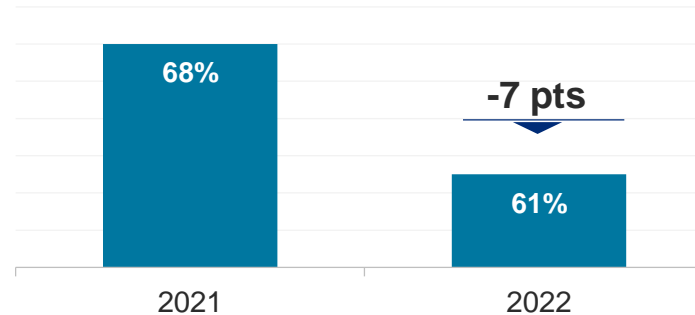
34% 2022 Annualized quit rate - up from 28% pre-pandemic

Source: Mercer's 2022 Inside Employees Minds Study; Bureau of Labor Statistics

11M JOB OPENINGS AND A LABOR SHORTAGE OF MORE THAN 5M WORKERS – EMPLOYEES HAVE NO SHORTAGE OF OPPORTUNITIES



Source: Bureau of Labor Statistics



Source: Mercer's 2022 Inside Employees Minds Study; Bureau of Labor Statistics

“I BELIEVE I AM COMPENSATED FAIRLY (I.E., PAY AND BENEFITS) FOR WHAT I DO.”

QUIZZZ!!!

*** PLEASE VISIT ***

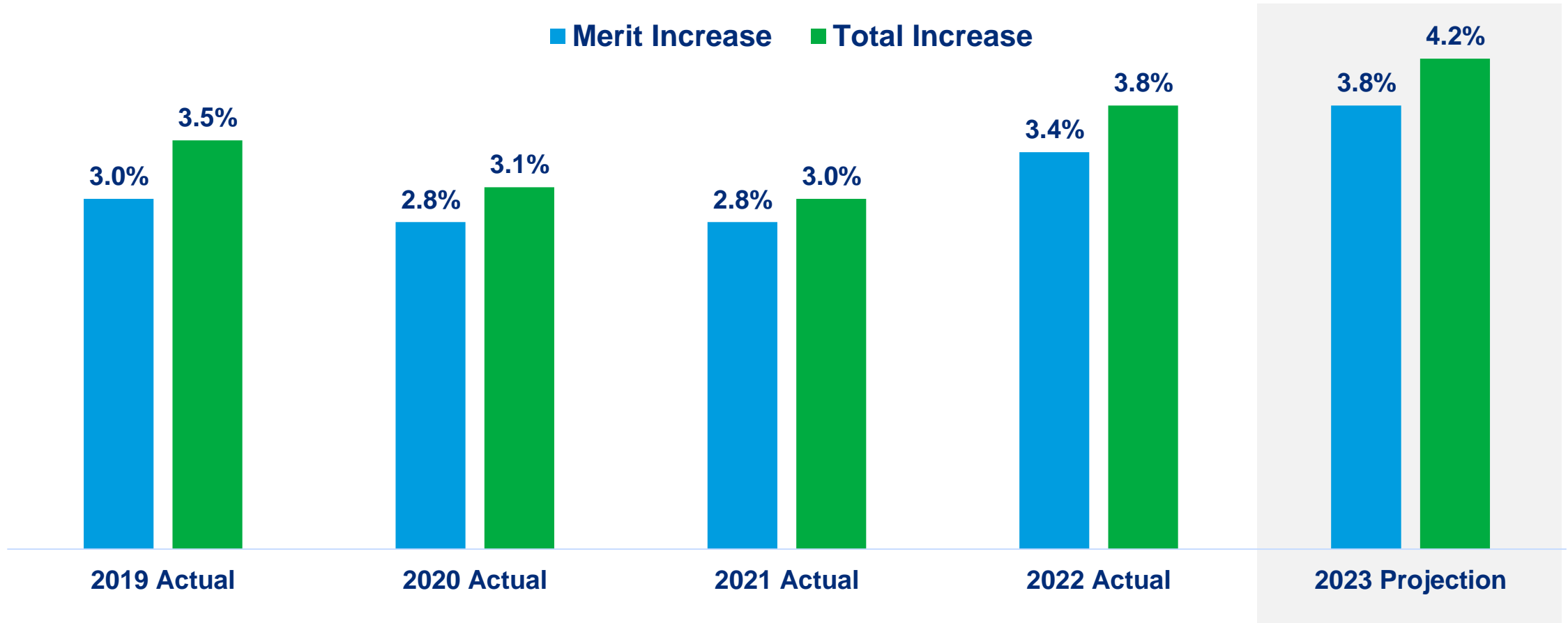
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What do you believe the latest Mercer survey (released a few weeks ago) captured for planned 2023 merit increases?

① Start presenting to display the poll results on this slide.

Recessionary concerns are not slowing down compensation... yet



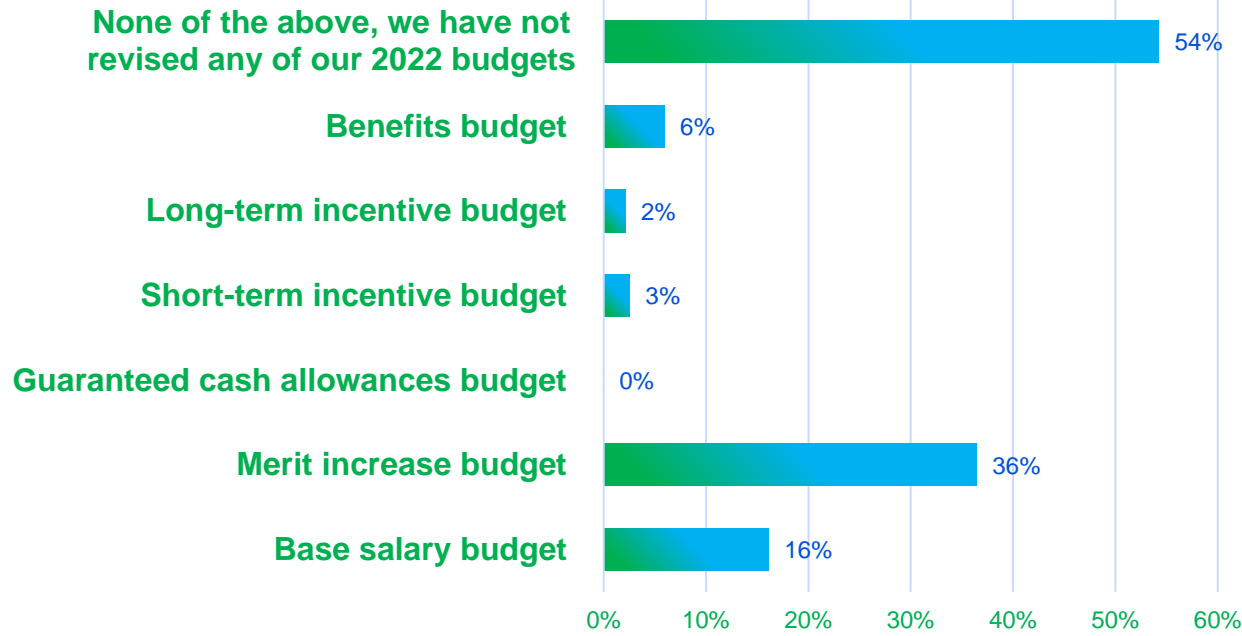
Merit increase budgets are the total base salary increase for merit awards, while total increase budgets include all salary increases, such as merit, promotional increases, cost of living increases, across-the-board increases, minimum wage increases, off-cycle increases, etc.

Source: Mercer US Compensation Planning Surveys, Average Increases (including companies reporting 0 increases). 2022 Actuals collected March 2022; 2023 Budgets collected August 2022

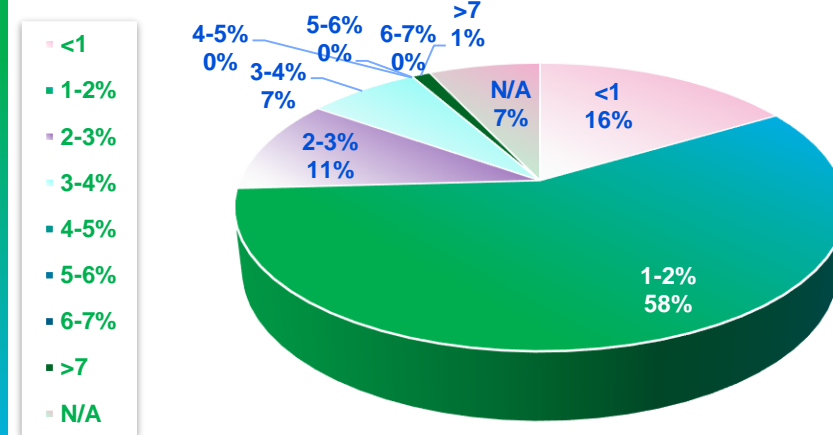
Industry Reactions to Inflation



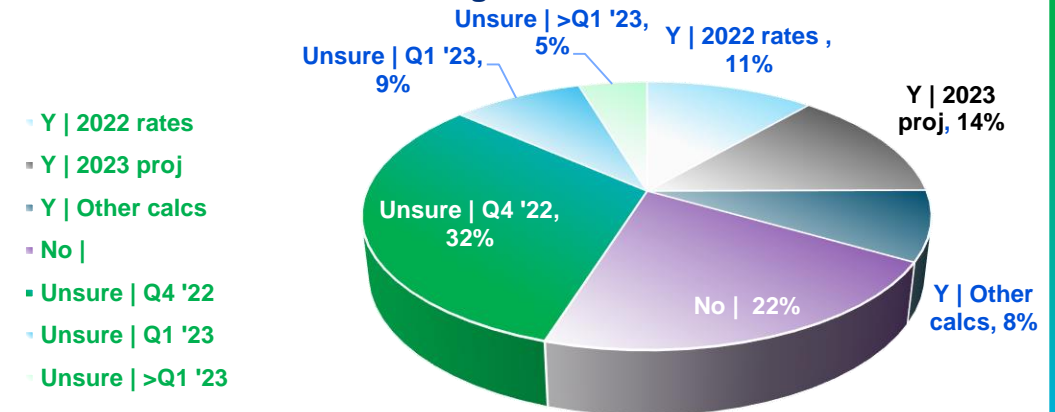
As a result of increased inflation, have companies revised any of the following 2022 budgets?



2022 merit increase budgets, by how many percentage points did it increase from the one originally set

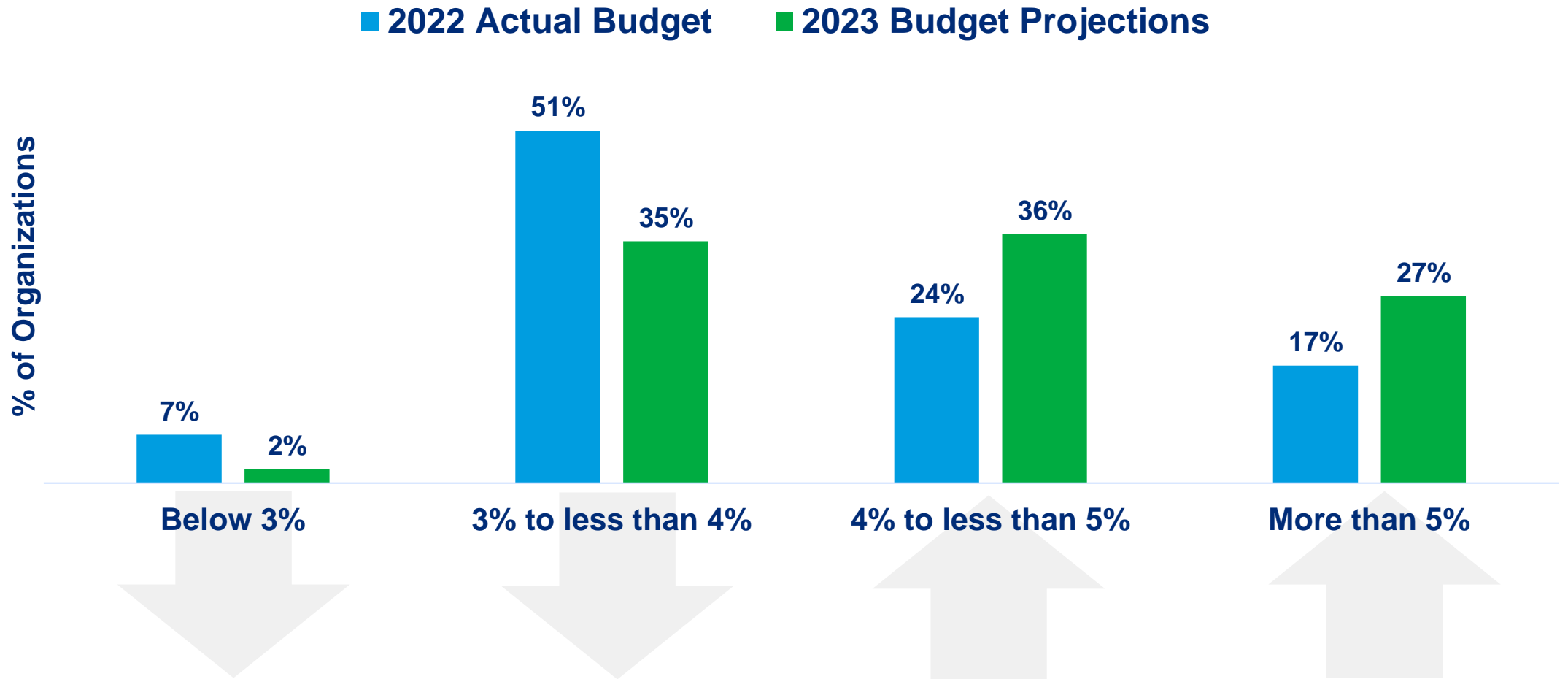


Will companies factor inflation into 2023 merit budgets?



1 in 4 employers say they will budget 5% or more

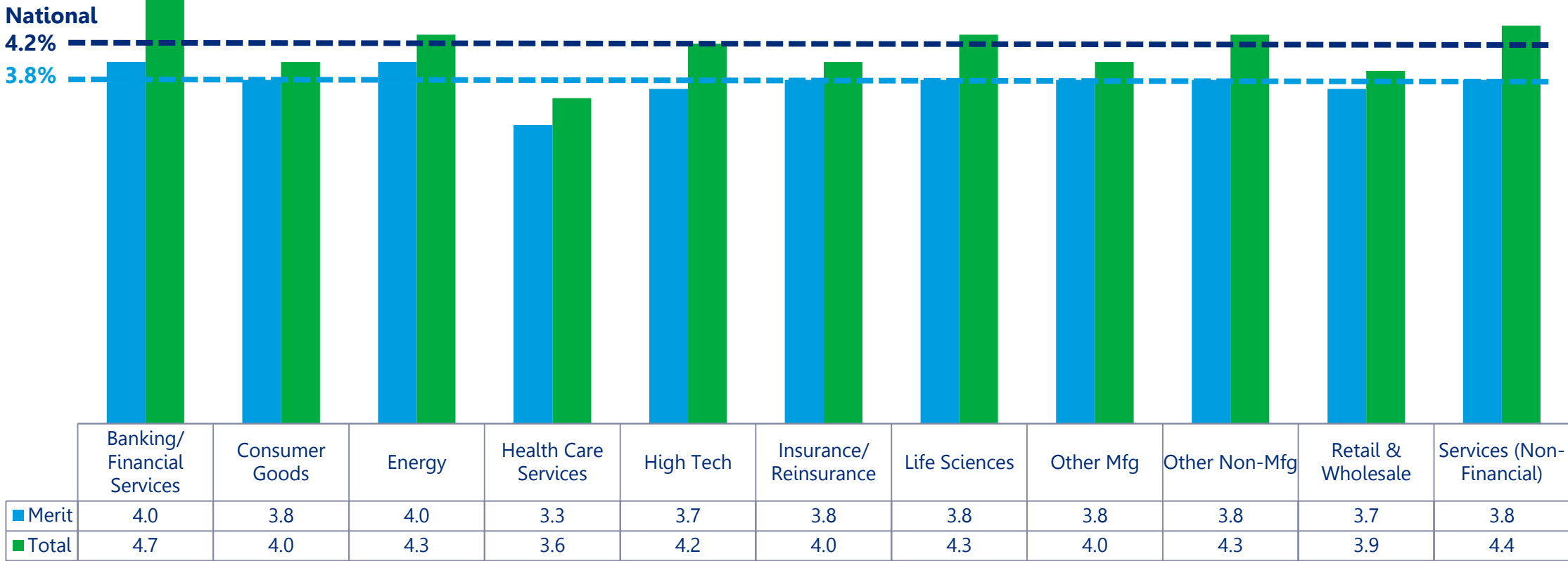
2022 Actual vs. 2023 Projected Total Increase Distributions



Source: Mercer US Compensation Planning Surveys, Average Increases.

Across industries – financial services is leading, tech is at/below average and healthcare lags

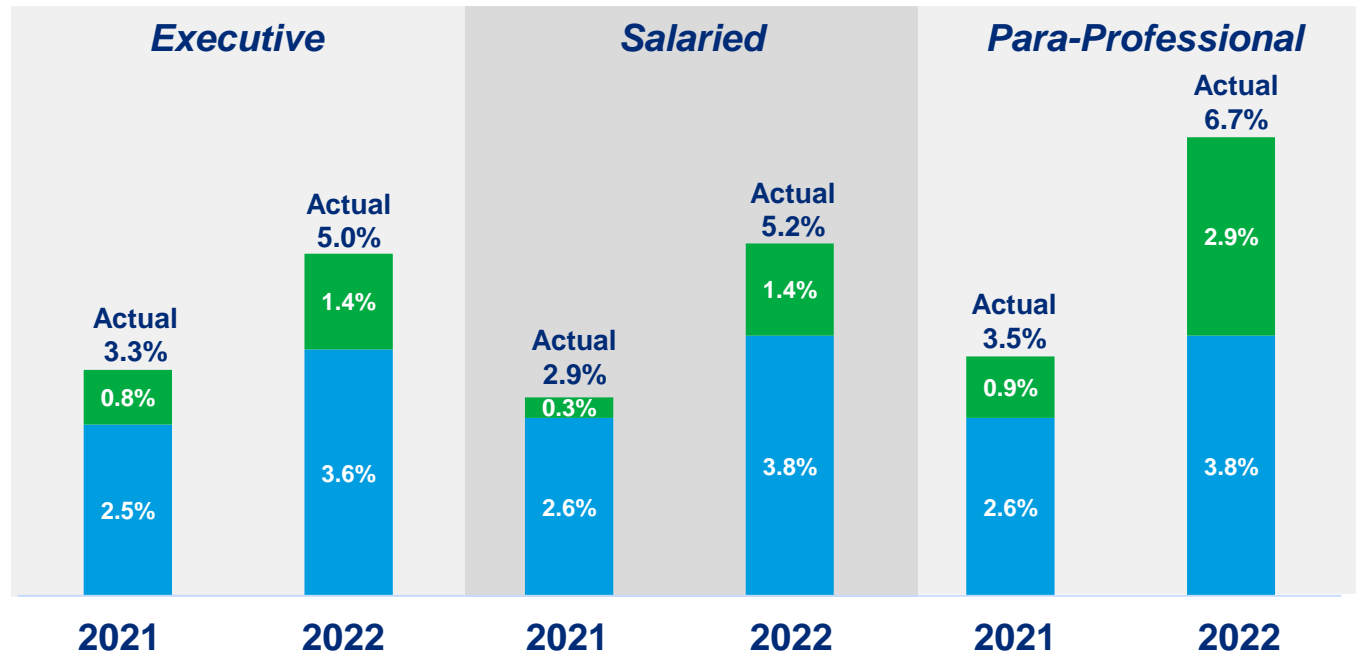
Budgeted 2023 Merit and Total Salary Increase Averages



Source: Mercer US Compensation Planning Surveys, Average Increases, including zeroes. 2023 Budgets – collected August 2022

Last year's compensation budgets had some major misses

Total Increase Budgets vs Average Base Pay Change
Same incumbent, same job
 ■ Budget ■ Budget Gap



Companies managed fairly well against compensation budgets in 2021 – but 2022 budgets were significantly understated due to out of cycle compensation increases.

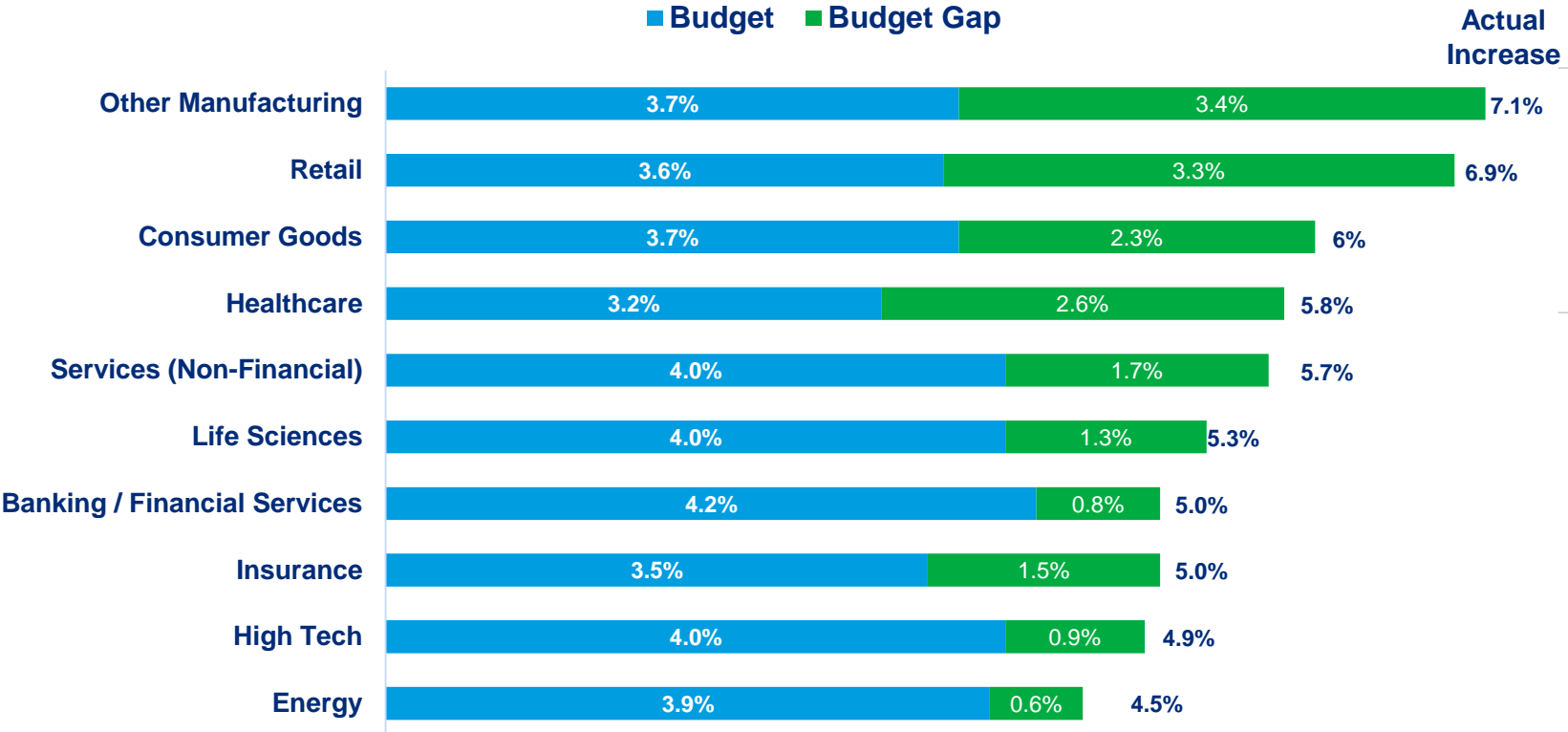


Only 23% of companies budget for off cycle increases

Source: 2022 Budgeted Total Increases from Mercer's 2022 US Compensation Planning Survey – April 2022 edition. Figures represent averages, including zeroes. Actual year-over-year change is based on the average year-over-year base pay change from Mercer's Benchmark Database for the same incumbents, in the same job. Salaried non-executive represents an average of managers (5.4%) and professionals (4.9%). 2021 Budgets from the 2021 US Compensation Planning Survey (March edition) and Actual data from the 2021 Mercer MBD YOY Analysis

This was especially true in organizations with large hourly workforces

Total Increase Budgets vs Average Base Pay Change
Same incumbent, same job



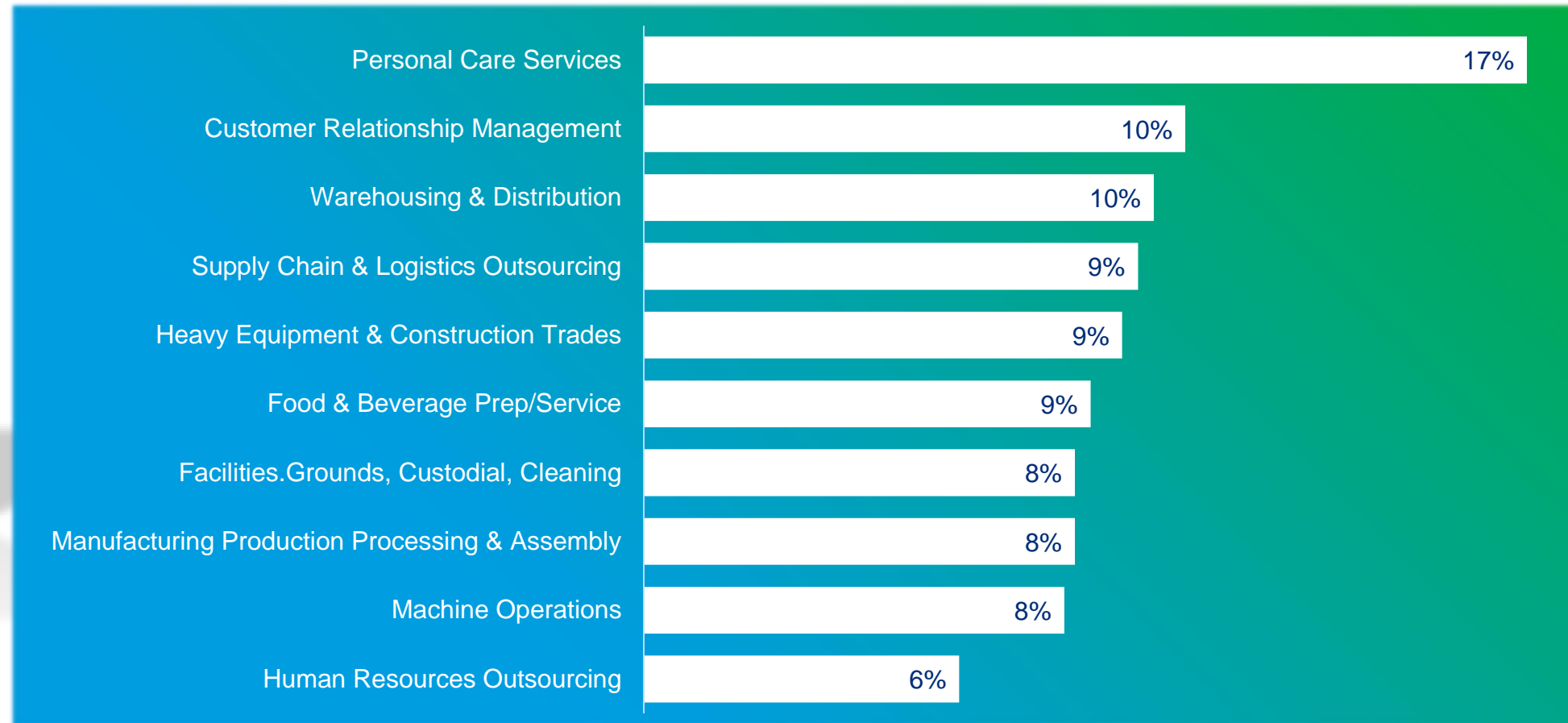
Industries with large hourly workforces had the biggest gap

Source: 2022 Budgeted Total Increases from Mercer's 2022 US Compensation Planning Survey – April 2022 edition. Figures represent averages, including zeroes. Actual year-over-year change is based on the average year-over-year base pay change from Mercer's Benchmark Database for the same incumbents, in the same job.

Market movements are not created equal

Top 10 Sub-Families with Largest Increases

Same Organization, Same Incumbent, Same Job



Fast-moving segments are heavily driven by hourly roles


Source: 2022 MBD/TRS

Note: Represents the same organizations participating in the survey two years in row, matching the same employees to the same job year over year. Sub-families with less than 10 organizations in the sample were excluded.

And some jobs are really hot

Same incumbent, same job base salary movement from 2021 to 2022 (median)

Job	YOY Increase
Forklift Operations – Entry Para-Professional (S1)	15.0%
Warehouse/Distribution Center Order Support – Entry Para-Professional (S1)	13.5%
User Experience Design (UXD) – Team Leader (M2)	13.2%
Manufacturing Assembly – Entry Para-Professional (S1)	12.9%
Plant/Facilities Infrastructure Technician – Entry Para-Professional (S1)	12.7%
Document Control – Entry Para-Professional (S1)	12.7%
Repair Center Technician – Entry Para-Professional (S1)	12.1%
Other Repair & Maintenance Trades – Experienced Professional (P2)	12.0%
Credit & Collections – Entry Para-Professional (S1)	11.8%
Employee Chauffeur – Experienced Para-Professional (S2)	11.2%



13X
increase
in jobs with a 5% or greater median year-over-year movement (same incumbent, same job)

Note: Represents the same organizations participating in the survey two years in row, matching the same employees to the same job year over year. Jobs with less than 10 organizations in the sample were excluded.

Data source: 2021, 2022 US MBD/TRS

While pay has been escalating across the board – companies have prioritized new talent

68%

of employers say they've been paying a market premium to new hires

45%

of jobs report new hire pay at or above existing employee pay

8 job families where more than half of jobs report new hire pay at a premium

Data Analytics/Warehousing & Bus Intel (93%)

General Management (71%)

Healthcare/Pharmacy Services (67%)

Outsourcing & Global Capability Centers (67%)

IT, Telecom & Internet (65%)

Communications & Corporate Affairs (63%)

Creative & Design (57%)

Sales, Marketing & Product Management (51%)



Tenure is the single largest human capital driver of financial and operational performance

Source: Age, Experience and Business Performance, Oxford University Press April 2022. Rick Guzzo, Haig Nalbantian and Nicholas Anderson (Mercer)

QUIZZZ #2!!!

*** PLEASE VISIT ***

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How much do you estimate the cost of turnover at your company
(in terms of annual total compensation)?

① Start presenting to display the poll results on this slide.

retain, retain, retain...
tenure is the single largest
human capital
driver of financial +
operational performance



What is Employee Experience?



What is Employee Experience?

... the intersection of an employee's **expectations**, the **environment**, and **events** that shape their journey

environment

The touchpoints, shaped by interactions within the organization

events

A sequence of moments in an employee's journey, both scripted and unscripted

employee

My expectations, shaped by who I am and what I value



Why Employee Experience?

To deliver business value across your organization



- Connect employees to each other and to your company's people, IT & business strategies
- Foster communication and collaboration across geographies, business units, remote work environments, etc.



- Reinvent your business post pandemic
- Integrate a fragmented technology stack
- Simplify business processes/HR interactions and boost productivity



- Embrace diversity, equity and inclusion
- Attract and retain best-in-class talent in today's competitive landscape
- Transform HR into a more strategic business partner

To realize the full value of the Employee Experience, create experiences employees crave

High performing employees want their Employee Experience to be:

Enriching

Help me learn, grow and have an impact with the work that I do



Efficient

Provide me with a frictionless work environment



Embracing

Make me feel like I belong and can bring my whole self to work



Empathetic

Support me with caring for myself and what matters in my life



Reframing the Employee Experience for the future of work



The Story

People no longer want to work **for** a company. They want to work **with** a company.

As we continue to practice resilience and flexibility, we look to **reframe the Employee Experience to support the future of work.**

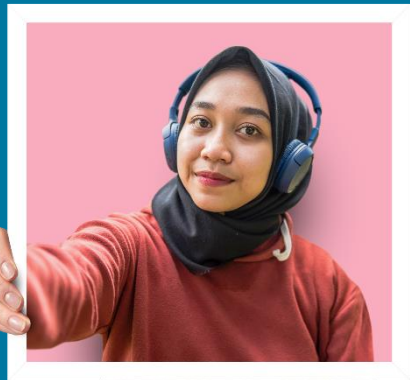
- Mercer's 2022 Global Talent Trends Study



Reframing the Employee Experience

reset for relevance

Build resilience by leading with values and an adaptive design



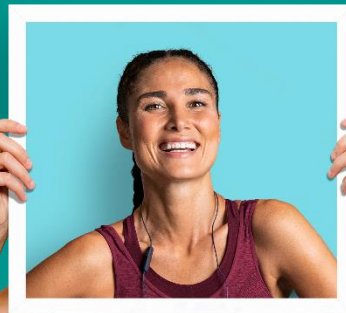
work in partnership

Create equitable, transparent and rewarding partnerships



deliver on total well-being

Nurture a healthy workforce with benefits that matter



build for employability

Meet future work needs with a skills-based organization



harness collective energy

Unlock potential with human-centered work environments



The Experience

Reframing the Employee Experience



2 out of 3 executives
say they are facing a
labor shortage crisis

Executives say they are concerned with:



71% Difficulty **hiring the right talent** at the right price



68% **lower engagement** levels within certain levels /populations



66% **loss of talent** due to unrest/pandemic



66% **Digital exhaustion** and remote worker fatigue



63% **Absenteeism** due to sickness/absence rates impacting productivity

The Experience Reset for Relevance

Staying
relevant to all
stakeholders



Vocalize
your stance



Steer with
standards



Nearly half of US executives say:



Their sustainability agenda today is driven by **employee/candidate demand** (as compared to 1 out of 4 globally)



They are revamping employee branding to align with new expectations

Reset for Relevance

2020
12% measured the underlying cause of DEI

Now
31% measure pay and promotion parity across minority groups, not just gender

All companies plan to have some initiatives to increase DEI in 2022. Here are the top 5 actions:



Thriving employees are more likely to say:

- ✓ “My company is diverse”
- ✓ “My workforce reflects the communities”
- ✓ “My workplace culture is diverse and inclusive”
- ✓ “Women and minority groups are well-represented in higher leadership”
- ✓ “My company grows and develops diverse leaders”

Less than 1 in 3 HR Leaders are implementing five or more approaches to increase DEI

A new model for engagement at work

There is a revolution in how we work and who we partner with:

More than half

of employees will only join or stay with a company if they can work remotely/hybrid

Executives recognize the need for adapting – evolving the flexible working culture is #2 on Executives' priorities



Deliver on total well-being – building our future together



3 out of 4 employees say they are at risk of burnout
(up from 54% in 2020)



Total well-being is the #2 priority for US HR
(compared to #7 globally)



However, it drops to #8 for US Executives
(compared to #2 globally)

Source: Mercer 2022 Global Talent Trends study.

Nearly half of executives said they learned from the pandemic that investments in well-being delivered a measurable return ... now is the time to remind them that the work is not done.

Deliver on total well-being – an environment to thrive

What we know about thriving employees:



- 4x more likely** to say their companies are meeting their needs
- 5x more likely** to be very satisfied and not plan to leave their organization
- 7x more likely** to say they work in a healthy workplace

So what is different about how they describe their workplace?

Physical wellbeing is a priority

2x more likely to say their company helps them afford medical care

Social needs are met

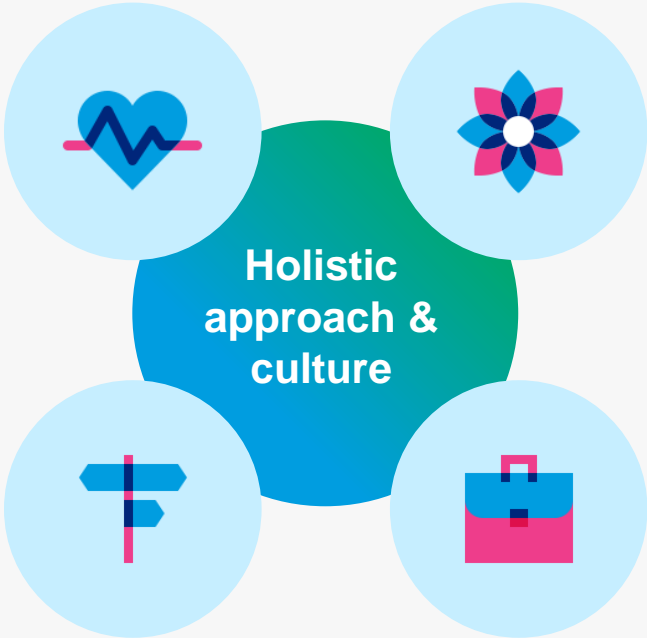
3x more likely to feel connected to coworkers when remote working

The company cares about financial wellbeing

3x more likely to say their company offers access to free financial planning advice

Emotional well-being is supported

3x more likely to say their company takes mental health seriously



Source: Mercer 2022 Global Talent Trends study.

Where are you on your Employee Experience transformation journey?

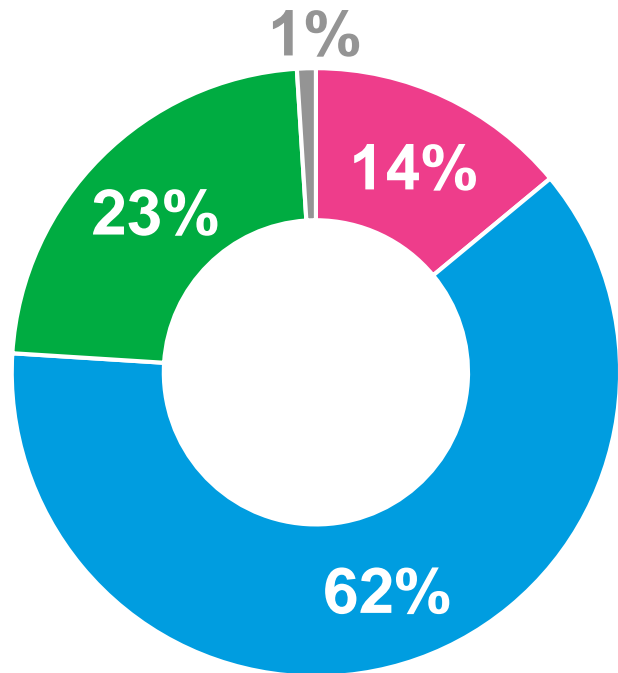


where do we go...
how to build your
sustainable rewards
strategy



But what about a recession?

Most US employers view the risk of a recession as at least a moderate concern



- Significant concern
- Moderate concern
- Low concern
- Not a concern

71% say they have not and do not plan to reduce investments across all talent areas, however....

25% are planning to reduce / restrict investments in non-critical areas

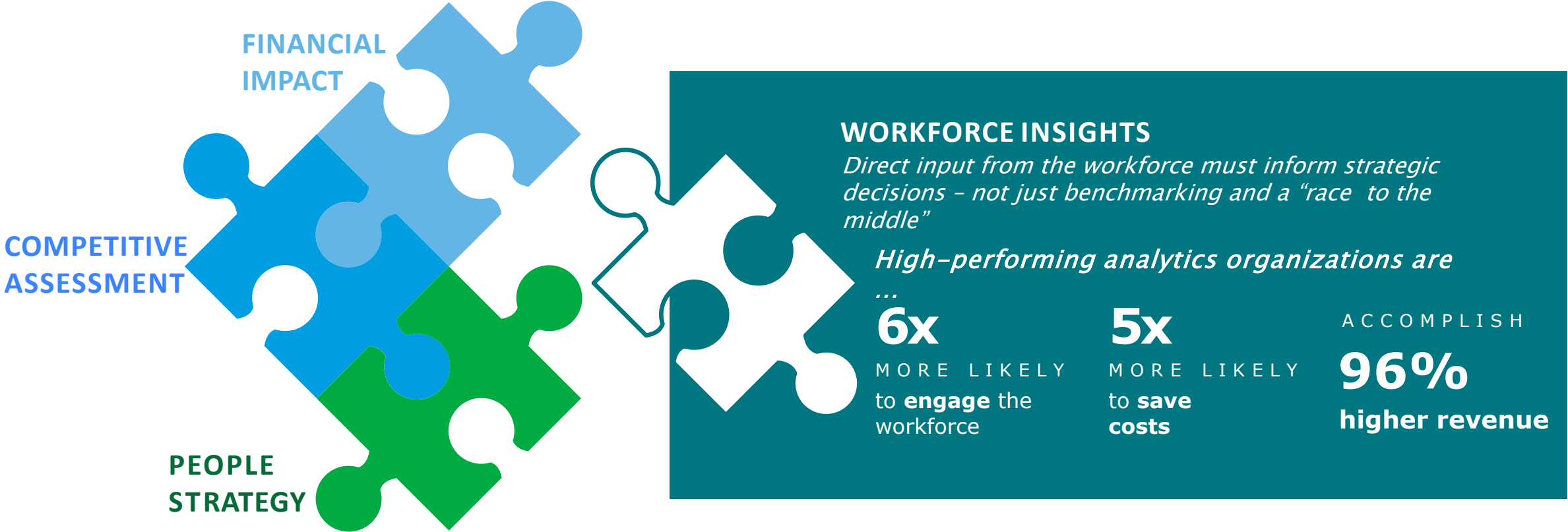
16% have already reduced investments in non-critical areas

64% of employers have made changes to talent acquisition processes

32%	Greater focus on total rewards in job offer
25%	Only hiring for critical roles
22%	Investing in upskilling to build capability within
21%	Hiring decisions require an additional layer of approval

The missing piece in total rewards strategy, EVP, employee experience

Mature organizations listen to their workforce and leverage that input in order to learn and design offerings for their "customers".



Emerging trends in total rewards

Spotlight on innovative practices

let's get PERSONAL



Use of choice in rewards

Netflix provides choice in compensation – allowing employees the option to choose the amount of salary they want to receive in equity

find your FUTURE



Digital career exploration

Ultimate Software provides employees with a digital platform for exploring career paths and identifying jobs that match their skills and interests

INCLUSIVE benefits



Enhanced reproductive benefits

JP Morgan Chase provides fertility and surrogacy benefits to enhance access of reproductive benefits to same sex couples

more TRANSPARENCY



Radical transparency

Buffer publishes a salary calculator on its website for employees and candidates to access

culture of CARE



Health Centric Culture

Recruited a Chief Medical Officer to create a sustainable culture of health. Various health tools are offered, including biometrics, personal health reviews and family health centers.



ENGAGING experiences



Experiences for Recognition

GoPro utilizes Blueboard to recognize employees with curated experiences such as sky diving, cooking classes or weekend getaways

making it EASY



Finances at your fingertips

Walmart employees can get access to an app (called Even) which allows them to cash out early on a paycheck and access financial budgeting tools

FAMILY friendly

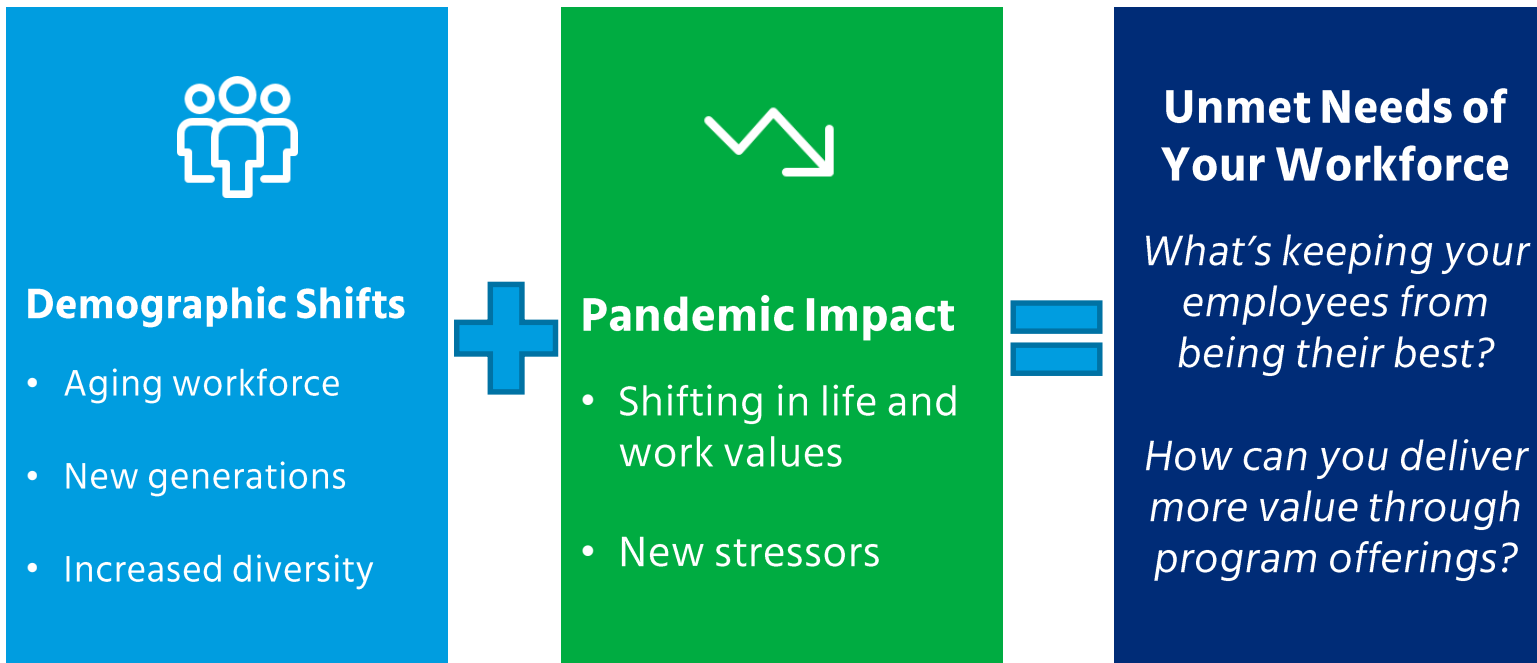


Parental leave for all

Amazon provides employees not only with a generous time off, but a ramp back program as well as a leave share program to pay for a spouse without paid leave

The transformation of the workforce coupled with the global pandemic has made employee listening even more critical.

Understanding the needs of the workforce is a critical aspect of creating a differentiated program offering; by relying on benchmarks only, organizations fall into the trap of the “race to the middle.”

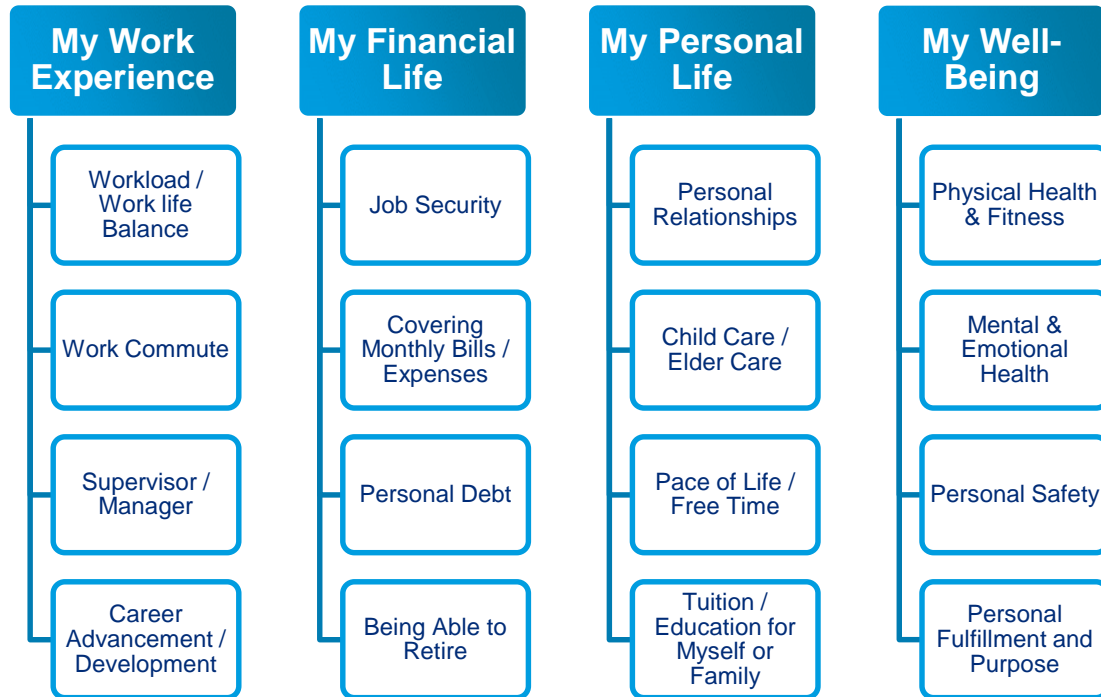


“If you’re competitor-focused, you have to wait until there is a competitor doing something, being customer-focused allows you to be more pioneering.”

- Jeff Bezos

Uncovering the challenges that workers are facing through an Unmet Needs Survey is a powerful way to listen to the workforce.

The persistent and unrelenting fears that employees face often impact their ability to be fully present and bring their full-selves work. Survey results uncover these fears and help clients to determine employees' biggest pain points both in and outside of the workplace.



Sample Question

Below is a list of concerns that may worry you daily and potentially keep you up at night.

Considering only the list below, which is the Biggest Worry and which is your Smallest Worry?

	Biggest Concern	Smallest Concern
Being able to Retire	0	0
Personal Debt	0	0
Pace of life / free time	0	0
Physical health & fitness	0	0
Child care / elder care	0	0

These 16 items make up Mercer's standard list of attributes for the Unmet Needs exercise. By using the standard list, results can be compared against the comparator database.

The old model of work, working and the workplace is no longer fit for purpose



Most employees

say the pandemic has driven them to **rethink their priorities**



Organizational trust is up,

paving the way for a **different way** of doing things



82% of employees

trust their company to do the **right thing** for society



Leading organizations

are coming off mute for what they believe in and taking on the values of their people



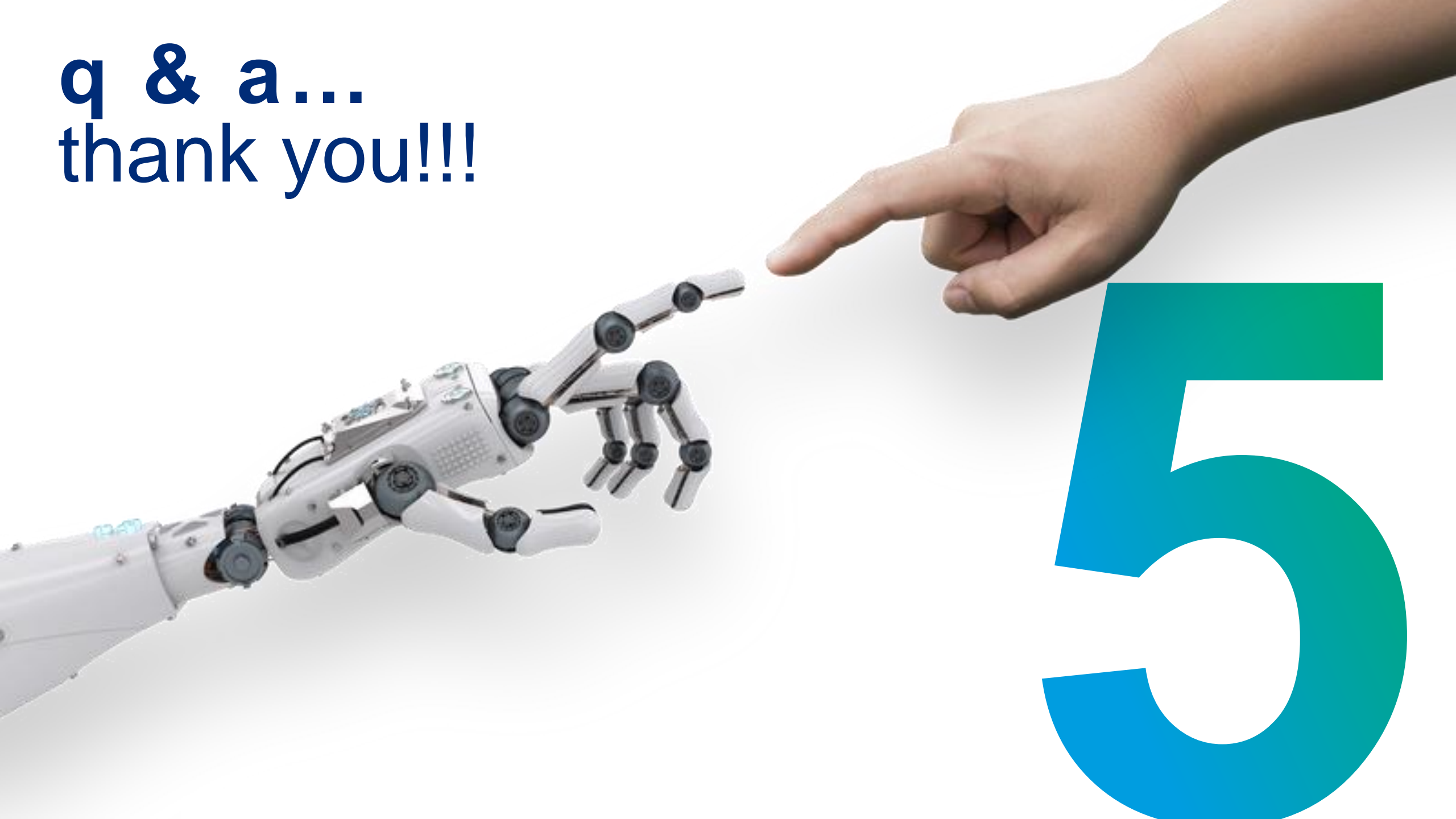
They are entering into **genuine dialogue** with their people to design and **co-create** the future of work



33% of executives are focused on building more **human-centric** organizations

Welcome the rise of the **Relatable Organization**

q & a...
thank you!!!



5

