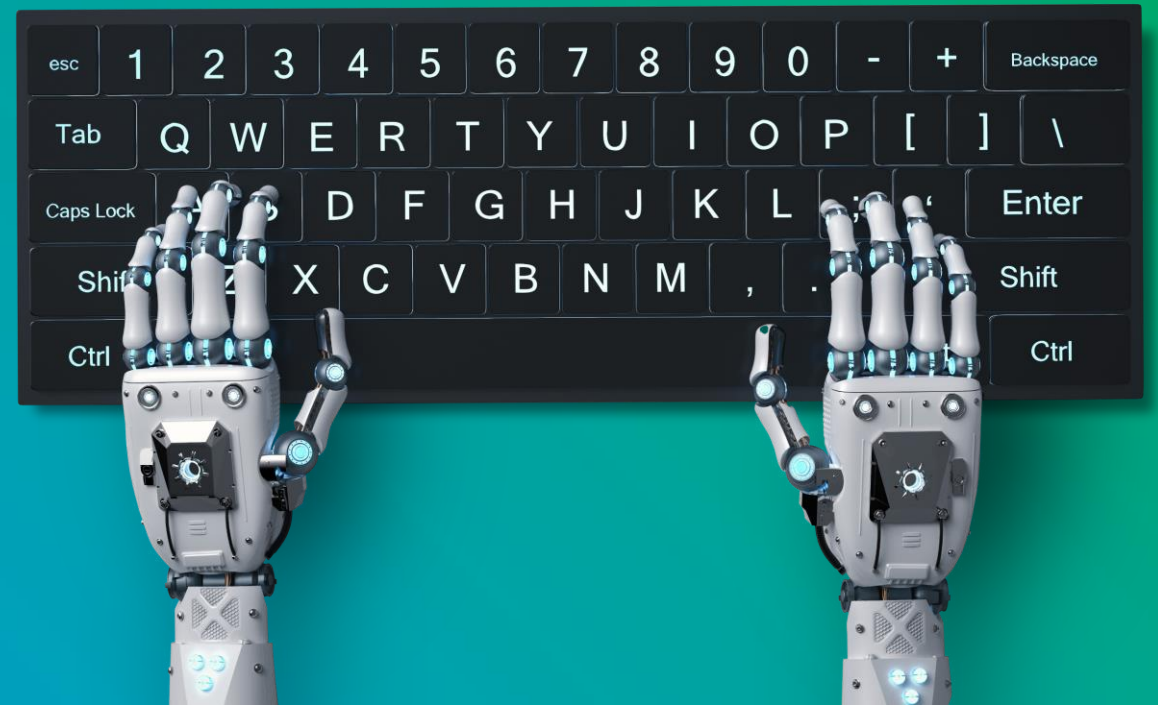


Compensation Trends and Skills in the Age of AI

October 2025

A business of Marsh McLennan



Introductions

Meet the speakers



Dan Haelsig

Senior Principal

Areas of Expertise: Workforce
Rewards and Sales Compensation



Margarethe Conner

Senior Analyst

Areas of Expertise: Workforce
Rewards and Communications

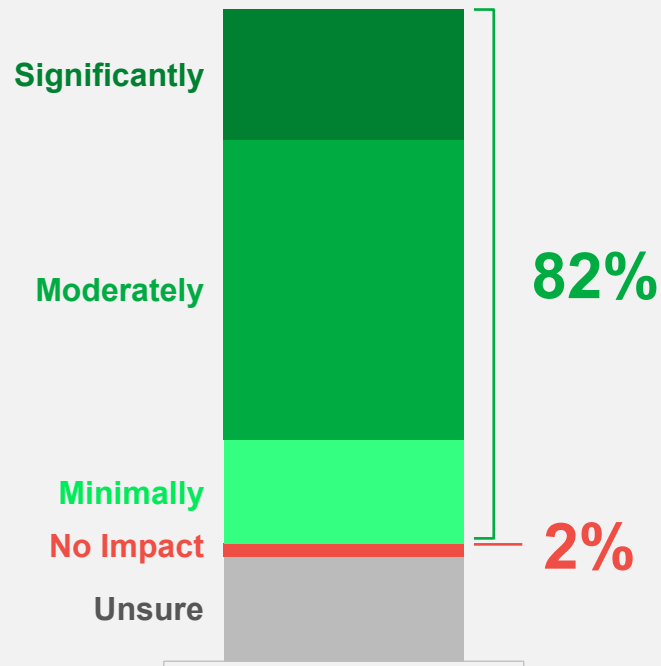
Top Compensation Trends



US Economy impacting compensation decisions

Compensation decisions heavily influenced by environment of economic uncertainty

Will the economy impact your compensation decisions?

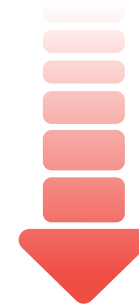


How are your priorities changing with the economic environment?



Increasing Priorities

- #1 Market competitiveness
- #2 Skill & talent development



Decreasing Prioritization

- #1 Hiring
- #2 Promotions

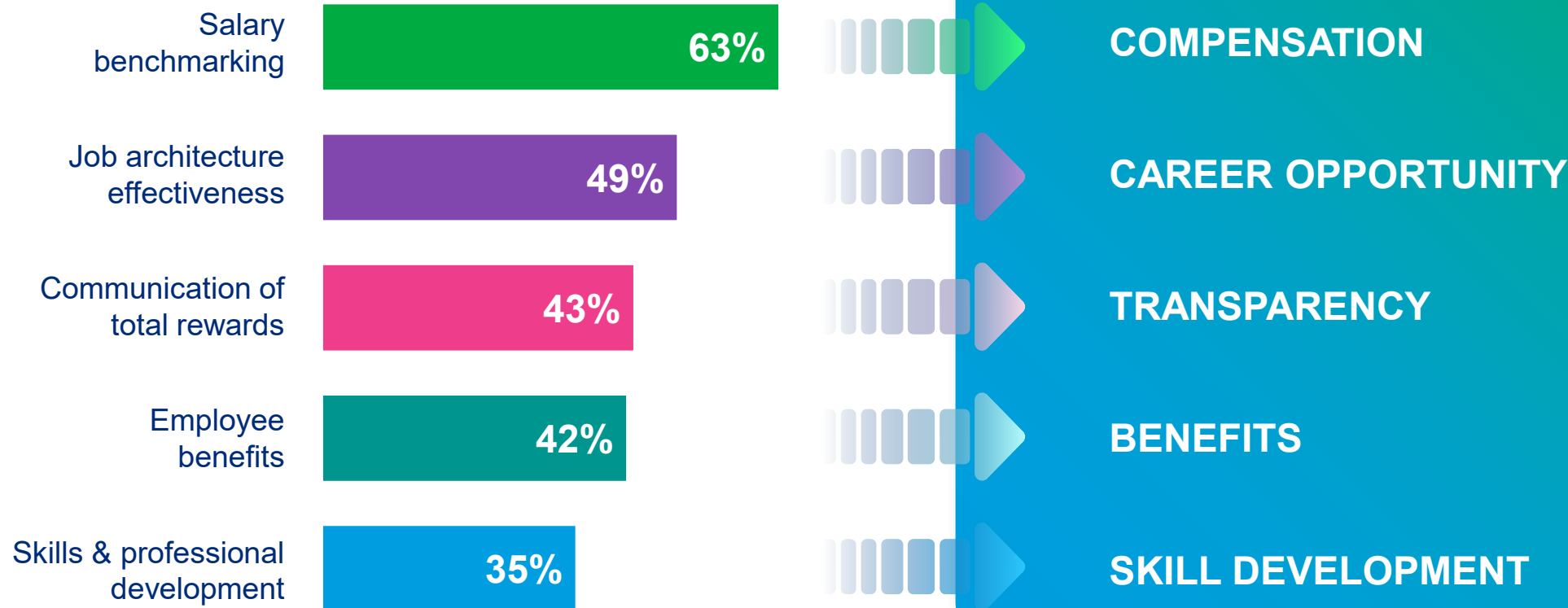
Source: Mercer US Compensation Planning Surveys, Average Increases (including companies reporting 0 increases). Actuals collected March; 2026 projections collected in August 2025

Refocusing internally

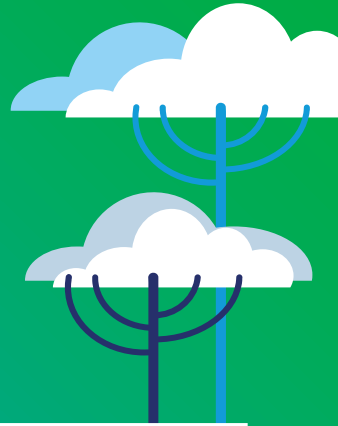
2026 priorities surround retention



What are your key priorities for Total Rewards 2026?



Retain employees by investing in...



COMPENSATION

CAREER OPPORTUNITY

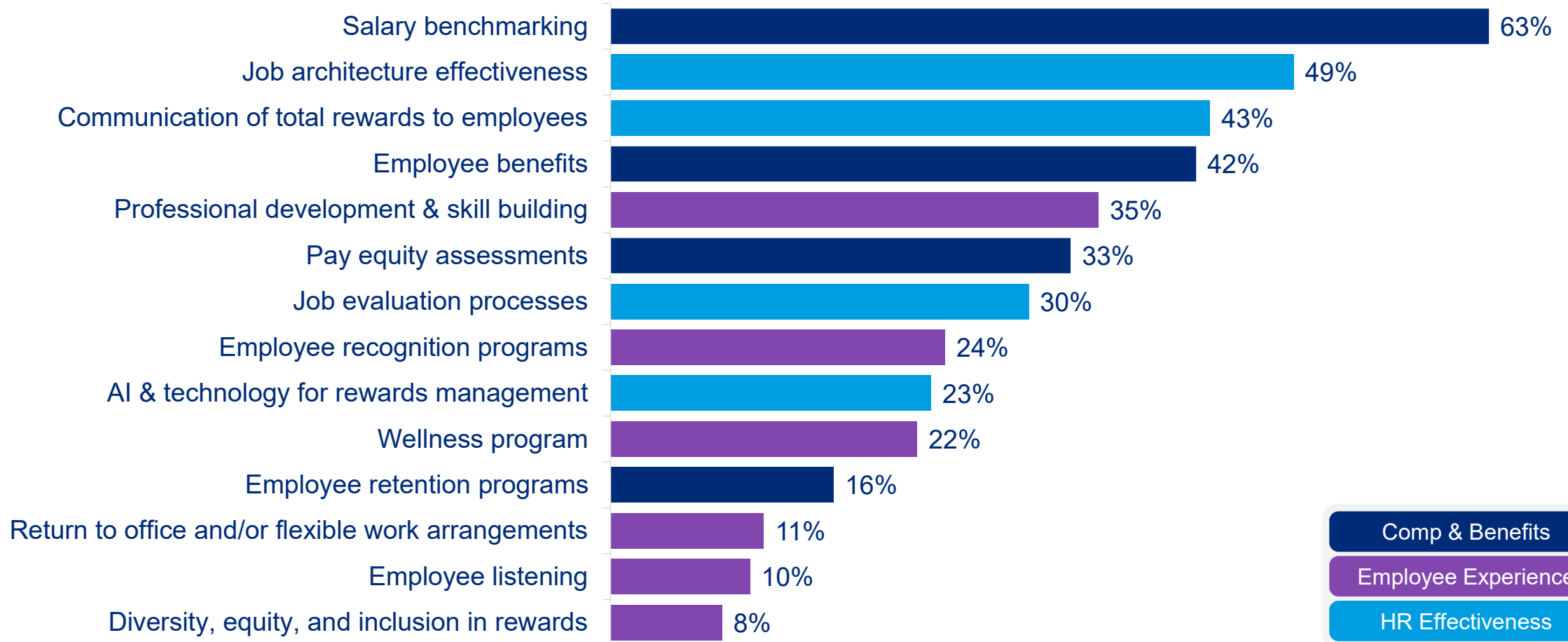
TRANSPARENCY

BENEFITS

SKILL DEVELOPMENT

Source: Mercer US Compensation Planning Survey – July 2025

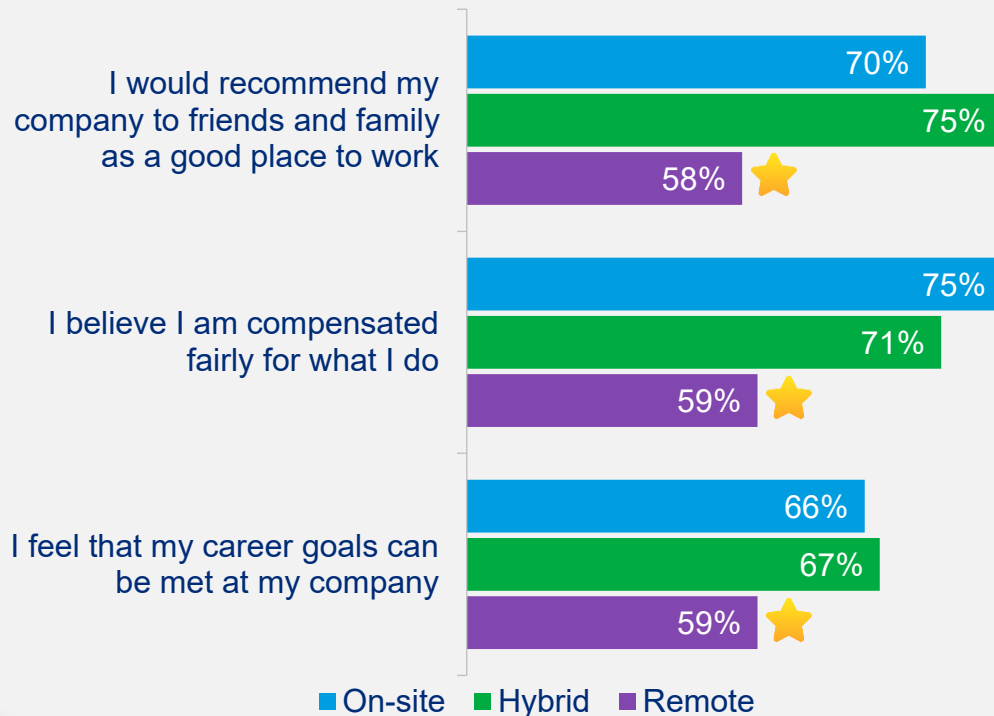
What are your key priorities for Total Rewards 2026?



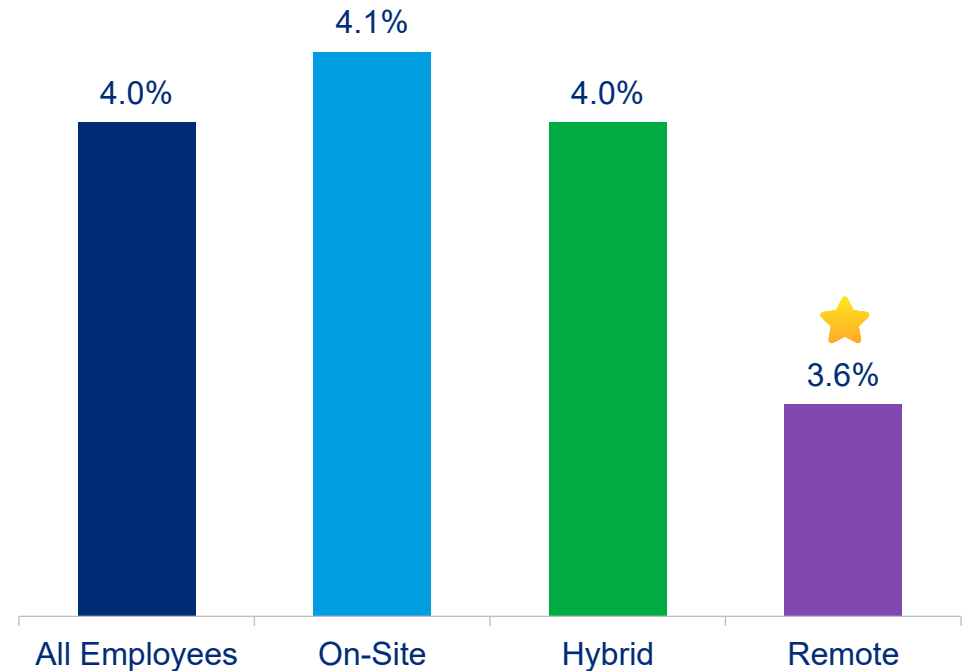
Source: Mercer US Compensation Planning Survey – July 2025

It pays to be in-person: Remote workers report poor experiences, with compensation increases to match

2024-2025 Mercer Inside Employees' Minds Survey



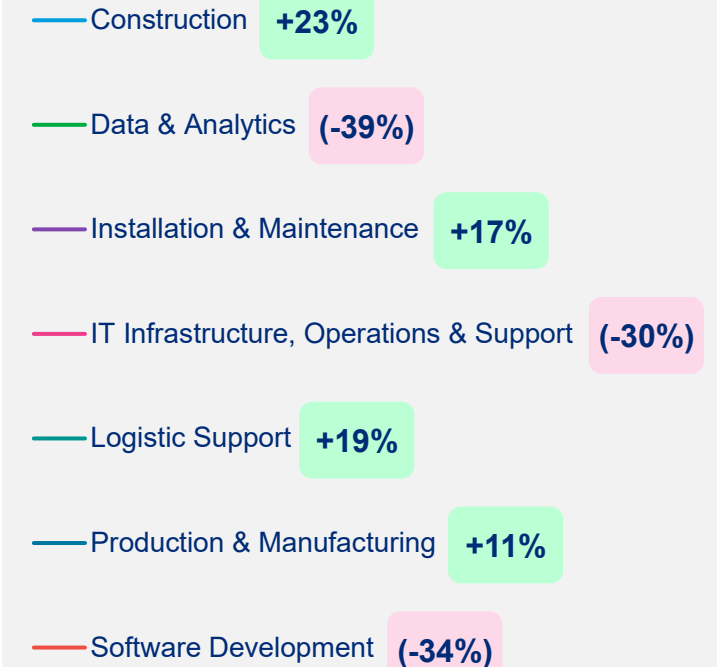
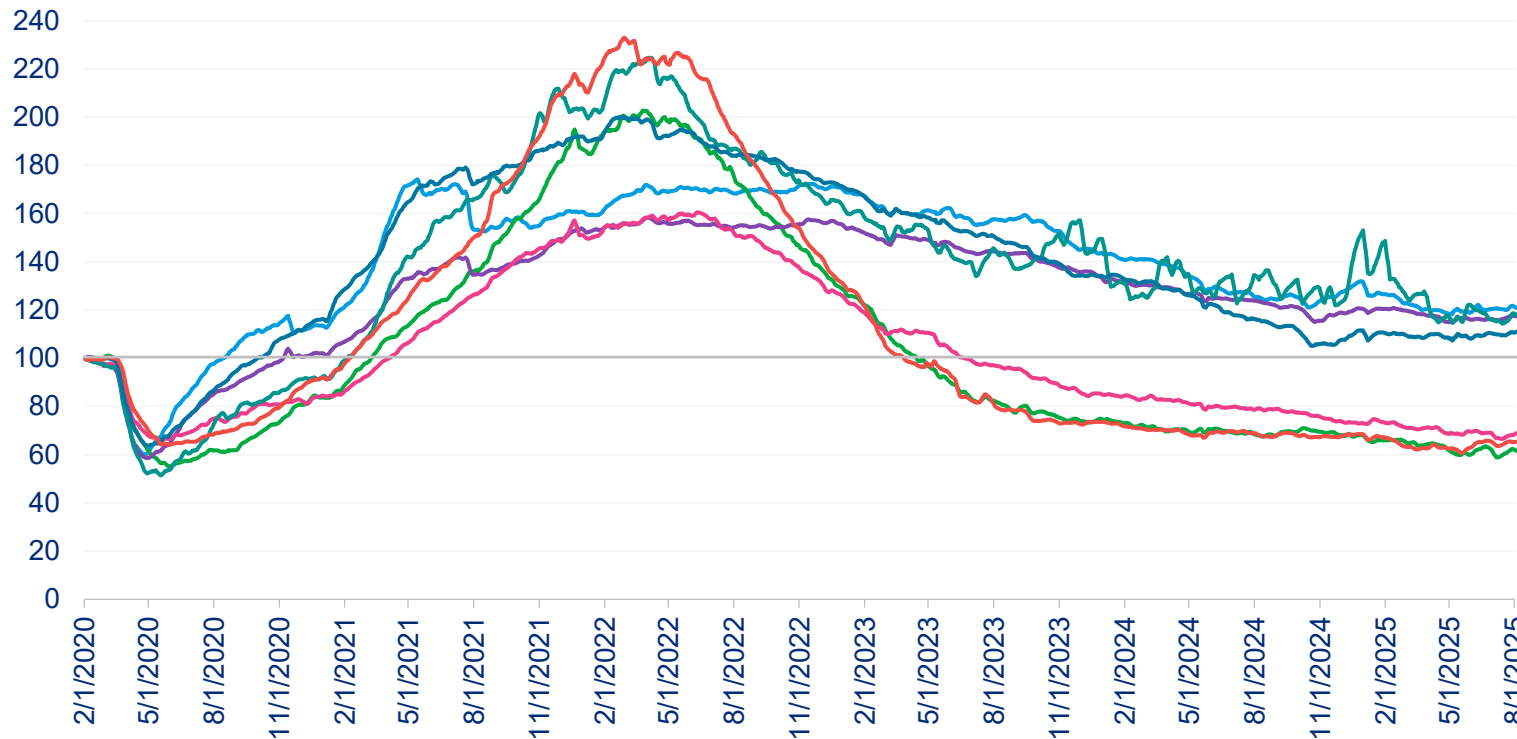
YOY Compensation Increases, 2024–2025



Source: Mercer MBD Data, % Change 2024 – 2025 is common organizations, common jobs, common incumbents across 2024 and 2025 US MBD/TRS

Demand for Jobs driving towards hands-on work, away from white collar and technology-related work

Job posting index across key job sectors



Source: Indeed, Hiring Labs. Data as of August 2025

Demand driving cost of labor: Compensation increases jump for hands-on, front-line workers



Base salary changes year-over-year from 2024 to 2025

Largest YOY Salary Increase

- #1 Production & Skilled Trades
- #2 Hospitality (Food & Lodging)
- #3 Transportation Services

Smallest YOY Salary Increase

- #1 Sales & Marketing
- #2 Information Technology
- #3 Customer Service

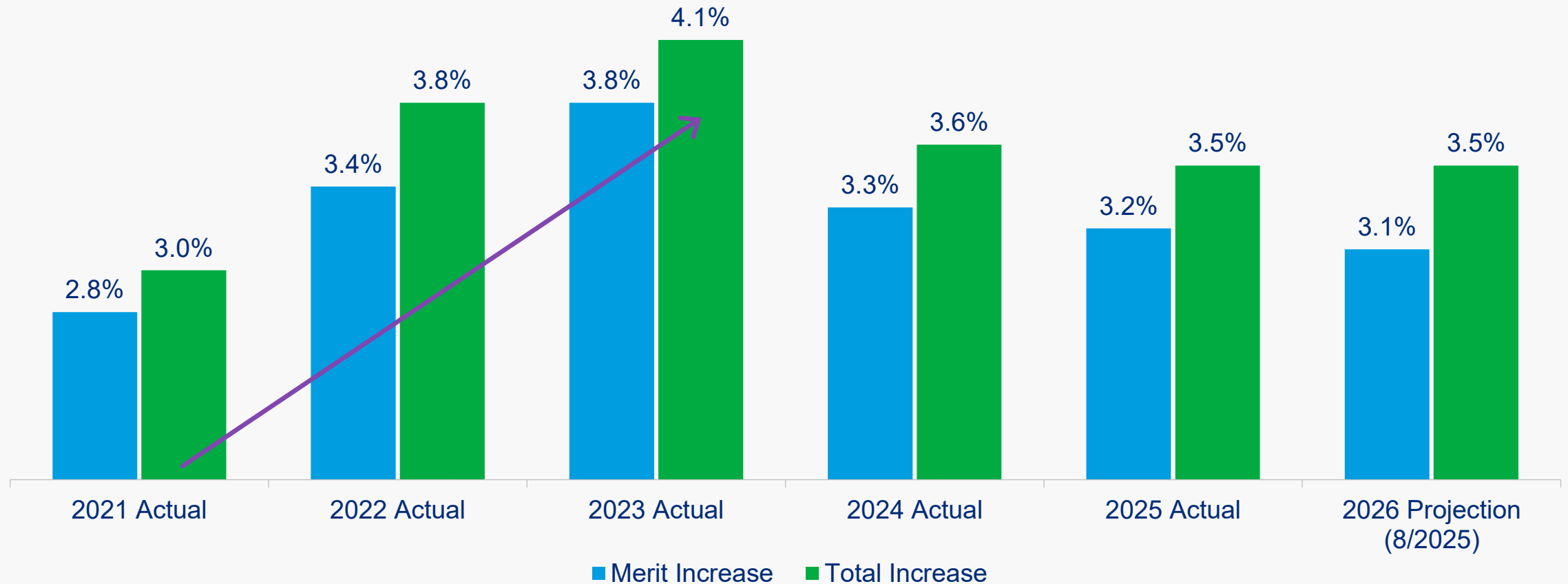


YOY Compensation Increases, 2024-2025

Hottest Roles	
Aircraft Mechanic	12.3%
Tool & Gauge Inspection	11.5%
Electrical Installation Assembly	11.0%
Aircraft Pilot	10.2%
Tool & Die Making Operations	7.0%
Haul Truck Operator	6.9%
Composite/Metal Bonding	6.7%
Electronic Equipment Technician	6.4%
Manufacturing Assembly	6.1%
Manufacturing Production Technician	6.1%
Coldest Roles	
Strategic IT Business Consulting	1.3%
Plant Construction & Maintenance Engr	1.7%
Direct Sales: Key Clients	2.3%
IT Vendor Management	2.6%
Client/Server Operations	2.8%
Order Management	2.8%
Cyber/Computer Forensics Analysis	2.9%
Account & Client Mgmt	2.9%
ERP Business Analysis	2.9%
IT/Business Process Delivery Management	3.0%

The new norm for compensation increase budgets

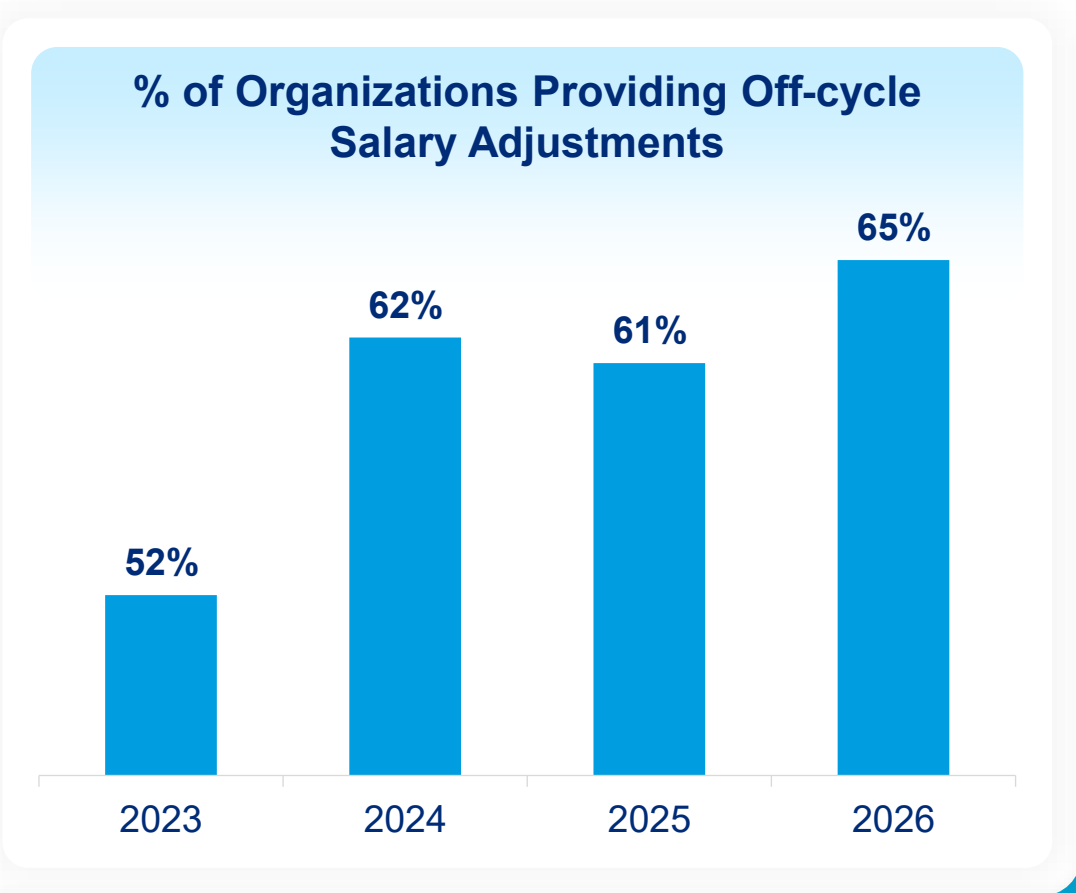
Stable labor market accompanied by 3 years of budget consistency from the post-pandemic spike



Source: Mercer US Compensation Planning Surveys, Average Increases (including companies reporting 0 increases). Actuals collected March for each respective year

Off-cycle salary adjustments are becoming the new norm

Employers continue to increase the focus on retaining employees and developing talent internally. These are not multiple cycles of merit increases, but rather one-time off-cycle increases that drive more real-time decision making.



Top reasons for off-cycle increases:

- 1 Promotions (89%)
- 2 Changing Responsibilities (83%)
- 3 Retention Concerns (80%)
- 4 Market Adjustments (76%)
- 5 Internal Equity (74%)

Year-over-year change	
+8%	
+10%	2 ↑
+5%	
- 5%	2 ↓
+1%	

Source: Mercer US Compensation Planning Survey – July 2025

Takeaways

The switcher premium

US, %-point difference in nominal wage growth between job-switchers* and job-stayers

↑ Higher wage growth for job-switchers



*In a different job from a year ago or has changed duties within the past three months
Sources: BLS; Federal Reserve Bank of Atlanta

“For the first time in 15 years, barring blips in 2012 and 2018, wage growth for “job-stayers”, those who have stuck with their employer, is running faster than for “job-switchers”, those who jumped ship.”

SOURCE: The Economist



“No hire, no fire”: Organizations are focused on retention and development rather than hiring



Salary benchmarking, job architecture effectiveness, and skill development are key Total Rewards priorities for 2026



Compensation increase budgets have re-stabilized

Skills in the Age of AI

How AI is changing what skills are needed and how organizations can adapt



Is AI New?

Over the years, what we've considered "AI" has changed drastically



Is AI New?



1966

Welcome to

```
EEEEEE LL      IIII  ZZZZZZ  AAAAA
EE      LL      II    ZZ    AA  AA
EEEEEE LL      II    ZZ    AAAAAA
EE      LL      II    ZZ    AA  AA
EEEEEE LLLLLL  IIII  ZZZZZZ  AA  AA
```

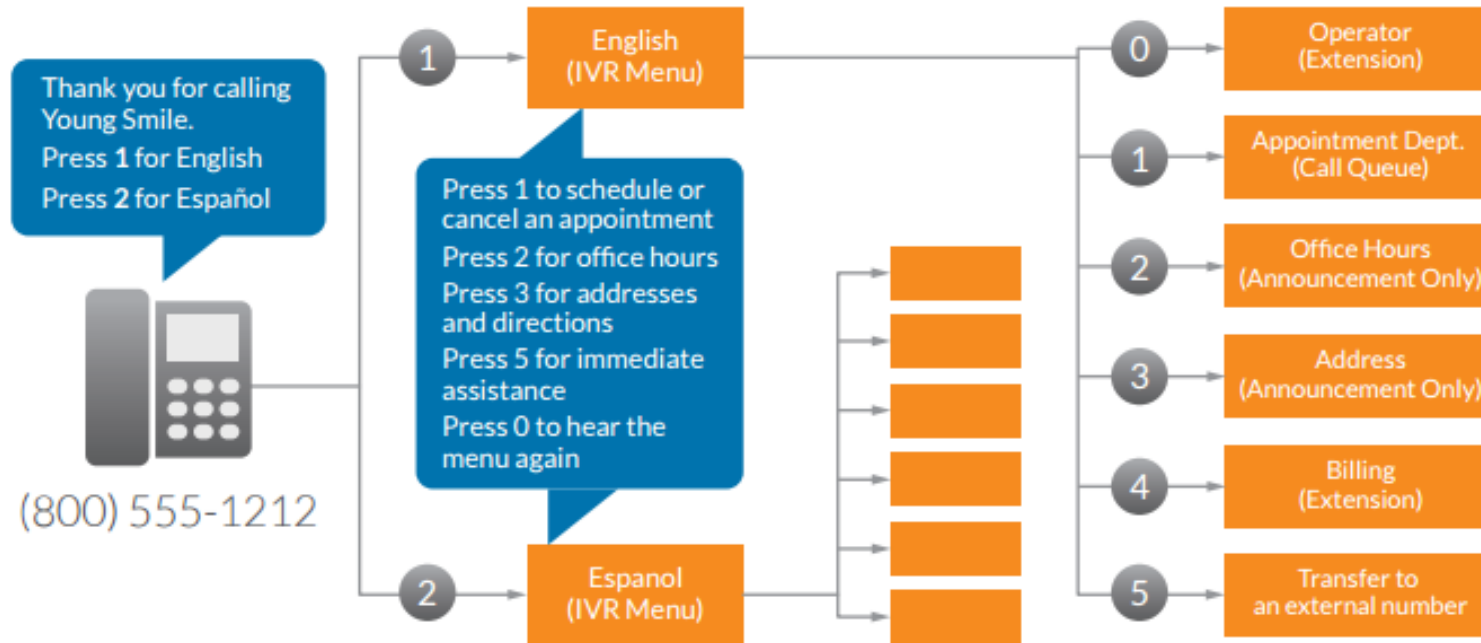
Eliza is a mock Rogerian psychotherapist.
The original program was described by Joseph Weizenbaum in 1966.
This implementation by Norbert Landsteiner 2005.

ELIZA: Is something troubling you ?
YOU: Men are all alike.
ELIZA: What is the connection, do you suppose ?
YOU: They're always bugging us about something or other.
ELIZA: Can you think of a specific example ?
YOU: Well, my boyfriend made me come here.
ELIZA: Is it important to you that your boyfriend made you come here ?
YOU: He says I'm depressed much of the time.
ELIZA: I am sorry to hear that you are depressed.
YOU: It's true. I am unhappy.
ELIZA: Can you explain what made you unhappy ?
YOU:

Is AI New?



1980s



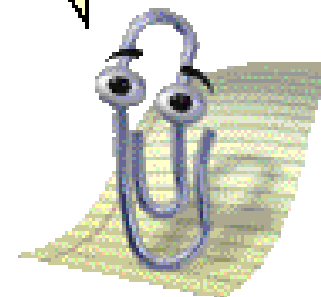
Is AI New?



1997



W



Is AI New?

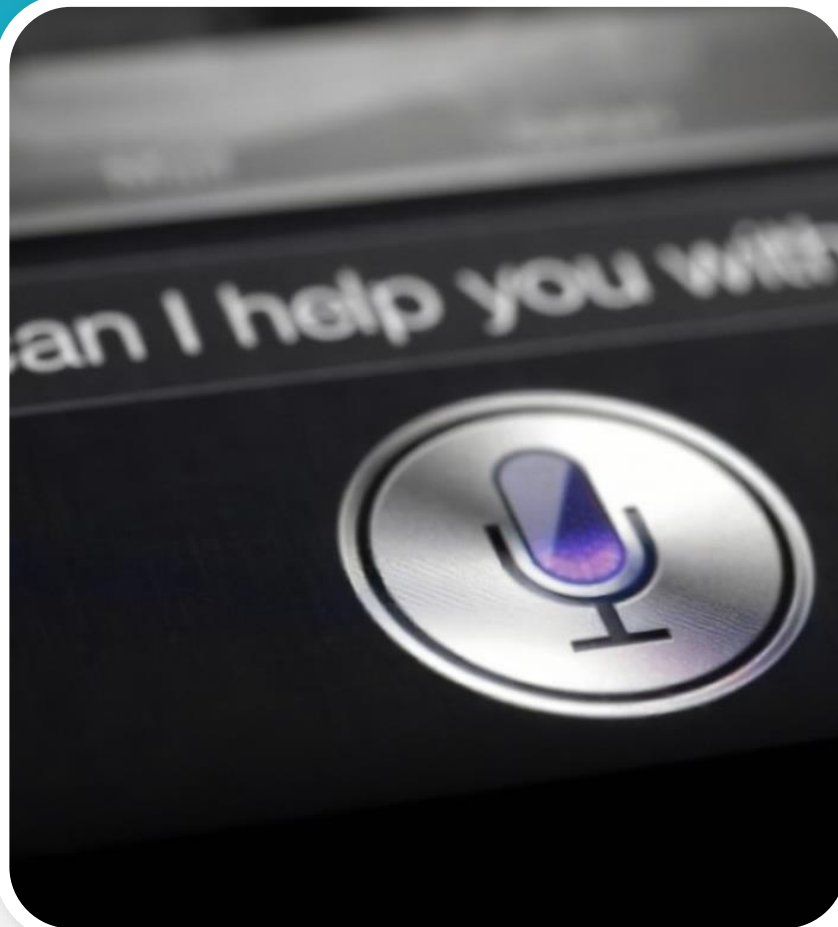
Mid-2000s



Is AI New?



2011



Is AI New?

2022



ChatGPT



AI Then and Now

Then

Relied on scripts, menus, or keyword matching

Based on if-then logic

Trained for narrow use cases

Only responds to most recent entry

Utility tool



LLM

Trained on vast amounts of text

Learns from examples, not rules

Thanks to broad training, it is general purpose

Simulate logical steps

Creative assistant

The Age of AI

Skills at a Turning Point



70% of employees' tasks today could be automated¹

Employers think **39%** of core skills will change²
by 2030

The World Economic Forum projects **170 million** new jobs this decade, **92 million** jobs are displaced²

AI

Driver of Obsolescence and Opportunity



Augmentation, not automation



Half-Life of technical skills has shrunk dramatically



Continuous learning culture



AI Is Making Some Skills More Valuable... and Some Less

Skills Gaining Value



Advanced Data & AI Skills



Analytical Thinking & Problem-Solving



Technical Innovative Thinking



Digital Literacy & Tech Adaptability



Human-Centric Skills

Skills Diminishing in Value



Routine Administrative Skills



Basic Coding & Testing



Manual & Repetitive Trade Skills



Basic Information Processing

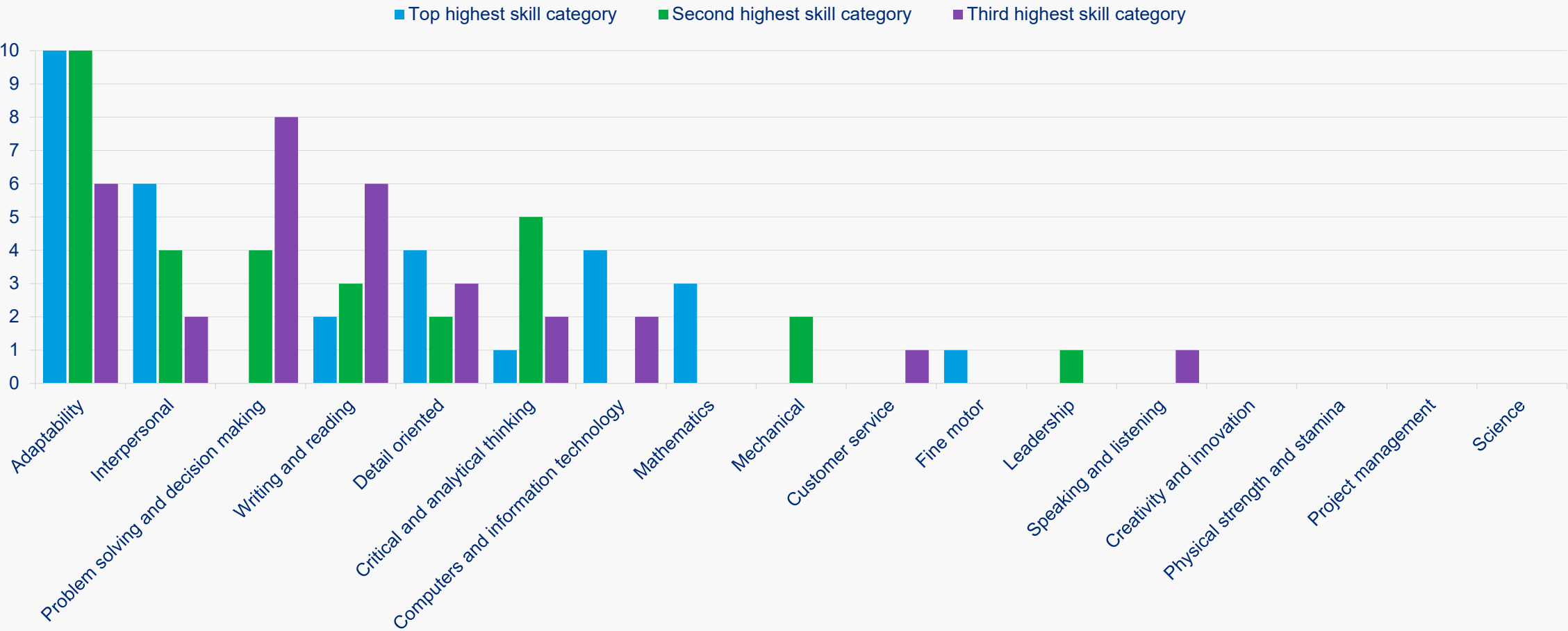
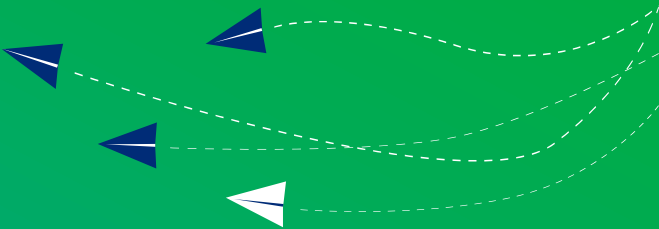


Static Knowledge Sets

Prioritized skills barbell into very technical and human

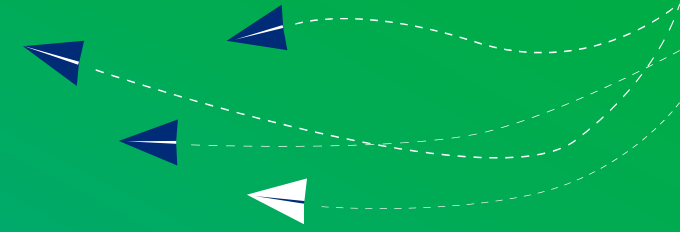
Skills Needed for 30 Fastest Growing Jobs

Source: Bureau of Labor Statistics

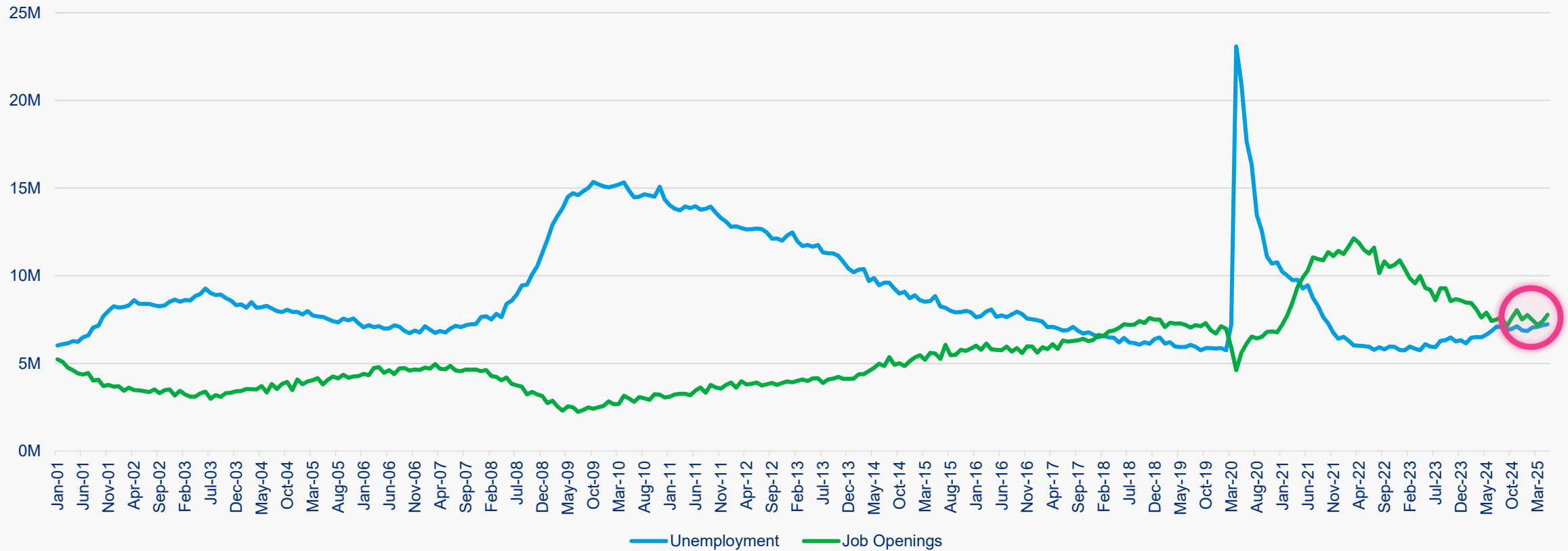


7 Million Unemployed & 7 Million Open Jobs

Rising open jobs and rising unemployment demonstrate skills mismatch



Unemployment and Open Jobs



Has This Happened Before? Yes!

Change Agent	Displaced Jobs	New Jobs
 Mechanized Farming	Farm Laborers, Horse Handlers, Blacksmiths	Construction Workers, Mechanics
 Automobile	Coachbuilders, Stable Hands, Delivery Drivers	Auto Repair, Road Building, Manufacturing
 Phone Automation	Telephone Operators	Middle-Skill Clerical Roles
 ATMs	Bank Tellers	Bank Advisory and Sales Roles

Displaced incumbents move to adjacent jobs

Employers are reinventing with the goal of building a future-proof business



Redeploy people to respond to business change



Understand skill gaps and reskill or upskill as needed



Leverage workforce skills as a market differentiator



Fill succession pipelines with high quality internal candidates



Move around business based on **identified skills**



Share learning and experiences across business roles and stay relevant & agile



See **technological impact** on individual roles



Understand **top skills most needed/valued** for effective performance

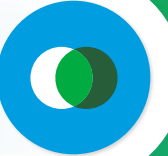
Accelerating the trend from jobs to skills



Discrete jobs



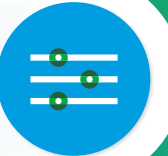
Skill clusters



Job-based workforce decisions



Data led, skills-driven workforce planning



Job-based career development



Skill-fueled career agility



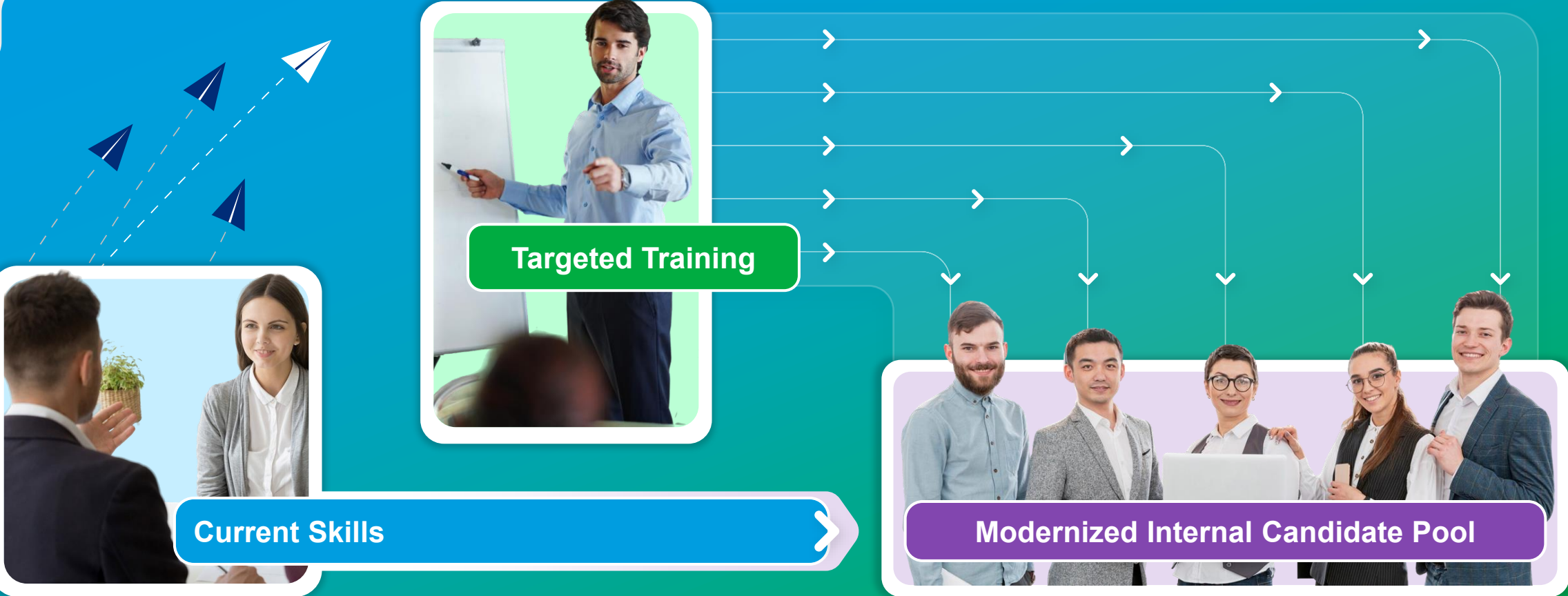
Job-structured work and individual evaluations



Assignment/gig-defined work and agile performance measurement



Skills Mismatch, not Labor Shortage

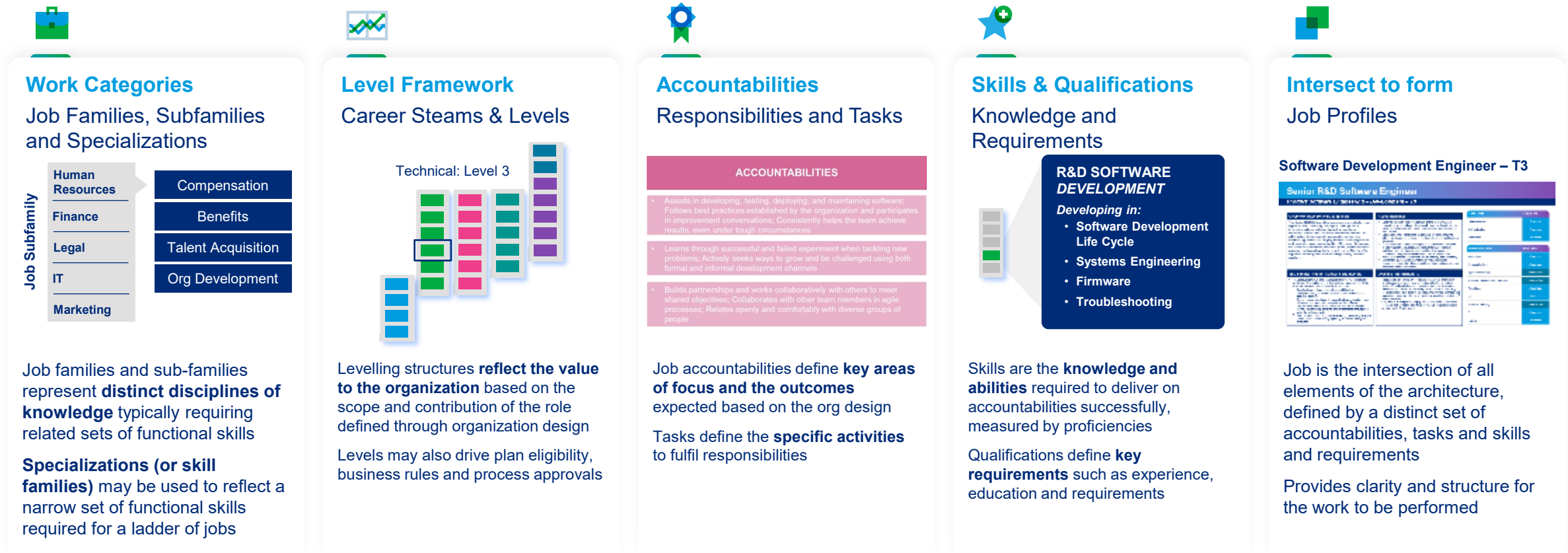


Better Position Employees for Future Career Opportunities

Hire Known Internal Candidates for New Jobs

Current Skills

Skills-Based Job Architecture Provides Current Skills Inventory



For the employee...

Where can I leverage my **SKILLS** and experience within the organization?

How can I **PROGRESS** my career as I grow my skills within the organization?

What are the **EXPECTATIONS** for the work that I do, and how are they achieved?

What are the requirements and capabilities I need to be **SUCCESSFUL** to perform the work?

What is the basis for how my work is **MEASURED**, and **VALUED** within the organization?

Create a seamless employee experience with jobs and skills



Jobs & skills are the 'red thread' across the talent lifecycle



Plan to Implement Modern Skills



Future Skills

Identify and validate the skills critical to the execution of long-term business strategy; plan for the integration of these skills into the broader skills taxonomy and incorporation of the priority use cases



Job Architecture Refresh

Update and modernize job architecture and catalog to represent new shape of work; ensure efficient alignment with skills taxonomy and effective configuration in HR tools and systems



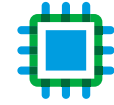
Skills Taxonomy Build

Define taxonomy requirements based on use case objectives; populate skills taxonomy with best available sources; establish governance model and guiding updates and maintenance going forward



Individual Skills Assessment/Validation

Activate skills for individuals via skills mapping, validation, and assessment based on use case requirements; leverage optimal combination of passive/active data, AI, and embedded assessment tools



Technology Review

Assess current technology tools against desired skills use case objectives; review current and future technology landscape to determine optimal tech strategy to deliver skills-based talent practices

Key Takeaways



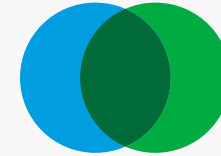
AI Changes the Game – Continuously



Skills are the New Currency



Adopt a Skills-First Talent Strategy



Human + AI, Not Human vs. AI

