A WORKFORCE TSUNAMI IS APPROACHING:

HOW YOU CAN BE PREPARED AND MANAGE WORKFORCE RISKS
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MAJOR WORKFORCE SHIFTS ARE EMERGING

We are facing exponential workforce shifts across the globe. These shifts can be conceptualised as the equivalent of a “tsunami” wave in terms of impact on how we manage our workforce.

The world of work is being reshaped — transforming employee’s expectations for their careers, their approach to work, the nature of the work they do, and the makeup of the workforce itself.

The five major shifts we have identified are:

1. Growing diversity of the workforce.
2. Disruption through technology.
3. Rising swell of big data.
4. Stressed employees and productivity pressures.
5. Fragmentation of the workforce.

FIGURE 1: THE FIVE MAJOR SHIFTS BEHIND THE "WORKFORCE TSUNAMI"
SHIFT 1: GROWING DIVERSITY OF THE WORKFORCE

Diversity in this context goes far beyond the usual considerations of age, race, and gender, to consider diversity of location, education, and experience. A more holistic approach to diversity in the workplace is required, considering that:

- In 2030, seven of the world’s biggest 12 economies will come from emerging markets, compared to three currently, while two-thirds of college graduates will hail from emerging economies by 2021.

- Companies that do a good job of hiring, promoting, and retaining women in their executive ranks outperform the industry median by 34% in revenues and 69% in equity. Yet women still make up less than 5% of Fortune 500 CEOs, 4% of ASX 200 CEOs, and 6% of FTSE100 CEOs. The gender pay gap continues to hover around the 20% mark.

- In many advanced economies, the number of working-age people who cannot work as a result of poor health or disability exceeds the number of unemployed people, which means a greater proportion of the welfare burden on each person in employment.

- If we also factor in the ageing population, Australia will have a dependency ratio of 36% by 2050, up from 20% in 2012.

- The quality of jobs remains a concern, with 40% of the global workforce working informally (in the black market) and 46% of women being in what is classified as “vulnerable employment”, i.e. poor pay and conditions, no social protection.

With emerging markets representing the greatest growth opportunities, we can expect not just the customers, but also the workforce and leaders of the future to hail from the developing world. Traditional solutions such as physical migration of workers, expat managers, and virtual working may not be enough to allow companies to take full advantage of these new global and virtual opportunities.

1 World Bank Databank, GDP Ranking, 2014.
5 Chief Executive Women (Australia) and Bain & Company. Actions Speak Louder Than Words: CEO Conduct That Counts, 2015.
CASE STUDY: SHIFT 1

The declining and ageing Quebecois workforce was having a negative impact on economic growth in the region. The local government partnered with France to mutually recognise professional qualifications and remove obstacles impeding the mobility of workers practising regulated professions or trades in Canada. Quicker, easier access to regulated trades and professions facilitated and accelerated the recruitment of qualified workers as needed and enabled a more effective response to labour needs in both the manufacturing and service sectors in France and Quebec.

SPOTLIGHT ON THE MULTI-GENERATIONAL WORKFORCE

The multi-generational workforce will soon become the norm, as baby boomers work past retirement age, tech-savvy millennials continue to enter the workforce, and post-millennials approach college age, with marked differences in values, communication styles, and career expectancies.

MILLENNIALS

- Already make up 40%–60% of the global workforce.\textsuperscript{10}
- Only 20% of them want to work for large organisations.
- Have no expectations of lifetime employment — 9 out of 10 are expected to stay in a job for less than 3 years.\textsuperscript{11}
- Look for social commitment, support for personal development, and the freedom to innovate.
- If they don’t find meaningful work and support with an employer, 70% see themselves working independently (82% in emerging markets).\textsuperscript{12}

AGEING WORKFORCE

- Over 65s will represent 14% of world population by 2040.\textsuperscript{13}
- We’re seeing a very rapid decline in population growth, with G8 nations already reporting sub-replacement birth rates.
- Prime working age population is likely to peak around 2050 across the world (as early as 2024 in China) and decline dramatically thereafter.\textsuperscript{14}

\textsuperscript{11} Department of the Treasury (Australia). Intergenerational Report: Australia in 2055, 2015.
\textsuperscript{12} Deloitte, 2014.
\textsuperscript{14} PricewaterhouseCoopers, 2015.
Artificial intelligence (AI) is revolutionising technology, endowing robots with pattern-recognition skills, enhanced dexterity, and the ability to learn, thus enabling them to perform a broader scope of tasks. The automation of factory assembly lines in the 1990s, and transport and logistics jobs (taxi dispatchers, warehouse management, travel agents) in the early 2000s are well documented. Within the next two decades, The Committee for Economic Development of Australia (CEDA) projections suggest that almost 40% of Australian jobs existing today have a moderate to high likelihood of disappearing in the next 10 to 15 years due to technological advancements.\(^\text{15}\)

Despite its vast potential for self-improvement, machine-learning technology lacks intuition and social skills. Humans therefore remain a crucial part of the workforce equation, but will have to develop new technical and creative skills to support these changes, including cross-cultural competency, adaptive thinking, virtual collaboration, and design mindset.

Access to information and data is unevenly distributed worldwide. In the developing world, the accuracy and completeness of data is causing significant concern, whereas in the developed world, the sheer amount of data is overwhelming and has led to “analysis paralysis”. Large datasets are not decision-makers in and of themselves, nor are they always timely or predictive of the future. Unsurprisingly, 52% of the C-suite admits that they discount data that they don’t understand and still rely largely on intuition for business decisions.\(^\text{16}\) This inevitably impacts the integrity of decisions and, consequently, organisational effectiveness and innovation.

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\(^{15}\) CEDA. Australia’s future workforce?, 2015.

SHIFT 4: STRESSED EMPLOYEES AND PRODUCTIVITY PRESSURES

The last five decades have been a period of unprecedented GDP growth worldwide, powered by both labour market growth and an increase in productivity. However, the labour market will slow down so dramatically over the next 50 years that GDP is expected to fall by 40%, even if productivity growth remains at its current 1.8% annual rate.17 Additionally, Australia is facing a significant productivity gap compared to leading advanced economies, leading to competitive disadvantage.18

The productivity crunch is just one of the causes of employee stress and burnout, which in turn lead to loss of productivity, ill health, absenteeism, increased turnover rates, and lack of engagement. Additional factors contributing to employee stress include:

- **Hyperconnection:** confusing “always-on technology” with productivity:
  - Employees spend a quarter of their day on mobile devices, checking mobiles up to 150 times a day.19
  - 57% of interruptions are caused by switching between applications and it takes on average 23 minutes to recover from each interruption.20

- **Data overload:** difficulty in filtering what is useful and important:
  - 41% of employees report they waste their time on tasks that do not help them get their work done.
  - 75% cannot find the information they need in their company’s information system.21
  - For fear of missing something important, workers spend too much time multitasking; the average amount of time workers are able to focus exclusively on one task is less than 3 minutes.22

- **Individualised career paths:** the burden of choice in self-managed careers:
  - New organisational structures provide career rewards that are harder to quantify or to administer fairly.
  - Few policies are in place to encourage lifelong learning and transferable skill development.

19 Economist Intelligence Unit, 2014.

CASE STUDY: SHIFT 4

Executive education, corporate training, and publishing company GLOBIS Corporation (Japan) wanted to improve career mobility across the organisation. To do this, it developed a system that allowed employees to self-declare responsibilities, roles, and job titles, and to propose an annual salary that was then reviewed by HR and given to managers to discuss professional development and required future actions to reach their career goals.

The transparency surrounding development and movement of talent at GLOBIS inspired employees to shape their own career paths and take risks in moving across lines of business. This in turn improved interdivisional communication and knowledge transfer.23
CASE STUDY: SHIFT 5

Coca-Cola developed its 5by20 strategy with a view to enabling the economic empowerment of 5 million female entrepreneurs across Coca-Cola’s value chain by 2020. 5by20 provides business skills training; loans, financial services, and assets; and peer networks and mentoring in partnership with its bottling partners, government organisations, and civil society organisations. The strategy is tailored to fit local needs and is aligned with local partners to have greater local impact.26

SHIFT 5: FRAGMENTATION OF THE WORKFORCE

The very existence of the employment relationship as the normal contractual arrangement between enterprise and worker is being called into question with up to 83% of organisations expected to rely predominantly on part-time, contingency, agency, and contract workers by 2020.24 The classical employment model of permanent full-time employees has given way to the so-called “talent ecosystem”: a collaborative, transparent, technology-enabled, rapid-cycle way of doing business via partnerships, joint short-term ventures or projects, freelance talent, and crowdsourcing, all operating outside the traditional boundaries of the organisation.25

Yet most HR departments report that it is difficult to track the cost and performance of their total workforce; talent development and productivity suffer as a result.

Navigating the complexity can be overwhelming... how can we keep ahead of this workforce tsunami?

25 Walters R. Leveraging the Contingent Workforce, 2014.
HOW TO BE PREPARED AND MANAGE WORKFORCE RISKS

Successfully managing workforce risks means rising to meet the complex workforce challenges that you and your organisation face. It’s not enough to just hope for the best; you must plan and take action now to build the future.

That’s where analytics and planning come into play. Measuring and benchmarking are good, asking the right questions is even better, but knowing how to get the right answers from the data is best of all. It’s about harnessing the power of information and putting it to work for you.

HR and business leaders rely on workforce analytics and planning for four key reasons. They want to:

1. Be prepared, not surprised.
2. Make decisions with confidence.
3. Drive a better return on investment.
4. Outperform the competition.
1. BE PREPARED, NOT SURPRISED

Workforce planning and analytics help forecast future workforce needs and identify potential problems — shining a spotlight on issues that may be hidden or difficult to see. Leaders become cognisant of things that might challenge or impact the organisation and thus build in the flexibility they need to be proactive and instantly responsive, rather than surprised.

During times of such major workforce shifts, workforce planning and analytics help to examine and question the most treasured assumptions of an organisation. Developing scenarios as part of this process allows organisations to step away from the day-to-day running of the business and consider alternative futures and priorities. This also guards against the dangers of placing all of our bets on just one forecast, no matter how well founded or researched that forecast seems to be in the present moment. The aim is to develop a robust workforce strategy that remains flexible enough to support future scenarios as they unfold.

Analytics provide an integrated approach to getting answers to the big questions:

- What is the right hiring profile for our future leaders and high performers?
- Are we hiring and retaining diversity of thought that leads to innovation?
- Do our career and mobility moves build the skills we need for tomorrow?
- Do we have a pay-for-performance culture?
- Are we retaining those employees we send on international assignments?
- Does development and career have a positive impact on engagement?
- What types of reward impact retention and engagement most?
- Are we encouraging collaboration across the organisation and fully leveraging external talent?

FIGURE 2: INTEGRATED APPROACH TO ANALYTICS
2. MAKE DECISIONS WITH CONFIDENCE

Informed decision-making is what business leaders want and need, especially when it comes to their workforce and talent programmes. Yet in most organisations today, major strategic decisions are first made, and then the data are used almost as an afterthought to support those decisions. How can we leverage the insights from the data to make bigger, better, and faster decisions, based on facts rather than intuition?

Analytics helped organisations understand and address the issues below.

How might your decisions change if you knew which of the following was fact and which was fiction in your organisation?

| TRUE/FALSE |
|-------------------------|------------------|
| Market pay adjustments are the best way to retain a key sales role. | ? |
| Part-time employees are more productive than full-time employees. | ? |
| Productivity improves with tenure. | ? |
| Employee referrals are the best way to source new hires. | ? |
| High university scores are a good predictor of a high-performing employee. | ? |
| Performance, not tenure, is a bigger driver of pay and promotion. | ? |
| In order to have more female executives, hiring more mid/senior females would be more effective than increasing promotions. | ? |
| An international mobility program is an effective way of retaining high-potential talent. | ? |
3. DRIVE A BETTER RETURN ON INVESTMENT

Workforce planning and analytics show you how to make the most of your greatest asset — your people — to positively impact your bottom line.

Human capital is the second most frequently cited intangible asset that drives competitive advantage (ahead of brand or process efficiency). However, senior executives express concern that they do not know to what extent their intangible assets (in particular, human capital) impact the overall company market value, nor are they confident that it is accurately measured within the organisation.

In recent years, the use of human capital metrics has increased exponentially. Even so, there is a large gap between the perceived importance of certain talent measures and the actual measurement in practice. The causes and impacts of certain measures are not fully investigated. For example, annual employee surveys are used in the majority of organisations. They provide a valuable input, but they do not tell the whole story. The most effective approaches come from understanding the connection between what people “say” in surveys and other opinion pieces and what they “do” in practice.

• What employees “say” in a survey doesn’t always correspond to what they “do” (behaviour and outcomes). For example, although employees might be critical of issues pertaining to pay, pay levels may not have a strong relationship to critical outcomes such as engagement, turnover, or customer satisfaction.

• What the organisation “says”, as reflected in its documented programmes and policies, often does not line up with how those programmes and policies actually get implemented (the “do”). For example, the organisation may claim to have a “pay for performance” culture, yet an examination of the actual relationship between performance and merit increases/incentives may indicate otherwise.

FIGURE 3: HUMAN CAPITAL IMPACT ON BUSINESS OUTCOMES

The measurement and management of human capital is perceived as having a positive impact on customer satisfaction (82.3%), increased productivity (76.9%), and increased revenues (65.1%), as well as on innovation/product development (66.7%).

4. **OUTPERFORM THE COMPETITION**

Simply put, organisations with an “analytics edge” perform better. Companies at the highest levels of talent analytics practice, including the adoption of workforce analytics, have 8% higher sales growth, 24% higher net operating income growth, and 58% higher sales per employee.\(^{28}\)

Advanced analytics users and companies that have a formal approach to workforce planning and optimisation are not only more effective at leveraging their workforce but also understand how their enterprise’s workforce potential is affecting the bottom line. They are three times more likely to beat their competition on customer satisfaction and product quality, and twice as likely to report better market share, productivity, and profitability.

Unsurprisingly, this has led to an upsurge in investments in workforce planning and analytics. In a 2015 poll, Mercer found that most organisations (72%) have resources involved in workforce planning, analytics, and reporting and that, of the 28% of respondents who did not have resources involved in this area, two-thirds were planning to assign resources in the near future.\(^{29}\)

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### SAY vs. DO

<table>
<thead>
<tr>
<th>SAY</th>
<th>DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>What employees and employers say as measured through</td>
<td>How employees and employers actually behave as measured through</td>
</tr>
<tr>
<td>• Senior leadership and HR interviews.</td>
<td>• Individual employee records of hires, promotions, transfers, etc.</td>
</tr>
<tr>
<td>• Employee surveys and focus groups.</td>
<td>• Employee turnover.</td>
</tr>
<tr>
<td>• Company policies.</td>
<td>• Business performance measures such as customer satisfaction, growth, profit, and productivity.</td>
</tr>
<tr>
<td>• Employer social networks (e.g., formal blogs, tweets, etc.).</td>
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The biggest growth area in HR technologies is workforce analytics, from 14% to 46% in the next three years.  
Source: CedarCrestone 2013–2014 Outlook Report

More than 66% of organizations are significantly increasing their investments in workforce analytics in 2014.  
Source: Bersin, “Predictions for 2014”

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So how are companies actually using analytics to move ahead?

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GETTING STARTED WITH WORKFORCE ANALYTICS AND PLANNING

Using data to understand your workforce does not need to be overwhelming!

First, create a workforce map of your organisation to describe key dynamics related to the flow of people into (hires), through (promotions and lateral movements), and out of (terminations) the organisation over time. This helps answer key questions such as:

- Is our current buy vs. build approach in line with what we want to achieve as an organisation?
- What are the drivers for employee turnover? Is our turnover too high/too low?
- How does the current approach to hiring and developing our people impact our culture and the productivity of our workforce?
- What is the ideal shape of our workforce? What should this look like by function/division?
- What is the ideal span of control?
- How can we optimally engage and retain our workforce?
Based on this understanding of current structure and workforce challenges, strategic workforce planning will help you better understand the size of the workforce tsunami impacting your organisation and determine the most impactful strategies to address it.

Moving from insight to action is a three-step process, as follows:

**DRIVERS** Determine the nature of the tsunami.

**RISK** Acticulate the degree of risk to your organisation.

**STRATEGIES** Identify the most robust people management strategies.
<table>
<thead>
<tr>
<th>DRIVERS</th>
<th>RISK</th>
<th>STRATEGIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Use business strategy drivers to assess the implications on workforce structure and critical capabilities.</td>
<td>• Understand the implications of the business strategy and scenarios on future demand for talent.</td>
<td>• Identify the most robust people management options across a variety of scenarios.</td>
</tr>
<tr>
<td>• Develop multiple alternative scenarios to understand how the business strategy might be impacted by external events.</td>
<td>• Determine whether the supply of internal and external capabilities will be sufficient for the projected growth.</td>
<td>• Build the business case for developing, buying, partnering, and borrowing key talent at the right time in the right location.</td>
</tr>
<tr>
<td></td>
<td>• Develop productivity drivers for your organisation that articulate the relationship between workforce structure and business outcomes.</td>
<td>• Determine the structures and policies that need to be in place to support the talent management strategies.</td>
</tr>
<tr>
<td></td>
<td>• Gain common understanding of the capabilities that will be critical to organisational success.</td>
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</tbody>
</table>

If this scenario-driven business and workforce planning process is linked to strong, timely workforce analytics, monitoring leading indicators of change in the external environment becomes easier. This allows organisations to constantly adjust short-term actions and adapt long-term strategy as business conditions change.
WORKFORCE TSUNAMI READINESS ASSESSMENT

HOW PREPARED ARE YOU FOR THE CHALLENGE?

This survey will help you assess the extent to which you and your organisation are prepared to face the five major shifts in the workplace. Take a moment to rate your organisation by using a simple scoring system: 2 = true for our organisation; 1 = partially true; 0 = not true.
<table>
<thead>
<tr>
<th>Shifts</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Diversity is the norm</strong></td>
<td></td>
</tr>
<tr>
<td>We have a good understanding in our organisation of our retirement risks, including loss of knowledge and skills, and we have a succession plan in place for transfer of knowledge.</td>
<td></td>
</tr>
<tr>
<td>We have the infrastructure and culture in place to fully leverage a diverse talent pool.</td>
<td></td>
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<tr>
<td><strong>2. Disruption through technology</strong></td>
<td></td>
</tr>
<tr>
<td>We have a good understanding of what digital skills we need now and in the future and we are looking outside traditional solutions for developing those skills.</td>
<td></td>
</tr>
<tr>
<td>We are developing the skills required to manage technological disruption in our industry/organisation that are not readily available in the labour market.</td>
<td></td>
</tr>
<tr>
<td><strong>3. Rising swell of big data</strong></td>
<td></td>
</tr>
<tr>
<td>We are investing in the capabilities and technology required to collect, analyse, and act on the big data available to us.</td>
<td></td>
</tr>
<tr>
<td>Our managers are aware of the value big data can bring to our organisation and are comfortable using it in decision-making.</td>
<td></td>
</tr>
<tr>
<td><strong>4. Stressed employees and productivity pressures</strong></td>
<td></td>
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<tr>
<td>We know how to avoid the risk of lower productivity through employee overwhelm, ageing workforce, or a culture of presenteeism.</td>
<td></td>
</tr>
<tr>
<td>We have strong knowledge management structures in place to enable employees to easily find the most relevant content.</td>
<td></td>
</tr>
<tr>
<td><strong>5. Fragmentation of the workforce</strong></td>
<td></td>
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<tr>
<td>We are able to measure and fully leverage the performance of our entire talent pool, including freelance associates, contractors, and joint venture partners.</td>
<td></td>
</tr>
<tr>
<td>We know how create competitive advantage through the development of skills and capabilities even if employees no longer want a “lifetime contract”.</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
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</table>

If your organisation scored ...

**15–20 points:** your organisation is aware of the key challenges posed by the workforce tsunami and you are taking steps to address these. Use analytics to measure success of your strategies and continue to uncover challenges that need addressing.

**10–14 points:** the workforce tsunami is in need of greater attention to ensure your organisation is future-proofed against pending threats. Continue to refine your workforce strategies to focus on areas of highest impact identified through intelligent use of data.

**0–9 points:** your organisation is not well positioned for the impact of the workforce tsunami. Engage in strategic workforce planning and analytics to better articulate what the future might look like for your organisation and identify the areas of greatest risk.
FOR MORE INFORMATION

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Charlotte has also led workshops and high level discussions in many different countries over several years looking at derailers and disruptors in education systems. She has advised numerous NGOs and policy bodies on education and skills; contributing to the education pillar of the Global Youth Wellbeing Index, design of the Global Age Watch Index and more recently classification of skills for the European Commission. She has also contributed to the development of the Global Gender Gap Report 2012, Talent Mobility Good Practices: Collaboration at the Core of Driving Economic Growth, The Human Capital Report 2015 and Disrupting Unemployment: Business-led Solutions for Action, and the upcoming Future of Work, all with the World Economic Forum.

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