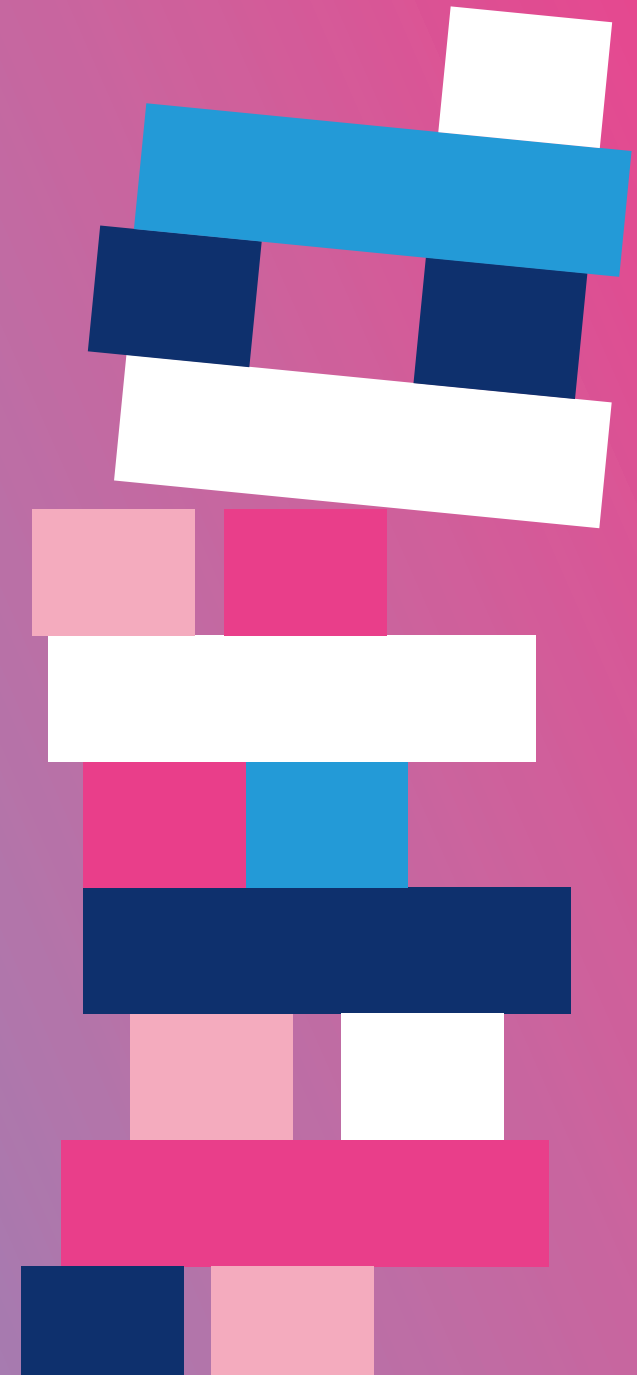# MercerMarsh Benefits

People Risk

Resetting priorities to manage risks for workforce and business resilience

benefits that truly benefit

Risk management is evolving to encompass people, purpose and profit.

When HR and risk professionals work together, they can mitigate people risks linked to cyber threats, changing legislation, safety and the future of work.

The world continues to move from one crisis to another: including turmoil brought by the Russia-Ukraine conflict as the ripples from the pandemic are still being felt around the world. As organizations face supply chain disruption, rising inflation, environmental disasters and workforce exhaustion, they must be more resilient than ever.

Responding quickly and with agility requires having an integrated and consistent approach to risk management, one that has an eye towards employee protection. All of this is putting additional pressure on organizations to reset for relevance — to focus not only on profits, but also on people and purpose in order to create truly sustainable business models. Customers and employees alike are increasingly less willing to tolerate

'greenwashing', where business leaders fail to deliver on their commitments.

Organizations can no longer simply react to unfolding events. Instead, they should build on the lessons learned from the pandemic and put in place a strong foundation that will allow them to thoroughly anticipate and mitigate risks. Critical to this is building on the trust established between the risk function and human resources (HR), so they work together to manage people risks.

There is a delicate balance to be struck between preparing for a potential recession and simultaneously managing people risks using a human-centered approach in order to attract and retain talent in a demanding labor market.

Figure 1: People, purpose and profit

Keys to organizational success — People · Purpose · Profit

Resilience and agility enablers — Strong foundation · Valued trust

Enterprise risk management — HR and Risk must work together to tackle people risks

The COVID-19 crisis repeatedly surprised those charged with anticipating its trajectory and will likely leave further complex problems in its wake. Nor is the pandemic and its response the only challenge that governments, societies and businesses are facing. As the Global Risks Report sets out, new crises may lie just over the horizon.

World Economic Forum Global Risks Report 2022[1]

[1] World Economic Forum. Global Risks Report 2022. https://www.weforum.org/reports/global-risks-report-2022.

Top people risks

People risks are the business risks related to your workforce. They are generated by how you attract, manage, equip, motivate and retain this most critical type of asset. They can range from meeting environmental, social and governance (ESG) targets to managing business planning and attracting the right skills for the future.

Cybersecurity and data privacy represent the number one people risk overall. Mercer's Global Talent Trends report found that executives say the greatest threat to their organization's data and security practices is remote working and the lack of a data security mindset at home.[2]

The administration and fiduciary oversight of benefits, compensation and investments is the second biggest people risk. Three out of five organizations admit they don't have effective governance for benefits and insurances in place. This is putting them at risk of failing to protect employees, and opening them up to costly errors and reputational damage.

When we asked HR and risk professionals to identify the risks that were serious threats to their businesses, 87% agreed that the health and safety of employees was a serious threat, the highest of all of our risk pillars. Not only are HR and risk professionals both worried about the ongoing risks of communicable diseases, they are also worried about personal crises (including catastrophic personal life events) that have a profound impact on the well-being of employees.

The increasing cost of health, risk protection and well-being benefits is a top-10 priority for businesses across the globe, and this challenge will only be exacerbated by the increasing strain that is being placed on people's mental health — a problem highlighted by Mercer's Global Talent Trends, which found that 81% of employees report feel at risk of burnout, a jump from 63% in 2019.[3]

Post-pandemic, employees are focusing more on the purpose and impact of their employment. This is making them look at their employers with a more critical lens. The desire to look after employees is also being driven by skills shortages and by pressure from employees, customers and shareholders to put the 'S' into ESG by becoming a more socially responsible employer. For example, employers are considering extending health insurance and benefits plans to better protect their lower paid employees who are most in need.

2,3 Mercer. Global Talent Trends 2022. www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

Tackling emerging risks

Accelerated digitization gives rise to some of the risks that businesses across the globe are most concerned about. HR professionals are more inclined to worry about the impacts of automation and AI on employees, which is set to see 85 million jobs become obsolete by 2025.[4] Another risk is the inability of outdated HR technology to create a compelling employee experience. Risk professionals are more concerned about legal, compliance and financial practices, while also being concerned about attracting and retaining the talent needed to drive their businesses forward.

This diversity of thinking encourages greater collaboration and trust between the two disciplines, which in turn leads to more holistic problem solving. Risk professionals have an opportunity to more often consider the underlying people issues within the risks that need to be mitigated;

at the same time, HR professionals could better articulate the business imperatives for addressing these people issues. The good news is that executives have bought in to this challenge: when asked to predict which workforce initiatives would deliver the biggest return on investment (ROI) in the next two years, if budget were not a constraint, their top choices were:

- Investing in workforce upskilling/reskilling

- Delivering on total well-being strategies

- Designing talent processes around skills

- Evolving a flexible working culture[5]

Hopes for the future

By helping your businesses anticipate risks and work collaboratively to mitigate them, we hope to put you on the front foot — allowing your business and workforce to thrive and preserve the trust you have generated through your actions in this challenging, fast-paced world.

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[4] World Economic Forum. The Future of Jobs Report 2020. Available at www.weforum.org/reports/the-future-of-jobs-report-2020/in-full/infographics-e4e69e4de7.
[5] Mercer. Global Talent Trends 2022. Available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.
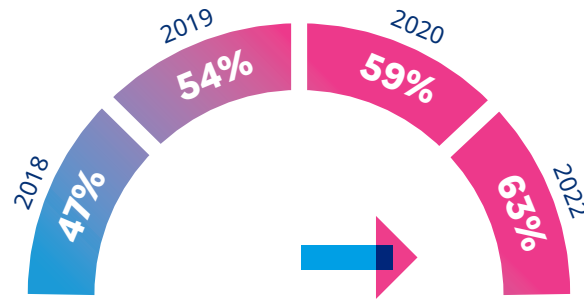
Figure 2: Trust and a thriving workforce[6]

Turning people risk into a competitive advantage allows your workforce to thrive and preserves trust with stakeholders.

Trust in companies to do the right thing for society is up:

66% in 2000

82% in 2022
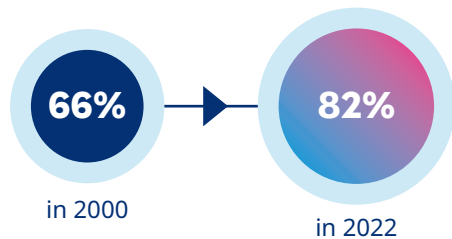
And the number of employees saying they are thriving has increased:

2018 47%
2019 54%
2020 59%
2022 63%

People risks must be managed at both a people level and an operational level.

This year's report is designed to help you manage people risks and increase business resilience by providing a framework and ideas to identify:

• The greatest people risks facing your organization

• Strategies for managing people risks

• Barriers to mitigating people risks

[6] Mercer. Global Talent Trends 2022. Available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

I think we've all had a moment to pause and think about what really matters to us in life. We call it the great reshuffle because people are making decisions differently about what's meaningful for them.

Carol Wallace, Director, Compensation and Benefits, EMEA and LATAM at LinkedIn

The five pillars of people risk

People risks are the business risks related to your workforce. They are generated by how you attract, manage, equip, motivate and retain this most critical type of asset.

Our 2022 survey covered five pillars of people risk that are having the greatest impact on businesses across the globe. These five pillars consider that the health and resilience of your people mirrors the health and resilience of your business.

Figure 3: The five pillars of people risk

25 people risks in 2022

1 Health & safety

4. Pandemics & other communicable health conditions
14. Employee health & well-being
20. Mental health
22. Workforce exhaustion
25. Work-related illness or injury

2 Governance & financial

2. Administration and fiduciary
6. Increasing cost of health, risk protection and well-being benefits
7. Benefit, policy and reward decision making & accountability
12. Legal, compliance and financial practices
23. Pension financial exposure

3 Accelerated digitization

1. Cybersecurity and data privacy
9. Impacts of automation and AI
11. HR technology obsolescence
18. Misalignment of HR and business strategy
19. Skills obsolescence

4 Talent practices

5. Changing nature of work
10. Talent attraction, retention and engagement
15. Succession and key person risk
16. Conduct and culture
24. Travel and mobility

5 Environmental & social

3. Catastrophic personal life events
8. Environment
13. Working conditions and labor relations
17. Diversity, equity and inclusion
21. Leadership issues

Risk (RRS) Rank

About the People Risk survey

Figure 4: 2022 People Risk research — geographic scope

What:
Captures attitudes towards the greatest people risks facing organizations, including the challenges they face mitigating these risks.
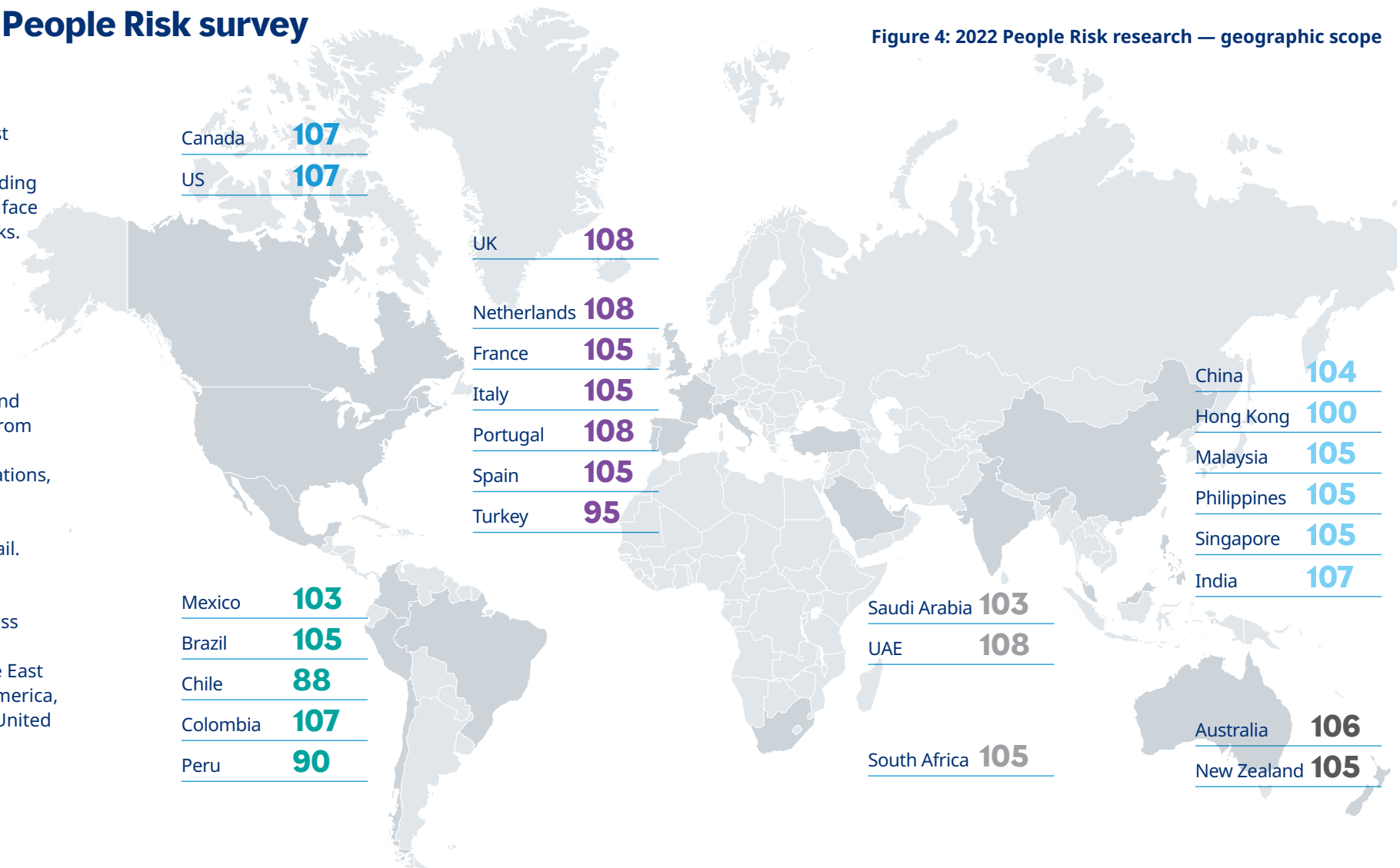
When:
Took place in March 2022.

Who:
Covered 2,594 HR and risk professionals, from industries including finance, communications, media, technology, manufacturing, automotive and retail.

Where:
In 25 countries across Asia, Europe, Latin America, the Middle East and Africa, North America, the Pacific and the United Kingdom.

Country	Value
Canada	107
US	107
UK	108
Netherlands	108
France	105
Italy	105
Portugal	108
Spain	105
Turkey	95
China	104
Hong Kong	100
Malaysia	105
Philippines	105
Singapore	105
India	107
Mexico	103
Brazil	105
Chile	88
Colombia	107
Peru	90
Saudi Arabia	103
UAE	108
South Africa	105
Australia	106
New Zealand	105

Global:
2,594 organizations

HR:
1,314 respondents

Risk:
1,280 respondents

Five trends shaping people risks

The 2022 People Risk survey of almost 2,600 HR and Risk professionals covered five pillars of risk and evaluated the best ways to mitigate them.
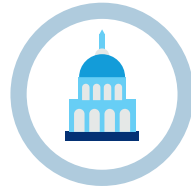
Health & safety

Health and safety risks are a threat to organizations, and have a high potential to disrupt business.

87%

say health and safety is a serious threat to business.

Implication:
Invest in benefits and other programs that manage health risks and meet high-priority employee needs. This will increase people and business resilience.

Governance & financial

The management of compensation, employee benefit and retirement plans is becoming increasingly complex and difficult.

59%

don't have effective governance for insurance and benefits.

Implication:
Advance best practice governance for all types of rewards. This will avoid costly errors and reputational damage.

Accelerated digitization

Skills obsolescence, where businesses struggle to develop, acquire or retain the skills for digital transformation or cyber management, is now a top people risk.

1 in 2

believe the C-suite views accelerated digitization as very important.

Implication:
Design and deliver benefits for people with future-ready skills, perhaps in roles that do not yet exist.

Talent practices

The changing nature of work is now the fifth biggest people risk.

43%

think their employee value proposition needs improving (or do not know how effective it is).

Implication:
Understand what current and future employees value most. Put in place policies to support new ways of working — or risk losing valuable skills.

Environmental & social

Organizations are under pressure from customers, employees and investors to address inequalities, remove disparities and combat climate change.

1 in 5

do not have a plan in place to advance diversity, equity, and inclusion.

Implication:
Define company values and targets around ESG issues, and use them as a lens to assess current benefits, investments and working conditions.

Long-term threats to businesses versus short-term pains

In the short term, most regions are worried about accelerated digitization risks, such as cybersecurity and AI.

HR and risk professionals view all 25 people risks as both possible and impactful disruptors to their organizations.

Figure 5: Concentration of people risks

Respondents were asked about the likelihood of the people risks having an impact on their organizations in the next three years, and about the severity of any business impacts if they were to occur. We calculated a Risk Rating Score (RRS) by multiplying the likelihood by the severity.

Respondents ranked health and safety risks lower than those in the other pillars, despite health and safety being considered the biggest threat overall. This contradiction seems to suggest that many HR and risk managers appreciate the impact of health to the long-term sustainability of industries, economies and societies,

but view other risks as more pressing. It is not uncommon to discount the importance of longer-term challenges, especially when it is difficult to directly effect change. This is alarming as collective action must be taken to manage many of items ranked with a lower likelihood/severity (risk ranking score/RRS).

Figure 6: Regional attitudes to people threats to business

Ranking	Global	Asia	Canada	Continental Europe	Latin America	Middle East & Africa	Pacific	United Kingdom	United States
1	Health and safety								
2	Governance and financial								
3	Environment and social								
4	Talent practices								
5	Accelerated digitization								

Figure 7: Regional attitudes, according to risk rating scores, of each of the pillars of risk

Ranking	Global	Asia	Canada	Continental Europe	Latin America	Middle East & Africa	Pacific	United Kingdom	United States
1	Accelerated digitization								
2	Governance and financial								
3	Environment and social								
4	Talent practices								
5	Heath and safety								

Top five people risks

To identify the top five people risks, we asked HR and risk professionals about the severity of individual risks and the likelihood of them occurring in the next three years.

1   **Cybersecurity and data privacy** is the top people risk for the second year running.[7] This risk is considered to be the most likely to happen and to have the most severe consequences.

2   **Administration and fiduciary** is the next biggest people risk, as holistic governance gains traction. This highlights the increased pressure faced by business to ensure all forms of rewards and investment funds are prudently managed as legislation evolves and scrutiny increases.

3   **Catastrophic personal life events** is now a top-ten people risk. This reflects how events with the power to disrupt an individual employee's life can also disrupt the business they work for.

4   **Pandemics and communicable health conditions** are still considered a potentially impactful people risk, showing ongoing nervousness about COVID-19 and other potential viruses.

5   **The changing nature of work** is now a top-five people risk as organizations, leaders and individuals adapt to flexible working.

[7] Our 2022 people risk survey combines cybersecurity and data privacy.

Figure 8: Likelihood and impact of people risks[8]

Methodology
Survey respondents were asked to assess the likelihood of the risk occurring in their organization in the next three years on a scale of 1 to 5, 1 representing a risk that is not very likely and 5 a risk that is very likely to occur. They also assessed severity of its impact on the business if it were to occur on a scale of 1 to 5, 1 representing no impact and 5 a catastrophic impact.

[8] The overall risk ranking (risk rating score) is the likelihood of a risk occurring multiplied by its severity. For example, people were considered less likely to experience catastrophic personal life events than to be affected by the changing nature of work. However, the impact of a personal catastrophe was rated as being more severe, giving this a higher risk ranking overall.

Top risks by region

There are some interesting regional variations in attitudes to specific people risks, including pandemics and mental health.

All regions see cybersecurity and data privacy as their top people risk. Asia, Canada, Continental Europe, Latin America and the United Kingdom are all concerned about automation and AI.

Regions heavily impacted by the pandemic, including Latin America, Asia and the United Kingdom, are the most concerned about the risk of future pandemics. These regions are also keen to mitigate social and environmental risks.

Canada and the US ranked legal compliance and financial practices higher than other regions. The Middle East and Africa did the same for decision making and accountability related to benefit and reward policies.

Areas where healthcare is more expensive or difficult to access, including the US and Latin America, are worried about the rising cost of health, risk-protection and well-being benefits.

Canada was the only region to place the mental health of employees in its top 10 risks. Last year it featured prominently in the top 10 risks for most regions.

Europe and the Pacific both ranked catastrophic personal life events as their second biggest people risk. This is closely followed by Asia and the US, regions that ranked this fourth overall.

Figure 9: Top 10 people risks, according to risk rating score, by region

	Global	Asia	Canada	Continental Europe	Latin America	Middle East & Africa	Pacific	United Kingdom	United States
1	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy
2	Administration and fiduciary	Pandemics and other communicable health conditions	Talent attraction, retention and engagement	Catastrophic personal life events	Administration and fiduciary	Benefit, policy and reward decision making and accountability	Catastrophic personal life events	Administration and fiduciary	Administration and fiduciary
3	Catastrophic personal life events	Administration and fiduciary	Mental health	Administration and fiduciary	Environment	Catastrophic personal life events	Changing nature of work	Pandemics and other communicable health conditions	Talent attraction, retention and engagement
4	Pandemics and other communicable health conditions	Catastrophic personal life events	Legal, compliance and financial practices	Increasing cost of health, risk protection and well-being benefits	Pandemics and other communicable health conditions	Administration and fiduciary	Environment	Changing nature of work	Catastrophic personal life events
5	Changing nature of work	Benefit, policy and reward decision making and accountability	Increasing cost of health, risk protection and well-being benefits	Benefit, policy and reward decision making and accountability	Catastrophic personal life events	Changing nature of work	Administration and fiduciary	Catastrophic personal life events	Changing nature of work
6	Increasing cost of health, risk protection and well-being benefits	Impacts of automation and AI	Changing nature of work	Changing nature of work	Changing nature of work	Increasing cost of health, risk protection and well-being benefits	Pandemics and other communicable health conditions	Environment	Benefit, policy and reward decision making and accountability
7	Benefit, policy and reward decision making and accountability	Environment	Impacts of automation and AI	Pandemics and other communicable health conditions	Increasing cost of health, risk protection and well-being benefits	Diversity, equity and inclusion	Employee health and well-being	Impacts of automation and AI	Employee health and well-being
8	Environment	Changing nature of work	Benefit, policy and reward decision making and accountability	Impacts of automation and AI	Working conditions and labor relations	Pandemics and other communicable health conditions	Increasing cost of health, risk protection and well-being benefits	Employee health and well-being	Legal, compliance and financial practices
9	Impacts of automation and AI	Talent attraction, retention and engagement	Administration and fiduciary	HR technology obsolescence	Benefit, policy and reward decision making and accountability	Environment	Working conditions and labor relations	Benefit, policy and reward decision making and accountability	Pandemics and other communicable health conditions
10	Talent attraction, retention and engagement	HR technology obsolescence	Conduct and culture	Environment	Impacts of automation and AI	Legal, compliance and financial practices	Talent attraction, retention and engagement	HR technology obsolescence	Increasing cost of health, risk protection and well-being benefits

Risk categories ■ Health & safety ■ Governance & financial ■ Accelerated digitization ■ Talent practices ■ Environment & social

Risks are ranked by risk rating score; the product of the likelihood and the impact ratings.

Top risks by role

HR and risk professionals agree on the top five risks, but are inclined to prioritize other risks, including the impact of automation and AI, differently.

HR and risk professionals agree on the top five people risks, despite ranking these slightly differently. However, when it comes to lesser risks, they have some differing priorities. A risk of note is talent attraction and retention: while traditionally this was viewed as exclusively an HR concern, this risk is now not only firmly on the risk agenda, but also a key C-suite focus.[9]

Figure 10: Sample top risks (based on RRS): HR vs. risk

Impacts of automation and AI

HR is more inclined to worry about

HR technology obsolescence

Talent attraction, retention and engagement

Risk professionals are more likely to prioritize

Legal compliance and financial practices

Increasing cost of health, risk protection and well-being benefits

HR and risk professionals are similarly concerned about

Benefit, policy and reward decision-making and accountability

[9] Mercer. Global Talent Trends 2022. Available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

Figure 11: Top risks, according to risk rating score, by role

Ranking	All respondents	HR	Risk
1	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy
2	Administration and fiduciary	Catastrophic personal life events	Administration and fiduciary
3	Catastrophic personal life events	Administration and fiduciary	Catastrophic personal life events
4	Pandemics and other communicable health conditions	Changing nature of work	Pandemics and other communicable health conditions
5	Changing nature of work	Pandemics and other communicable health conditions	Changing nature of work
6	Increasing cost of health, risk protection and well-being benefits	Benefit, policy and reward decision making and accountability	Environment
7	Benefit, policy and reward decision making and accountability	Increasing cost of health, risk protection and well-being benefits	Increasing cost of health, risk protection and well-being benefits
8	Environment	Impacts of automation and AI	Benefit, policy and reward decision making and accountability
9	Impacts of automation and AI	Environment	Talent attraction, retention and engagement
10	Talent attraction, retention and engagement	HR technology obsolescence	Legal, compliance and financial practices

Risk categories

- Health & safety
- Governance & financial
- Accelerated digitization
- Talent practices
- Environment & social

Risks are ranked by risk rating score; the product of the likelihood and the impact ratings.

Top risks by industry

Industry representatives were asked about the likelihood of risks impacting their industries in the next three years, and questioned about the severity of any potential impacts.

Communication, media and technology companies are the most worried about the impact of catastrophic personal events on employees. Industries with front-line workers, including retail and manufacturing, are the most worried about the impact of another pandemic. The construction industry is most worried about rising health, risk protection and well-being costs and the environment.

Figure 12: Top 10 people risks, according to risk rating score, by industry

Global ranking	Global	Communications, media or technology	Financial institutions	Retail and wholesale, including online retail	Manufacturing or automotive	Construction
1	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy	Cybersecurity and data privacy	Increasing cost of health, risk protection and well-being benefits
2	Administration and fiduciary	Catastrophic personal life events	Administration and fiduciary	Pandemics and other communicable health conditions	Pandemics and other communicable health conditions	Environment
3	Catastrophic personal life events	Changing nature of work	Benefit, policy and reward decision making and accountability	Environment	Administration and fiduciary	Cybersecurity and data privacy
4	Pandemics and other communicable health conditions	Administration and fiduciary	Increasing cost of health, risk protection and well-being benefits	HR technology obsolescence	Catastrophic personal life events	Catastrophic personal life events
5	Changing nature of work	Increasing cost of health, risk protection and well-being benefits	Catastrophic personal life events	Working conditions and labor relations	Benefit, policy and reward decision making and accountability	Impacts of automation and AI
6	Increasing cost of health, risk protection and well-being benefits	Pandemics and other communicable health conditions	Changing nature of work	Impacts of automation and AI	Increasing cost of health, risk protection and well-being benefits	Legal, compliance and financial practices
7	Benefit, policy and reward decision making and accountability	Environment	Impacts of automation and AI	Talent attraction, retention and engagement	Changing nature of work	Pandemics and other communicable health conditions
8	Environment	Succession and key person risk	Talent attraction, retention and engagement	Increasing cost of health, risk protection and well-being benefits	Legal, compliance and financial practices	Benefit, policy and reward decision making and accountability
9	Impacts of automation and AI	Impacts of automation and AI	Pandemics and other communicable health conditions	Misalignment of HR and business strategy	Talent attraction, retention and engagement	Working conditions and labor relations
10	Talent attraction, retention and engagement	Talent attraction, retention and engagement	HR technology obsolescence	Legal, compliance and financial practices	Environment	Administration and fiduciary

Risk categories

- ■ Health & safety
- ■ Governance & financial
- ■ Accelerated digitization
- ■ Talent practices
- ■ Environment & social

Risks are ranked by risk rating score; the product of the likelihood and the impact ratings.

Barriers to addressing people risk

The difficulty of changing employee behavior is seen as the top barrier to addressing people risk.

Difficulty changing personal behavior
More than two-fifths (43%) of businesses said that the difficulty of changing the personal behavior of employees is a barrier to addressing health and safety risks. A similar number of businesses (39%) see changing personal behavior (such as adapting to the future of work) as a barrier to mitigating talent risks. One in three (36%) said personal behavior also hinders tackling social and environmental risks.

Organizational complexity
Organizational complexity is a top barrier for every people risk pillar. It is also a top barrier hindering progress in addressing governance and financial risks. As businesses continue to grow, risks are becoming ever more present across traditionally siloed work areas. This can result in inconsistent and rigid behaviors. Many are struggling to define who is responsible for owning both risks and mitigation efforts, which is leading to gaps.

Lack of skilled resources to address risk
One in three businesses see a lack of skilled resource to tackle risk as a barrier to addressing accelerated digitization and environmental and social risks. This highlights the extent to which individuals with cybersecurity and ESG credentials are in demand across all industries. Many businesses are only just starting to tackle these emerging risks.

Figure 13: Barriers to addressing people risk

Commonality of difficulty (y-axis: 20%–45%)

Health and safety: 43%, 37%, 35%
Talent practices: 39%, 35%, 35%
Accelerated digitization: 36%, 35%, 35%
Environmental and social: 36%, 33%, 33%
Governance and financial: 34%, 34%, 34%

Legend:
- Difficulties changing personal behaviors
- Organizational complexity (including siloed or confused responsibility)
- Legal, labor and tax implications involved in the treatment of the associated risk
- Too many competing priorities
- Lack of skilled resources to understand and address risk

The rapid pace of change means individuals are struggling to adapt to new risks.

Health & Safety

Figure 14: Top health and safety risks by risk rating score

4

Pandemics & other communicable health conditions

Spread of infectious diseases, including COVID-19 and infectious illness including future pandemics.

14

Employee health & well-being

Unmanaged workforce health risks including physical inactivity, alcohol/drug/tobacco use, poor sleep quality, poor diet, lack of preventive care. Unmanaged chronic disease (including non-communicable conditions like diabetes, lung disease and cancer). Poor employee health and well-being culture.

20

Mental health

Workforce mental health issues (e.g., anxiety, stress, depression and addiction). Insufficient workplace support for employees suffering from mental health conditions. A workplace culture that contributes to poor mental health.

22

Workforce exhaustion

Employee burnout. Overtiredness stemming from work-life balance issues including need to manage caregiving duties. Change fatigue and too many priorities and distractions. Growing workloads following restructures or reorganization.

25

Work-related illness or injury

Work-related accidents, injuries, unsafe exposures, and security incidents. Aggravation of pre-existing conditions in a work environment (including on-site, remote working).

Risk (RRS) Rank

Health and Safety

Health and safety risks to employees are seen as the biggest threat to business, making this an important priority for HR and risk professionals.

The pandemic pushed the health and safety of employees and society as a whole to the foreground. As a result, nearly nine out of ten (87%) HR and risk professionals indicate health and safety is a serious threat to business.

Keeping people safe from communicable health conditions is the top health and safety issue, followed by keeping employees healthy in general (to reduce the risk of non-communicable diseases, such as heart disease, diabetes and cancer). The next most important priorities were protecting the mental health of employees, preventing workforce exhaustion and work-related illness or injury. Burnout and fatigue is being caused by a myriad of factors including: pressure on people to do more, the constant pace of change, technology transformation, poor work-life balance and worries and responsibilities outside of work, including caregiving duties. Ongoing uncertainty linked to the pandemic, the rising cost of living, the future of work, violent conflict and climate events will all heighten stress and anxiety in the future.

C-suite members of companies planning enterprise-wide transformations view employee exhaustion as one of the top barriers to driving successful change this year.[10] How will companies mitigate this risk? People only have so much capacity to process and adapt to multiple changes at any one time. This makes looking after mental health a key priority for any business looking to thrive. Mental health risk assessments are increasingly being used (in some places due to new laws) to determine which factors are undermining employee mental health.

Almost seven out of ten (69%) HR and risk professionals believe employees view health and safety as very important. However, the business case for well-being needs to be overhauled, as just one in two (54%) believe investors share the same view. More work therefore needs to be done to educate such stakeholders on the business imperatives for improving workforce health. We hope that the days of proving ROI on individual well-being programs are over and that there is a more fundamental appreciation of the role employee health plays in business performance and in supporting society as a whole.
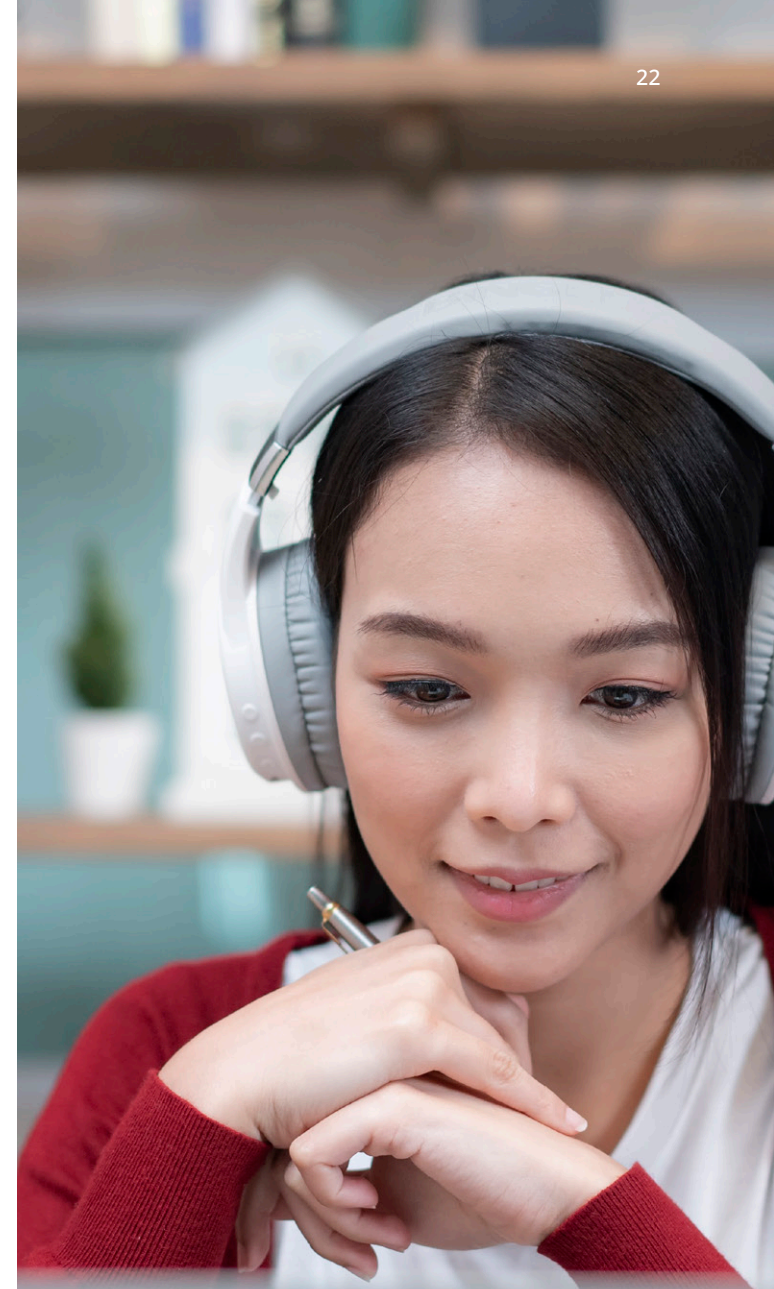
[10] Mercer. Global Talent Trends 2022. Available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

Health emergencies such as COVID-19 pose a global risk and have shown the critical need for preparedness. The United Nations Development Programme highlighted huge disparities in countries' abilities to cope with and recover from the COVID-19 crisis. The pandemic provides a watershed moment for health emergency preparedness.

Health – United Nations Sustainable Development[11]

[11] Health – United Nations Sustainable Development. Available at: https://www.un.org/sustainabledevelopment/health/

87%
recognize health and safety as a serious threat to business.

2/5
say changing behavior is a barrier to mitigating health & safety risk.

69%
of HR and Risk professionals believe employees view health and safety as very important, compared to 54% of investors.

Pandemic lessons are shaping the modernization of benefits

Organizations must make sure their benefit and reward packages are relevant and respond to workforce and business needs.

Figure 15: Benefits disruption

Crisis learning/outcomes + **Exacerbated risks** = **Disruption in the design and delivery of benefits**
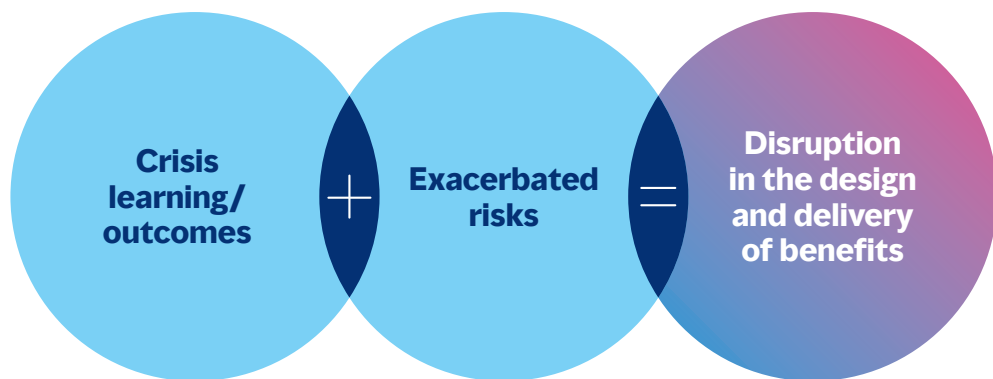
Lessons learned from the pandemic

Disruption caused by the pandemic highlighted the importance of several building blocks that support the agility and resilience of businesses. These include digital access to healthcare, and support for essential workers. Many people are re-evaluating their personal priorities and are more informed about socioeconomic disparities driving poorer health outcomes for vulnerable populations as well as the role of caregiving and social health. This process, alongside the growth of mental health, long-COVID and other challenges, is driving the modernization of benefits.

C-suite involvement

Business resilience has been driven by empathetic business leaders, who understand the power of two-way communication, health education and creating a safe culture. Recently, 88% of HR professionals have seen C-suite involvement in employee benefits increase.[12] With this comes the need for HR and risk professionals to be more collaborative, strategic, disciplined and purposeful — so that a compelling data-driven strategy with quick wins and longer-term aspirations can be reported to key stakeholders, including the board. Looking ahead, the C-suite could play a critical role in advancing healthcare access, quality and affordability. It is very likely that they will want to help shape this new strategy focus and their support will be critical.

Figure 16: C-suite involvement in benefits post-pandemic[12]

88% of HR and benefits teams have seen more involvement in benefits from their C-suite.
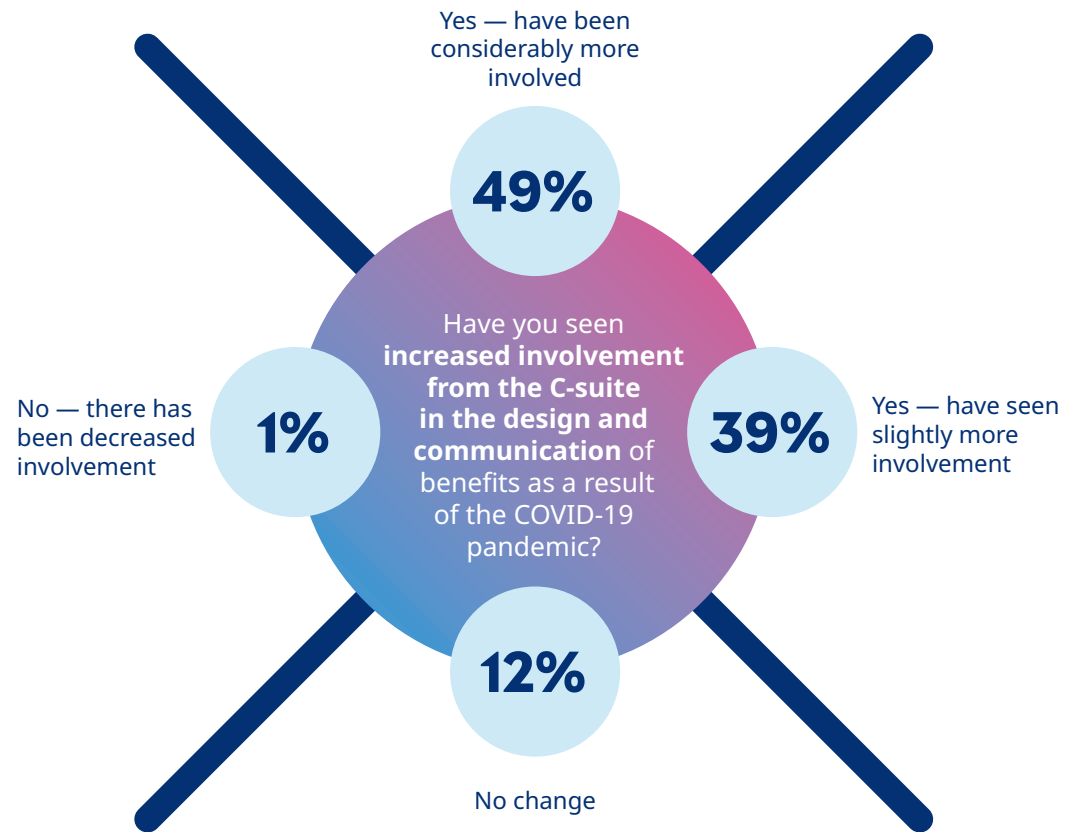
Yes — have been considerably more involved

49%

Have you seen **increased involvement from the C-suite in the design and communication** of benefits as a result of the COVID-19 pandemic?

No — there has been decreased involvement

1%

39%

Yes — have seen slightly more involvement

12%

No change

[12] Mercer Marsh Benefits. The age of adaptability: A digital-first approach to benefits in a post pandemic world, 2021. Available at https://www.marsh.com/ug/services/employee-health-benefits/insights/employee-benefits-technology-trends-report-2021.html.

Modernizing plan design for prevention

Regionally, Canada was the least satisfied with the extent to which individual health and safety risks were being managed. In response to such concerns, and as approaches to mitigating risk become more advanced, employee benefits should be reoriented to preventing illness, instead of just treating it. When the costs and benefits of preventative benefits, such as vaccines and screening, are considered, it is clear that they are an effective strategy — they can have a significant impact on business continuity, help employees avoid hospitalization, reduce drug costs, lower staff absences and help protect incomes. Such benefits are only likely to get more important as non-communicable health conditions, like diabetes, lung disease and cancer, are steadily increasing.[13]

[13] Mercer Marsh Benefits. MMB Health Trends Report. Global Insurer Report | MMB Health Trends, 2021. Available at www.mercer.com/our-thinking/health/health-trends-report.html.

Mental health issues risk being a blind spot for many organizations

Although mental health issues are pervasive, in some cases they are not being prioritized for action. However, many governments are stepping in to advance work-related mental health assessments and mitigations.

Risk blind spot

Poor mental health remains the number one cause of absence[14] and is integral to other top-10 risks, including catastrophic personal events and the changing nature of work. However, HR and risk professionals ranked 19 other risks ahead of mental health, and 21 risks ahead of workforce exhaustion. The prevalence of mental health disorders, such as anxiety and depression, have been steadily increasing over the past few years.[15] In 2017, it was reported that globally, 284 million individuals had anxiety and 264 million had depression.[16]

[14] Brown, L. "Absence Due to Mental Ill-Health Is on the Rise, Report Business Leaders," available at www.peoplemanagement.co.uk/article/1742410/absence-due-to-mental-health-on-rise-report-business-leaders#:%7E:text=A%20third%20(33%20per%20cent,cause%20of%20long%2Dterm%20absence.

[15] Bower, M., Smout, S., Donohoe-Bales, A., Teesson, L., Lauria, E., Boyle, J., … and Teesson, M. (2022). A hidden pandemic? An umbrella review of global evidence on mental health in the time of COVID-19.

[16] Dattani, S. "Mental Health," available at https://ourworldindata.org/mental-health#prevalence-of-mental-health-and-substance-use-disorders.

**Figure 17:
The mental
health iceberg**

What you see above the surface:

Sickness absence

Disability claims

Direct medical claims

Poor morale and employee engagement

Colleague irritability or inability to cope at work

Problems lurking below:

Domestic violence

Potential for suicide

Potential for workplace violence

Potential for misconduct

Safety mistakes

Potential for catastrophic errors

Indirect medical/disability claims

People not feeling valued

Inability to find/afford therapy

Alcohol/substance abuse

Stigma/shame

Fear of failure

Inability to keep up with tech change

Lack of trust in leaders

Inability to cope with pain

Lack of self-care

Social isolation

Underlying organizational causes

To mitigate mental health risks, HR and risk
professionals must not only put support for employees
in place, they must also tackle the root causes of the
problem. This work includes assessing the extent to
which all levels of leadership, or even customers, could
be undermining the mental health of employees.
Problems to look for include: unhealthy working hours,
isolation, a toxic blame culture, lack of control and
even bullying and harassment. Given the rise of flexible
working, more deliberate approaches are needed to
ensure that changes to working practices that provide
flexibility do not erode the benefits of teamwork or
remove opportunities for positive social interaction.

Culture, leadership and support

Addressing underlying organizational issues demands
the creation of a psychologically safe workplace. People
must feel safe admitting when they need help, without
fear of ridicule or retribution. At the same time, 51% of
employees say insurance coverage or programs that
reduce the cost of mental health treatment would be
highly or extremely valuable.[17] Many businesses believe
they fully address mental health challenges by providing
access to counselling via an Employee Assistance
Program. However, a full spectrum of support is needed,
as shown in figure 18.

[17] Mercer Marsh Benefits. 2021 Health on Demand. Available at www.mercer.com/
our-thinking/health/mmb-2021-health-on-demand.html.

Figure 18: The mental health solution continuum

Mental healthcare strategy should address the full care continuum

Starting the conversation

Anti stigma campaigns, manager training, and navigation tools that assess and direct members to the right level of care.

Resiliency

General well-being supports and specific focus on mindfulness and resiliency.

Early intervention

Programs provided to assist with general stress, anxiety, and relationships, such as Employee Assistance Programs (EAP) and digital support.

Health insurance plans often focus only on this component.

Provide treatment

1:1 therapy or group psychological support and inpatient care for mental health needs.

Recovery

Ongoing treatment support and workplace policies regarding return-to-work.

Special populations

Psychiatric and/ or ongoing clinical support that acknowledges different needs and diverse populations.

Crisis intervention

Human Resources (HR) process and support for crisis: work place violence, suicide threats, and traumatic events.

Mental Health Continuum

Mental health is clearly a risk blind spot. Treating the side effects of poor mental health will not address the underlying causes.

Lorna Feeney, Head of Mental Health Risk, Marsh
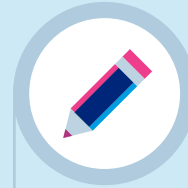
Health and safety case study:
Latin American financial services

Challenges

- Benefits provided to workforce very basic — limited to life insurance and major medical.

- Claims for preventable and predictable medical conditions growing by more than 30% a year.

- Company concerned about a lack of self-care and personal well-being and a poor overall health promotion culture.

Actions

MMB:

- Created a health-risk profile based on claims, health-risk assessments and onsite medical clinic data. This informed data-driven workforce health strategy decisions.

- Engaged various leaders and stakeholders on the business impacts of identified workforce health risks (including chronic disease, late cancer recognition, metabolic disorders and tobacco consumption).

- Over the last decade, implemented multiple strategic interventions to control health and safety risks. These focused on primary illness prevention, the early detection of high-cost diseases, and the referral of staff to medical care.

- Instituted metrics and reporting on health-risk management programs and workforce health profiles.
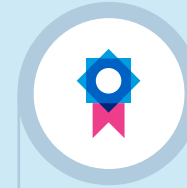
Outcomes

- Achieved US$4 million in savings over the last 10 years.

- 80% of the employees are satisfied with the current wellness program.

- 96% of the employees consider that the program has helped to improve their health.

- Various awards have been received for the implementation of the program (Workplace Wellness Council/Great Place to Work).

Mitigating health and safety risks

Health and safety risks can be managed by promoting a culture of health and putting the right employee supports in place.

Policies, practices and environments

Just two in five businesses (41%) report having effective policies, practices, environments and communication in place to support a culture of health and well-being. This means that significant opportunities exist to reduce the way in which work can have a negative impact on health. In response, organizations should measure the personal, occupational, social and community risks inherent in the work their employees do and build policies and plans to address the most significant risks.

Prevent workplace injury and illness

Robust systems and communication channels for the prevention of workplace injury and illness must be embedded in standard business functions. Without them in place, workplace injury and illness will remain a significant people risk. During the pandemic, onsite clinics for non-essential workers were sometimes scaled back as the use of digital health increased. However, there is still a widespread need for in-house resources to prevent and manage workplace health issues. Latin American countries are the most likely to report effective measures in place, yet even in this region just one in two (48%) companies have taken proper risk mitigation steps.

Put health supports in place

There is a range of health supports that could be provided to the workforce. For example, companies should implement pandemic preparedness policies (including remote working arrangements that support physical, social and mental well-being) and consider whether everyone has access to comprehensive medical coverage. It is vital to ensure that those most in need, such as lower paid workers, can obtain affordable and accessible healthcare.

Health & safety mitigations

Figure 19: Health and safety mitigations

Robust systems, environments and communication in place for the prevention of workplace injury and illness events and to support a culture of employee safety.

31% Pacific → **43%** → **48%** Latin America

Policies, practices, environments and communication to support a culture of employee health and well-being.

33% Pacific → **41%** → **49%** Middle East & Africa

Making sure medical coverage and other health supports are in place for the full workforce in order to obtain high quality, affordable and accessible healthcare.

32% United Kingdom → **46%** → **52%** Latin America

Pandemic preparedness (i.e., remote working support and policies, health benefits, training and development).

36% United Kingdom → **46%** → **49%** Middle East & Africa

30%   35%   40%   45%   50%   55%

Measure is currently in place and effective

◯ Global average

Breaking down silos between Risk Management, HR and Operations is more critical than ever. As new ways of working puts pressure on the workforce, improved collaboration is the best way to protect employees from negative impact on health and well-being.

Carolina Klint, Risk Management Leader, Continental Europe, Marsh

Recommendations

Ideas to get started

1   **Review workplace and job risk factors**, alongside employee health data, to understand where the greatest health risks lie.

2   **Take stock of current access to employee support programs** (including grassroots efforts) and data on workforce needs to identify any gaps in provision.

3   **Engage business leaders** to discuss how work impacts on employee and organizational health. Then define strategies to mitigate risks.

4   **Create strategic well-being programs** by getting buy-in and funding to build multi-year health strategies that target specific risks.

5   **Set minimum standards** for basic, high-value medical coverage. This should include preventive, mental health and cancer care.

Ideas to pull ahead

1   **Drive behavioral change** by engaging with people using strong leadership and effective culture and support programs. Consider how you will monitor engagement and adoption, and how you will adjust your mitigation strategies as needed.

2   **Look at caps and limits** in your current benefit plans. See if benefits and the financial well-being of employees are being compromised by inflation or other macro-economic factors. Look beyond traditional ways of designing healthcare programs.

3   **Review benefit eligibility, inclusions and exclusions**. Ensure they align with identified organizational values (e.g., inclusivity, equality, access, etc.). Ensure that brand promises are upheld.

4   **Use culture and engagement surveys** to understand perceptions of safety in relation to corporate values and beliefs.

5   **Explore the causative links between safety and well-being** in relation to talent retention, performance and quality.

6   **Look at people risk through a "cost of risk" lens** driving better connectivity between HR, Health & Safety and Operations.

7   **Leverage the opportunity to use insurance** as a performance measure of people risk management success – using casualty insurance as a measure of safety performance.

Governance & Financial

Risk (RRS) Rank

Figure 20: Top governance and financial risks by risk rating score

2
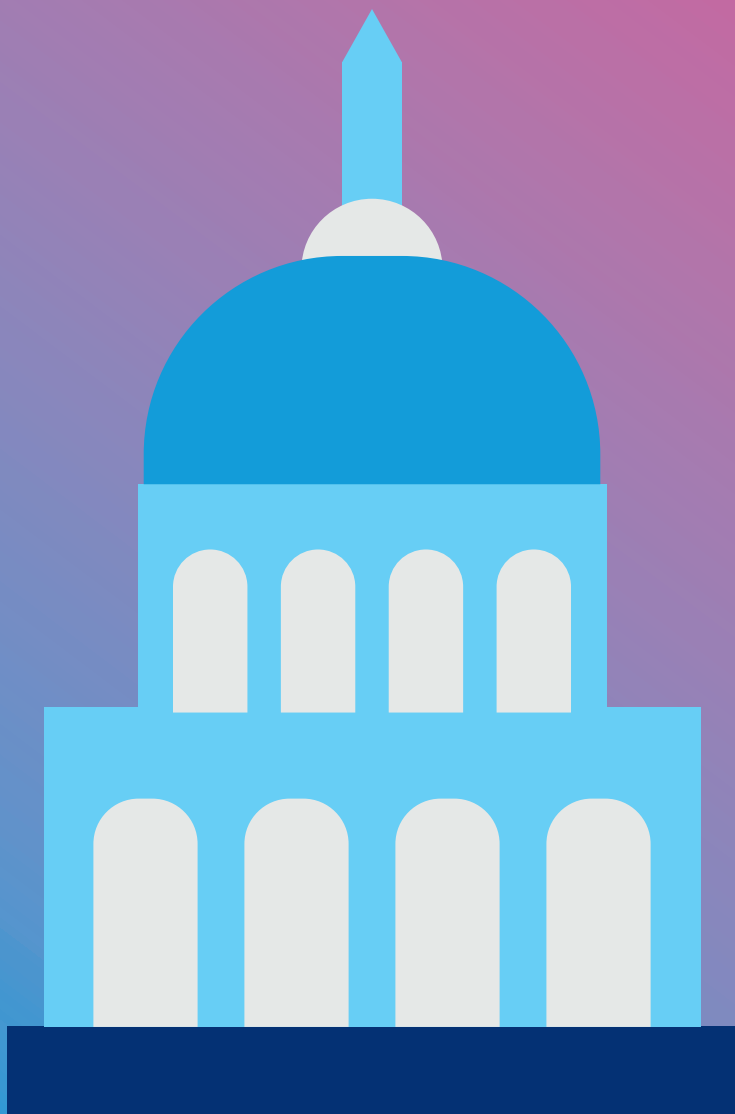
Administration and fiduciary

Inability to administer benefit and compensation plans accurately, fairly, in accordance with promises made or prudently manage employee benefit programs/investment funds.

6

Increasing cost of health, risk protection and well-being benefits

Increased spend on employee benefits and insurances due to factors like reduced insurer appetite for risk. Medical inflation, increase in utilization, claims duration and severity. Lack of affordability of adequate healthcare and risk protection coverage for individuals and organizations.

7

Benefit, policy and reward decision making & accountability

Inappropriate plan design, financing, vendor selection/management, communication and administration decisions due to lack of controls/expertise. Ineffective oversight of how corporate commitments in areas like work standards are being executed across entities/locations/business units. Outdated or sub-optimal compensation design that exposes the company to unmanageable inflationary risk, pay equity risk or non-competitiveness.

12

Legal, compliance and financial practices

Misalignment of benefit and other HR practices/programs to regulatory requirements, tax, labor, human rights and employment law. Lack of responsible financial practices and investments raising risk of fraudulent activities and financial losses.

23

Pension financial exposure

Investment, inflationary and longevity risks affecting the plan sponsor financial commitments to retirement plan (balance sheet, cash and expense) and individual retirement savings adequacy.

Governance and financial

The second biggest people risk is administering retirement, benefit and compensation plans.

The requirements related to the management of total rewards are becoming increasingly complex. Businesses must ensure they are being compliant, prudent and fair. This is why administration and fiduciary risks are now ranked as the second highest people risk by risk rating score.

Among the issues companies face are: regulations such as new compensation disclosure requirements, ongoing anxiety over equipping individuals to make the right financial decisions, and evolving employment and benefits legislation. In addition, during the pandemic, HR and risk managers experienced problems due to a lack of administrative automation. Other factors include: increased awareness regarding the World Economic Forum's good work standards, evolving duty of care requirements, changing legislation relating to workers' compensation in areas such as illness exposure, and increased awareness of work-related musculoskeletal (MSK) issues.[18,19] All of these are bringing risk management and compliance headaches.

Governance and finance issues are also a priority due to the mounting pressure companies face to invest funds in a responsible manner and to incentivize executives in a way that meets new standards on sustainability. In the UK and EU, there is now legislation requiring companies to report the ESG impacts of their organizations.[20] In the US, there is increasing investor interest in ESG standards. In Asia, we see increasing pressure from employees — around a half of employees in China and India now expect their employer to offer ESG-friendly investment choices in their defined contribution plans.[21]

Just two in five businesses (41%) report that they have effective governance relating to insurance and benefit design in place. This drops to less than one in three (28%) in the UK. This means much more could be done to properly manage rising health insurance costs and to make sure adequate protection is in place.

Nearly eight out of ten (78%) businesses believe they have the right people in place to manage risks. However, organizational complexity, competing priorities and legal and tax implications remain barriers to the mitigation of governance and financial risks.

[18] World Economic Forum. Good Work Alliance. Available at www.weforum.org/projects/good-work-alliance.
[19] Mercer. The Good Work Framework, 2022. Available at www.mercer.com/our-thinking/setting-standards-for-good-work.html#.
[20] Marsh. Evaluating ESG and Pandemic Risk Trends, 2022. Available at https://www.marsh.com/dk/en/risks/climate-change-sustainability/insights/evaluating-esg-and-pandemic-risk-reporting-trends.html.
[21] Mercer. Global Talent Trends 2022. Available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

Human resources play a critical role in managing key ESG risks at Group level. They oversee risk assessment and mitigation to ensure that we deliver on our sustainability commitments to act for a socially equitable world.

**Sarah Bourvis,
Sustainability Impact Manager,
Strategy & Sustainability, Schneider Electric**

2
administration and fiduciary is the second highest people risk, across all 25 risks.

1 in 3
say competing priorities are a barrier to mitigating governance and financial risks.

41%
have effective governance for insurance and benefit design.

There continue to be opportunities to better manage costs

Inflation and recession fears will require prudence in reward programs (including benefits) that add to long term cost.

Medical cost increases expected

Non-cash employee supports are increasingly being viewed as attractive alternatives to spiraling cash compensation payouts. However, even though employee benefits are the second biggest people cost (after salaries), less than half of organizations have effective cost containment strategies. The rise in medical costs continues to outpace general inflation. This is due to several reasons, including new treatments and changing utilization patterns. Both require data analysis to identify what investments and initiatives will deliver the best returns.

Figure 21: 2018-2022 medical trends by region[22]
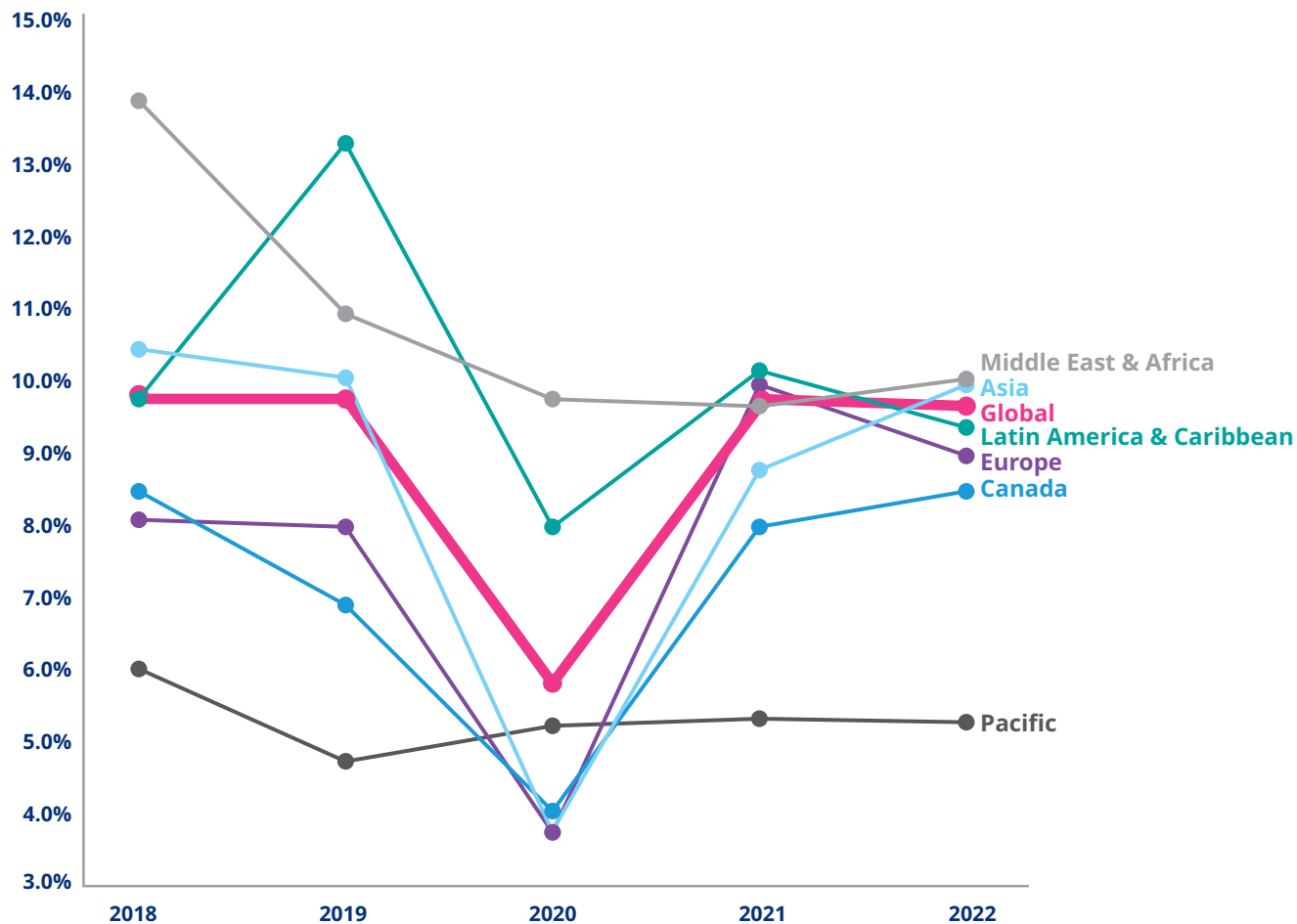
Rates for 2018, 2019 and 2020 are retrospective. Rates for 2021 and 2022 are prospective.

[22] Mercer Marsh Benefits. MMB Health Trends Report, 2021. Available at www.mercer.com/our-thinking/health/health-trends-report.html.

Be strategic

Without careful governance, and a deliberate implementation/development strategy, employee benefits plans are unlikely to succeed at supporting a business' agenda (and could detract from it should problems arise). In the short-term, modest changes made in conjunction with the annual renewal of insured benefits may keep plans within budget. However, such changes will do little to make a long-term dent in the growth of costs. Companies should therefore focus on understanding claim cost drivers, and on targeting these through transparent behavior-change programs.

Pillars of cost containment

There are three elements to any truly effective benefit cost containment strategy.

1. Designing for value, by using coverage provisions to guide people towards quality, cost effective providers.

2. Managing health risks, by using a data-driven approach to mitigate rising health insurance costs and promote a healthy workforce.

3. Driving efficiencies, through smart financing and placement.

For benefits to be sustainable, they must be affordable to organizations and individuals.

Figure 22: Benefit cost containment pillars

Three elements of a truly effective health and benefit cost containment strategy

1

Design for value through coverage provisions, network configuration and engagement.

2

Manage health risk through a data-driven approach that promotes a healthy workforce.

3

Drive efficiencies through smart financing and placement.

Strong fundamentals are required for robust benefit and investment management

Going back to basics — while raising the bar in areas such as sustainable investing — is needed in the face of scrutiny from multiple stakeholders.

Raising the bar for investments

Due to investing trends linked to climate change, geopolitical issues and market volatility, investors, customers, regulators and employees are scrutinizing how funds are invested (including those earmarked or owned by employees).[23] Many companies are considering how they can balance stakeholder considerations such as ESG with their own risk and return preferences. Increased pressure to implement best practice governance means many are revisiting and reviewing their investments holistically — looking at issues such as strategy, delegation and measurement.

Staying agile

Foundational benefit plan management practices can help employers move quickly during a crisis. These include making inventories of benefit programs, the use of protective disclaimers, implementing expert advice, and having the right financing strategies and clear decision-making channels. For example, during the pandemic, employers with "command and control" over benefit schemes around the world were able to rapidly identify gaps in access to telemedicine (needed to replace of in-person care). The same is true for those managing insurer sanctions in the current, rapidly evolving Russian/Ukraine conflict.

[23] World Economic Forum. Pacesetters: Setting the Tempo of Advanced Climate Investing, 2022. Available at www3.weforum.org/docs/WEF_Setting_the_Tempo_of_Advanced_Climate_Investing_2022.pdf.

Figure 23: Administration and fiduciary risk by country
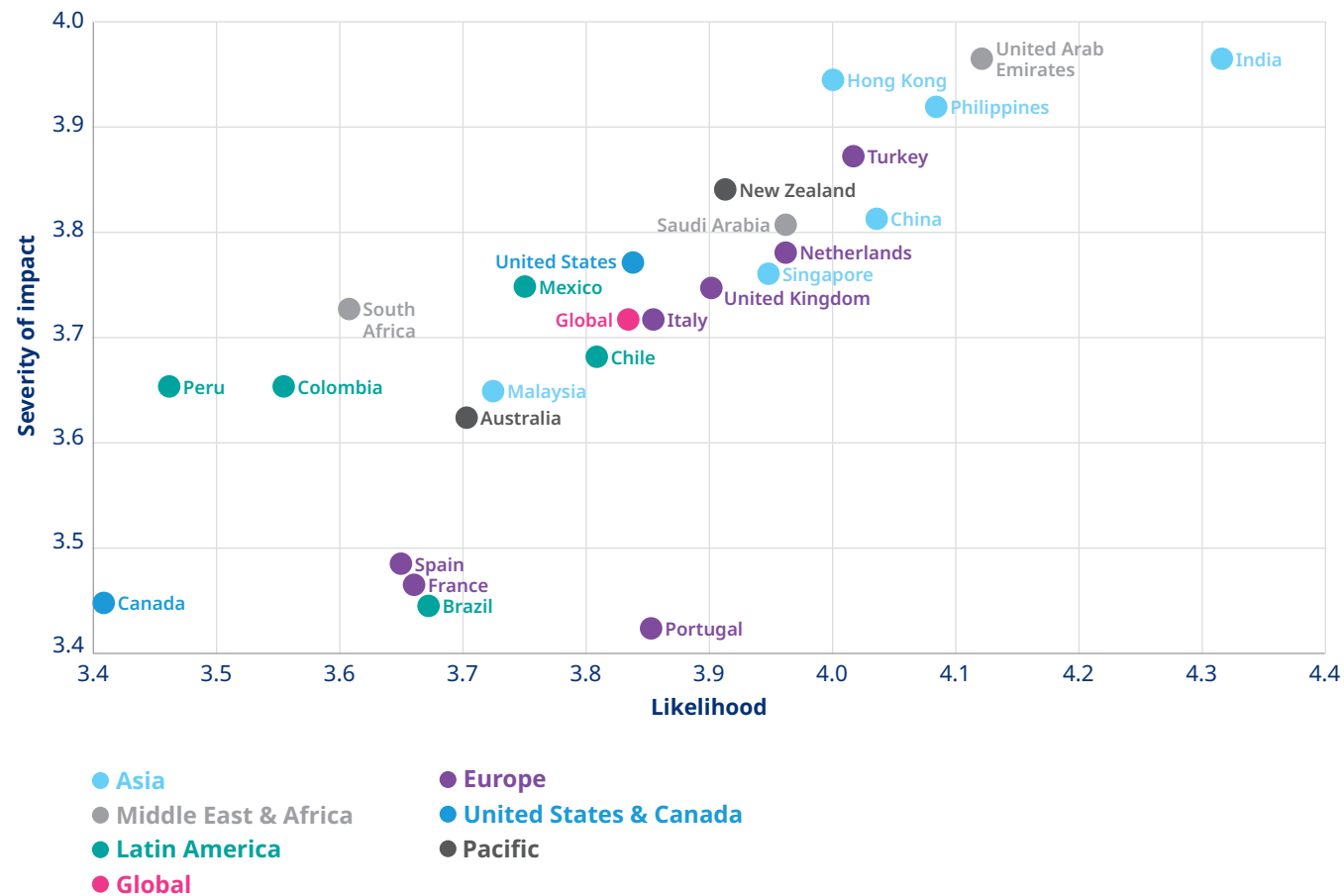
Centralized systems and processes

Within current HR and benefits teams, manual administration protocols, decentralized systems and a patchwork of vendors, continue to be sources of data loss and the cause of inaccuracy. Nine out of ten (90%) organizations with centralized benefits systems were able to respond quickly to changes, compared to just one in two (55%) of those with decentralized systems. Unsurprisingly, 47% of organizations plan to fully centralize in the next year.[24] However, the loss of local knowledge that comes with centralizing systems also requires action to mitigate any problems or risks. Necessary actions can include: assigning clear roles and responsibilities, and the documentation of administrative and other processes.

[24] Mercer Marsh Benefits. The age of adaptability: A digital-first approach to benefits in a post pandemic world, 2021. Available at https://www.marsh.com/ug/services/employee-health-benefits/insights/employee-benefits-technology-trends-report-2021.html.

Figure 24: Role of benefits software in delivering on benefits strategy[25]

Did the software you use to manage, deliver and administer your benefits have a significant role in your ability to respond to change and deliver on your benefits strategy? (Based on what kind of software they use)

Yes — we are able to respond quickly

90% centralized

55% decentralized
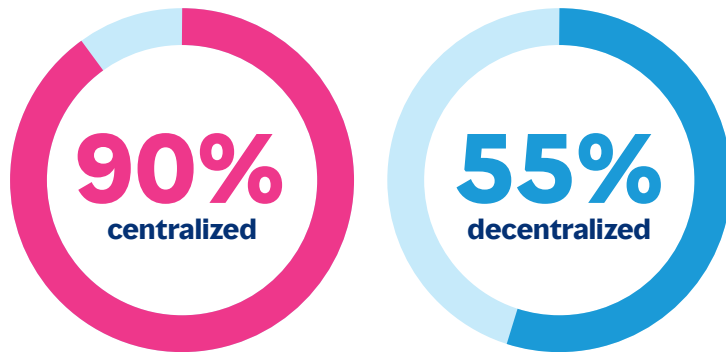
No — and made it difficult to respond

1% centralized

15% decentralized
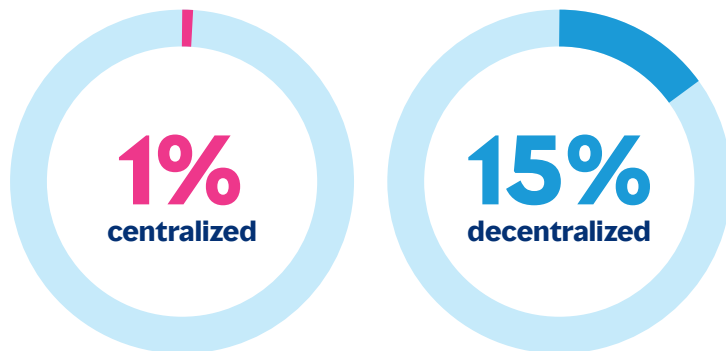
Properly designed and delivered employee benefit plans can help employers move quickly during a crisis.

[25] Mercer Marsh Benefits. The age of adaptability: A digital-first approach to benefits in a post pandemic world, 2021. Available at https://www.marsh.com/ug/services/employee-health-benefits/insights/employee-benefits-technology-trends-report-2021.html.

Governance and financial case study: European airline

Challenges

- Large, dispersed employee footprint.

- Outdated benchmark regarding industry and market competitiveness.

- Complex benefits governance structure.

- Tight industry margins necessitating efficient benefits cost containment.

- Desire to have a harmonized approach per country.
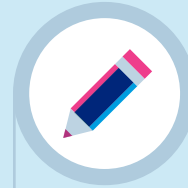
Actions

- Implemented the MMB Global Benefits Management model in 15+ countries.

- Conducted benchmarking exercises in 30+ markets.

- Undertook a feasibility study for multinational pooling.

- Starting with Brazil, MMB worked to harmonize all policies across all entities and place them under one single policy.
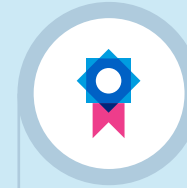
Outcomes

- Over the course of five years MMB's work resulted in significant cost savings, streamlined the administration of plans, and delivered a consistent employee benefits experience across the globe:

  – Through financing changes, generated €174k in savings.

  – Saved more than €4.7m through harmonization exercises on medical, dental and vision plans.

  – Negotiated significant improvements to health plans in Spain.

Mitigating governance and financial risks

Active plan management combined with deliberate cost-containment strategies will mitigate governance and finance risks.

Active management

Active management, including the monitoring of costs, assets and obligations linked to retirement and other benefit schemes, is an essential part of mitigating risk. Half (50%) of organizations in the Middle East and Africa report having effective active benefit management approaches, compared to a global average of 42% and only a quarter (28%) in the UK.

Clear governance

A clear governance approach to the design and delivery of benefit and insurance programs, and to financial decision making, will reduce costs and risk. This is especially true for multinationals and other complex organizations. Such an approach involves establishing a formal governance process. Roles and responsibilities should be defined for those making benefit design, administration, communication, HR technology and insurance decisions. Only two in five (41%) organizations state they have an effective and clear governance approach for benefit and insurance program design, delivery and financial decisions.

Have a cost-containment strategy

UK organizations are the least likely to report an effective benefit cost-containment strategy (31% compared to a global average of 42%). An effective cost containment strategy should cover issues such as benefit design, health risk management and insurance placements. It should consider the financial implications it will have for the employees it affects and should cover a three-year time period.

Governance & financial mitigations

Figure 25: Governance and financial mitigations

Clear governance approach for benefit and insurance program design, delivery and financial decisions.

Active management including monitoring of costs, assets and obligations of retirement and other benefit schemes.

An articulated cost-containment strategy encompassing plan design, health risk management and insurance placement to manage benefit costs for the next three years.

28% United Kingdom → **41%** → **47%** Middle East & Africa

28% United Kingdom → **42%** → **50%** Middle East & Africa

31% United Kingdom → **42%** → **50%** Middle East & Africa

20% 25% 30% 35% 40% 45% 50% 55%

Measure is currently in place and effective

◯ Global average

Active management, including monitoring of costs, assets and obligations is essential to mitigating risk.

Recommendations

Ideas to get started

1   **Define roles and responsibilities** for making rewards, benefits, HR technology and insurance decisions.

2   **Create a benefits inventory**, with standardized fields so that you can collect comparable data across countries and policies.

3   **Monitor costs** through regular reporting and reviews of insurable benefit claims. This will allow you to identify avoidable costs.

4   **Consider a global broker** and/or outsourced chief investment officer to undertake critical plan management activities.

5   **Use employee benefits software** to automate administration processes and generate the data needed to identify cost savings.

6   **Appoint an HR or talent representative** to your risk councils.

Ideas to pull ahead

1   **Define a sustainable investments pathway** as key part of investment strategy refresh.[26]

2   **Look at alternative financing methods**, such as the use of captives for insurable employee benefits.

3   **Share information on your governance approach** (including ESG credentials) with insurers. This will complement the insurance discussions and placements of your directors and officers coverage.

4   **Conduct scenario planning** based on what you know about current and future risk situations, including pandemic issues and geopolitical conflicts.

5   **Consider outsourcing** fiduciary responsibilities and other non-core areas of expertise. This will help you cope better with inflation and other macro-economic factors.

6   **Map current performance** against the World Economic Forum's Good Work Framework to highlight gaps and challenges. Create a task force to respond in areas of high brand exposure.

[26] Mercer. Preparing for our clients' future. Our sustainable investment declaration, 2022. Available at https://www.mercer.com/content/dam/mercer/attachments/global/gl-2021-mercer-sustainability-declaration.pdf.

Accelerated digitization

Figure 26: Top accelerated digitization risk by risk rating score

1

Cybersecurity and data privacy

Increasingly sophisticated and frequent cybercrimes and data breaches resulting in loss or misuse of personal information or system malfunctions. Incidents that stem from people management processes, malicious internal activity, HR program vendors and employees working remotely with unsecured Wi-Fi, files and documents**.**

9

Impacts of automation and AI

Unintended negative consequences from humans being replaced by machines and/or AI-informed decision-making (exacerbation of bias, error due to data gaps or algorithm errors). Over-reliance on algorithms and loss of knowledge.

11

HR technology obsolescence

Failure to capitalize on technology advances that will make HR activities and the employee experience (including benefits and healthcare) more personalized, convenient and secure.

18

Misalignment of HR and business strategy

Workforce planning, organizational change management and HR/benefit technologies and processes being inconsistent with strategic business vision.

19

Skills obsolescence

Gaps in workforce skillsets due to rapid digitization, automation and /or lack of upskilling/re-skilling. Lack of leadership skills and/or understanding of the newest digital technologies.

Risk (RRS) Rank

Accelerated digitization

Accelerated digitization is pushing digital risks, including cybersecurity and the impacts of automation and AI, to the forefront.

The top people risk facing businesses today is cybersecurity and data privacy. It should be noted that 95% cybersecurity issues are due to human error.[27] One in two (53%) HR and risk professionals believe accelerated digitization is now a C-suite priority. Our recent report "The State of Cyber Resilience" highlighted most leaders are no more confident in their ability to manage cyber risk than they were two years ago.[28]

Conversations we've had with risk managers have highlighted that some are thinking about the cyber implications of recently ramped-up talent acquisition drives. Anecdotally, they are telling us that unprecedented waves of new joiners are complicating efforts to train people deeply and quickly enough on cybersecurity hygiene.

Automation and AI advances are anticipated to require nearly half the workforce to reskill by 2025. These developments will also result in 85 million jobs being lost.[29] The impact of this fourth industrial revolution — including the skills obsolescence it will cause, and the fact that businesses will struggle to develop, acquire or retain the skills needed for transformation — is now a top people risk.

In addition, failure to address HR technology obsolescence could diminish the employee experience, leading to data errors, higher staff turnover and the loss of key skills. Moreover, the way sensitive employee data is used in benefits plans continues to be an area of concern, as it can result in data exposure.

A final risk in this area is that poor workforce planning, or poor organizational change management in the face of digitization, will lead to a misalignment of HR and business strategies.

[27] World Economic Forum. The Global Risks Report 2022. Available at www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf.
[28] Marsh and Microsoft. The State of Cyber Resilience, 2022. Available at https://www.marsh.com/us/services/cyber-risk/insights/the-state-of-cyber-resilience.html.
[29] World Economic Forum. The Future of Jobs Report 2020. Available at www3.weforum.org/docs/WEF_Future_of_Jobs_2020.pdf.

Insights are important. Not just engagement and utilizations but are there deeper insights we could gain so we could be really strategic around which programs we keep and which we one to sunset? Data analytics will become more important in setting strategy.

**Mandy Lau,
Senior Director, Global Benefits at Adobe**

95%

of cybersecurity issues are due to human error.[30]

35%

of organizations strongly agree that they have the right people in place to manage accelerated digitization risks today.

53%

of HR and risk professionals believe the C-suite view accelerated digitization as very important.

[30] World Economic Forum. The Global Risks Report 2022. Available at www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf.

People risks are behind most cybersecurity incidents

A skills shortage contributes to the top people risk facing businesses today: cybersecurity and data privacy.

Employee development

Over nine out of ten (95%) cybersecurity issues can be traced to human error.[31] This highlights the extent to which employees are struggling to keep up with change in this area. One in three (35%) organizations lack the skill and resources to understand and address cybersecurity risks, showing the need to develop employees in this area further.

Area of exposure

As we see from reported events around the world, cyber risk is expanding in reach beyond the most proximal targets – to supply chain constituents and third-party providers – and also giving rise to other forms of digital risk.[32] The administration of personal data belonging to employees, such as employee benefits plans, is a key area of data exposure. In particular, during the pandemic, vendors put their services online rapidly, which created vulnerabilities. This means that system testing at implementation, and investment in appropriate employee training, are both essential to ensure that data platforms are secure.

Coordinated approach

Even though three-fifths (60%) of organizations are likely to invest in cybersecurity in the next two years, less than half (44%) have effective policies, controls and support systems in place. Proactive conversations are needed between HR and risk professionals to identify where vulnerabilities exist during employees' day-to-day activities, and to create a culture of cybersecurity risk management. Various functions are involved in cyber risk management, but roles and responsibilities are not always clear. For example, risk management and insurance professionals tend to be on the cyber incident management team, but generally absent from discussions of cybersecurity tools and services. There is no clear leader for decisions around cyber insurance. In addition, more than a quarter of risk managers and finance professionals say they are not involved in cyber incident management.[33]

The volume of systems housing data and complexity of the systems themselves, from customer relationship management platforms to talent acquisition tools is amplifying the cybersecurity problem.

**Reid Sawyer,
Head of Emerging Risks and
US Cyber Consulting, Marsh**

[31] Mee, P. M., and Brandenburg, R. B. "After reading, writing and arithmetic, the 4th "r" of literacy is cyber-risk," available at www.weforum.org/agenda/2020/12/cyber-risk-cyber-security-education.
[32] Marsh McLennan. The Marsh McLennan Cybersecurity Handbook, 2022. Available at https://www.marshmclennan.com/insights/publications/2022/april/the-marsh-mclennan-cyber-handbook.html.
[33] Marsh and Microsoft. The State of Cyber Resilience, 2022. Available at https://www.marsh.com/us/services/cyber-risk/insights/the-state-of-cyber-resilience.html.

Employees want benefits delivered in a digital way

Employees using consumer digital apps and services want their health, benefits and other HR services to be just as accessible and personalized.

Creating a consumer-grade experience

HR technology obsolescence is one of the biggest people risks, ranked number eleven. This should make the upgrading of all talent and employee benefits software (and related communication channels) a key priority for all employers looking to enhance their ability to attract and retain high-quality employees. Employees have had their expectations shaped by their consumer experiences. They therefore no longer see digital front doors and supports as a differentiator. Instead, intuitive, simple and engaging digital experiences are now expected as part of any modern employee experience.

Enhance employee experience (EX)

Employee benefits management is no longer just about the benefits you provide, it's also about how employees experience using them. Instead of employees having to hunt for relevant benefits on your intranet, better digital solutions can be used to create a consumer experience that personalizes recommendations and flags relevant benefits linked to personal circumstances and goals, for example starting a family.

Utilize technology

The right HR technology will allow you to create an intuitive, convenient, automated and simple digital experience for employees, one that also automates HR processes and provides the employee data insights needed to drive the development of your talent strategy. Incorporating digital health and well-being offerings into your benefit plan can also help you support diversity and inclusion, reduce costs and drive loyalty.

Delivering benefits through a simple digital experience is no longer a differentiator; it's expected.

Figure 27: The emergence of life experience
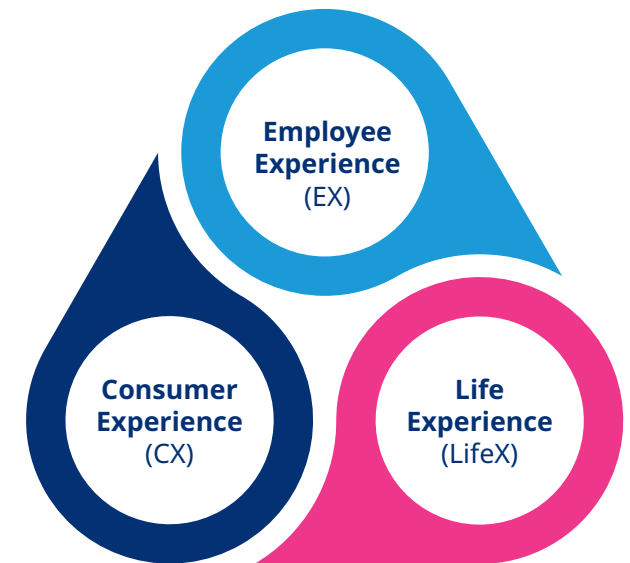
Figure 28: The importance of specialized benefits software[34]

Employees want benefits delivered in a digital way
HR and benefits technology requires ongoing investment

1 in 2
employees can access their benefits through a software platform and are satisfied with the experience.

90%
of employees using a centralized specialist benefits software were able to respond quickly when needing to adapt and change their benefits strategy.

76%
of organizations plan to increase spending on HR and benefits technology post-pandemic.

[34] The age of adaptability: A digital-first approach to benefits in a post pandemic world, Mercer Marsh Benefits, 2021. Available at https://www.marsh.com/ug/services/employee-health-benefits/insights/employee-benefits-technology-trends-report-2021.html.
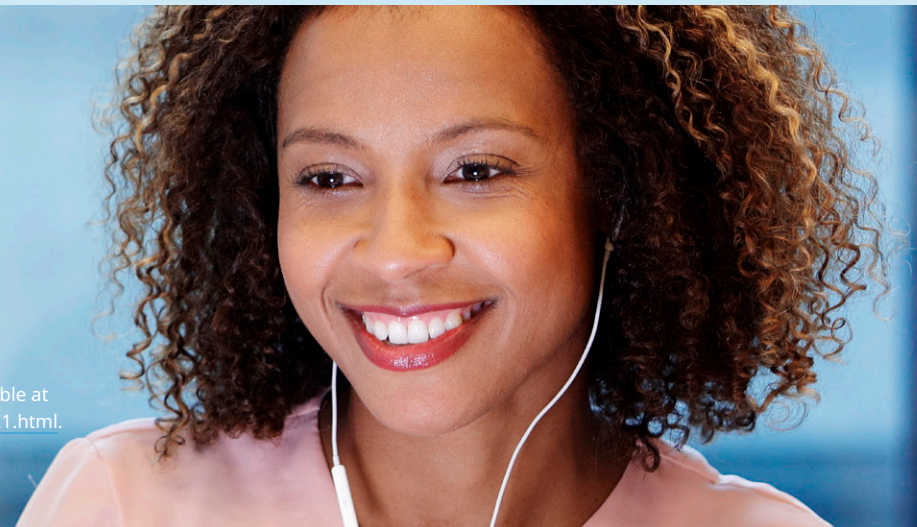
Accelerated digitization case study: UK division of global life sciences company

Challenges

- Challenges with the existing benefits administration; large amount of manual administration for internal HR teams, including additional manual data checks.

- Low quality outbound data leading to increased risk of data incidents.

- Poor connectivity between HR and payroll systems and the wider HR ecosystem.

- Lack of management information and poor reporting capabilities on benefit trends.

- Organization looking to use its benefit plan to further enhance employee engagement across 1,500 colleagues.
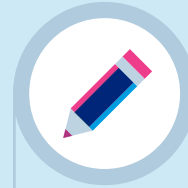
Actions

- Selected Darwin as local benefits administration platform and successfully launched it aligned to the annual benefit selection window.

- Used Darwin's enhanced communication capabilities to showcase and amplify its existing and impactful benefits brand.

- Created bespoke reports and automated data interfaces, removed multiple manual administration tasks.

- Created a better experience for employees as well as those managing benefit programs.
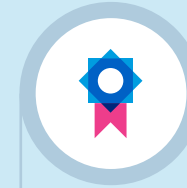
Outcomes

- 85%+ employee login rate during Darwin launch window.

- Reduction in manual administration for the HR team.

- Reduction in data risk and manual errors.

- Increased time for HR team to focus on value-adding activities.

- Improved efficiency thanks to various annual plan management activities being undertaken by a common MMB team.

- Increased future management information and analytics capabilities.

- Robust foundations in place for global scalability and the launch of Darwin in other markets — supporting efforts to create a similar employee experience globally.

Mitigating accelerated digitization risks

Active management of skills shortages needed to mitigate accelerated digitization risks.

Cybersecurity controls

Globally, less than one in two (44%) businesses have effective cybersecurity policies, controls and support systems (such as multi-factor authentication, vendor management or encryption of data) in place. Almost half (48%) of Latin American organizations indicate such cybersecurity measures are in place and effective, compared to just one in three (32%) in the UK.

Upskilling employees for automation

When it comes to preparing employees for the future of work, two-fifths (39%) of businesses report having effective upskilling strategies to address the impact that AI or automation will have on employees. Just one in five (21%) Canadian business have such upskilling strategies in place, compared to almost one in two (47%) in the US.

Digital benefits solutions

Just two in five (42%) businesses report having effective digital first approaches to benefits administration and talent management. This falls to less than one in three (29%) in the Pacific region and rises to almost one in two (48%) in Latin America.

Accelerated digitization mitigations

Figure 29: Accelerated digitization mitigations

Cybersecurity policies, controls and support systems (e.g., multi-factor authentication, trainings, vendor management, and/or encryption of data).

Strategies for incorporating AI or automation, impacts to employees, and related upskilling and reskilling.

Digital first benefits administration and other talent management processes.

32% United Kingdom — 44% — 48% Latin America

21% Canada — 39% — 47% United States

29% Pacific — 42% — 48% Latin America

20% 25% 30% 35% 40% 45% 50% 55%

Measure is currently in place and effective

○ Global average

Two-fifths of business have effective strategies for upskilling employees for AI and automation.

Recommendations

Ideas to get started

1 **Advance cybersecurity awareness** at all levels, from employees to the board and C-suite.

2 **Utilize digital employee benefits and talent management solutions** to improve analytics, strategy and the employee experience.

3 **Enable employees to develop new digital skills** needed for the future, to eliminate barriers to career progression.

4 **Hire people for skills**, and not just jobs, to lay the foundation for roles that do not yet exist.

5 **Constantly review how well-aligned HR processes are** with overall business and talent goals.

6 **Monitor digital exhaustion**, work intensity and/or the administrative load on key jobs.

7 **Make sure your colleagues and teams are familiar with the 12 cybersecurity-controls** recognized by cybersecurity experts to help prevent, respond, minimize, and recover from a cyberattack. See The State of Cyber Resilience recommendations.[35]

Ideas to pull ahead

1 **Integrate cyber and culture risk assessments** to have a holistic view of cyber risk.

2 **Continuously assess the cybersecurity readiness** of your HR systems.

3 **Partner with an advisor** who can access the necessary technology, and provide accompanying insights, to drive improvements in your employee value proposition.

4 **Perform workforce planning** using skills, rather than jobs, as the key factor. Identify what jobs can be redesigned as a result of AI and automation gains.

5 **Implement metrics** to measure behavior changes in working, not just in the adoption of technology (e.g., using digital means to share documents). Ensure this measurement process is communicated in an empathetic manner.

6 **Consider providing technology sector level of benefits**, to attract and retain needed digital skills.

[35] Marsh and Microsoft. The State of Cyber Resilience, 2022. Available at https://www.marsh.com/us/services/cyber-risk/insights/the-state-of-cyber-resilience.html.
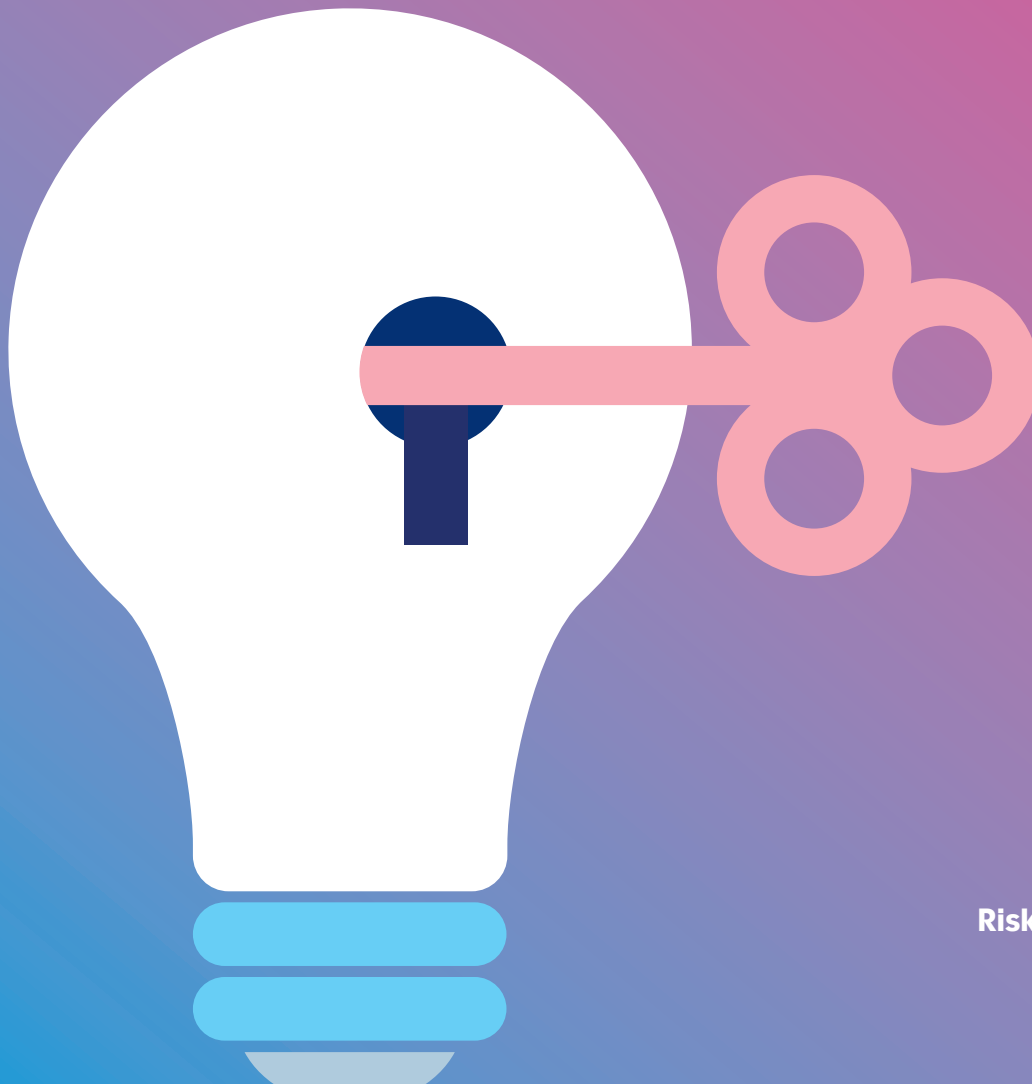
Talent practices

Figure 30: Top talent practices risks by risk rating score

5

Changing nature of work

Rising issues and inequities associated with flexible working, use of independent contractors, technology adoption, growth mindset and geographic expansion of talent pool. New business challenges in areas like innovation and workforce management**.**

10

Talent attraction, retention and engagement

Shortage of skilled talent. Inability to create a strong talent pipeline, sufficient employee value proposition, career paths or training and development opportunities to sustain and motivate the needed workforce.

15

Succession and key person risk

Lack of depth in succession pool of talent and talent departure risks. Top management not moving on to make way for next generation of leaders.

16

Conduct and culture

Tolerance of misconduct including bullying, harassment, dangerous behavior and fraud. Cultures that foster behaviors that are misaligned to corporate values or that are toxic, illegal/unethical. Failure to develop a culture that motivates the desired behaviors and protects the company's values. Mismanaged threats to the company culture (i.e., lack of sense of belonging from remote/hybrid ways of working, lack of integration following acquisition).

24

Travel and mobility

Business travel, remote working outside of home country, and international assignments creating issues like crisis/evacuation management, benefits management, and taxation exposure.

Risk (RRS) Rank

Talent practices

Struggles retaining, attracting and inspiring talent, and changes to how and where we work, both pose significant corporate risk. However, they also bring opportunities for businesses.

The changing nature of work, from the rise of hybrid working to globalization, is now the fifth-biggest people risk overall. Various challenges have created an urgent need to recruit, retain and motivate people with the new skills needed to drive the vital transformation of many businesses. This war for talent, especially digital skills, means organizations across different industries are competing for the same talent. Consequently, two-fifths of employers (43%) say their employee value propositions need improving (or that its effectiveness is unknown).

The changing composition of the workforce is another reason to reset the employee value proposition. For example, in Global Talent Trends, we found that people are working for more years (84% of people say they plan on working past retirement age). Surprisingly, 24% of HR respondents do not plan to offer phased retirement options in 2022 — only 35% plan to do this, while 41% wish they could do this in 2022.[36]

The Pacific, UK, Middle East and Africa and the US are the places most impacted by changing working practices, while Canada and the US are the most worried about attracting and retaining talent. Globally, three-quarters (78%) of organizations see talent practices risks as serious threats to their business.

Difficulty managing personal behaviors is seen as the main barrier to mitigating these risks, which is common in situations of rapid change and evolution. In response, companies must take a step back to look at their broader talent strategies and associated risks, including how best to tackle succession planning, conduct and mobility (which we expect to rise in prominence in the coming year, due to geopolitical- and climate-related migration and the rise of digital nomads).

[36] Mercer. 2022 Global Talent Trends Study, 2022. Available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

We are moving away from standard performance reviews and going to growth talks — a culture of open dialogue, as for us it's not just about work performance but also learning and a focus on personal health and well-being.

**Mary Bissette-Clarke,
Senior Director Human Resources –
Global Benefits, Siemens**

43%

say their employee value proposition needs improving (or the effectiveness of it is unknown).

6 in 10

(62%) of employees will only join/stay with an organization if remote/hybrid working is an option.[37]

78%

see talent practices as a serious threat to business.

[37] Mercer. 2022 Global Talent Trends Study, 2022. Available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

People need some empathetic care in a changing world

As geopolitical and economic volatility prevails and as the nature of work evolves, organizations must be deliberate in managing how corporate culture adjusts and how employees are cared for.

Coping with big changes

Virtual ways of working, fast changing technologies, and an increasingly global workforce — as employers hire people for their skill, regardless of which country they live in — all mean that many employees are now in teams with people they have never physically met. They may also be working across different time zones and cultures. As a result, they miss out on those "water cooler" conversations in which they might have shared how they feel. They also lack many other opportunities to build trust that used to exist in the traditional office environment.

Figure 31: The changing nature of work contradiction

Risk rating score

5

High

Changing nature of work

Low

12

Planned investment in next 1-2 years
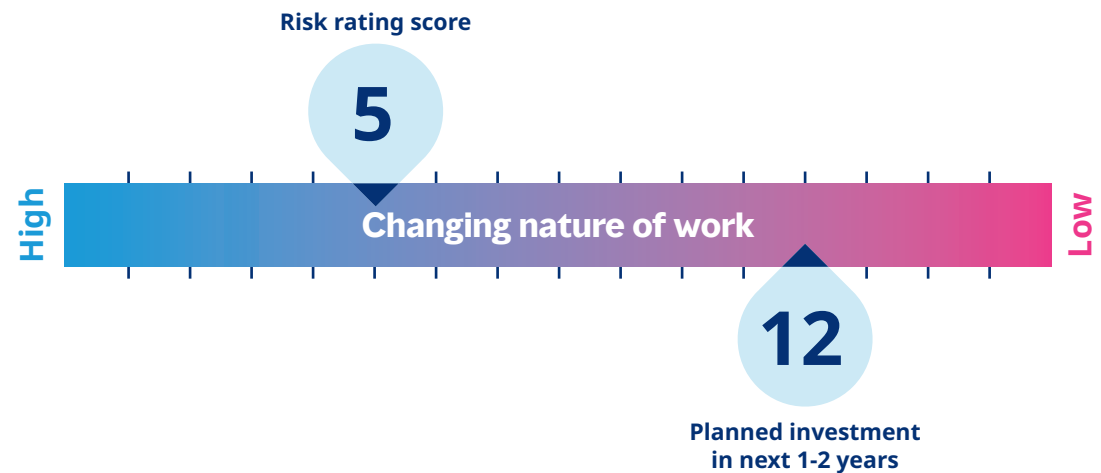
Nurturing culture

Many more people want to work remotely. However, this is leading to the obsolescence of "face time" in the workplace. In turn, this is putting the onus on businesses to find new ways to create a caring culture, to provide mentorship and shared learning opportunities, and to demonstrate trust, by allowing more autonomy around where and when work gets done. While many organizations are working to deliver value-driven well-being, efforts to create a culture where people can thrive will be viewed as rhetoric (rather than action) if misconduct or weak leadership gets in the way of the development of care, respect and trust.

Inclusive environments

In the health and safety section above, we discussed the importance of creating a culture where employees feel able to show up as themselves and to take risks like owning up to mistakes and sharing ideas. Responsible employers should foster environments where people can be themselves regardless of religion, gender, race/ethnicity, LGBTQ+ status, disability or neurodiversity. Organizations that make deliberate, considered and informed efforts to address discrimination and bias, and to create inclusive and authentic environments, represent the gold standard in terms of delivering psychological safety.

Figure 32: Value-driven well-being

Understanding that well-being is personal, and each individual has their own unique **health needs and interest.**

What is value driven well-being?

Committing to supporting **diverse needs** as a pathway to **sustainable business performance** while aligning with **the broader business strategy.**

Creating a **safe and welcoming** environment, a community where individuals feel **supported, energized, cared for, and that they belong.**

We've seen many times that the more healthy and robust a workplace culture, the less prescriptive policies need to be. This is why it is crucial to have a healthy and safe culture that provides a platform for employees to innovate, collaborate and perform. Improved productivity is a welcome consequence, with happier and more fulfilled experiences at work.

Hervé Balzano, President, Health at Mercer and Mercer Marsh Benefits Leader

The more valued the rewards on offer the greater the impact

Employees are less likely to move to another employer when they have access to varied benefits.

Make people feel valued

Six out of ten (59%) employees with access to ten or more benefits say they are less likely to move to another employer compared to one in four (24%) with no access to benefits.[38] They also felt more cared about and energized, which highlights the importance of offering a wide range of benefits to meet the differing needs of employees. Allow employees to select from a range of benefits where possible, and provide a manageable number of choices and solutions that have been assessed for quality and ease of access.

Figure 33: More benefits bring more productivity

Legend: 0 benefits | 1-5 benefits | 6-9 benefits | 10+ benefits

The level of health and well-being benefits received from my employer makes me less likely to move elsewhere.
- 24%
- 36%
- 50%
- 59%

I feel my employer cares about my health and well-being.
- 40%
- 43%
- 51%
- 60%

I feel energized at work.
- 64%
- 66%
- 71%
- 75%

I am confident I can afford the healthcare me and my family need.
- 65%
- 76%
- 84%
- 92%

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[38] Mercer Marsh Benefits. Health on Demand, 2021. Available at https://www.mercer.com/our-thinking/health/mmb-2021-health-on-demand.html.
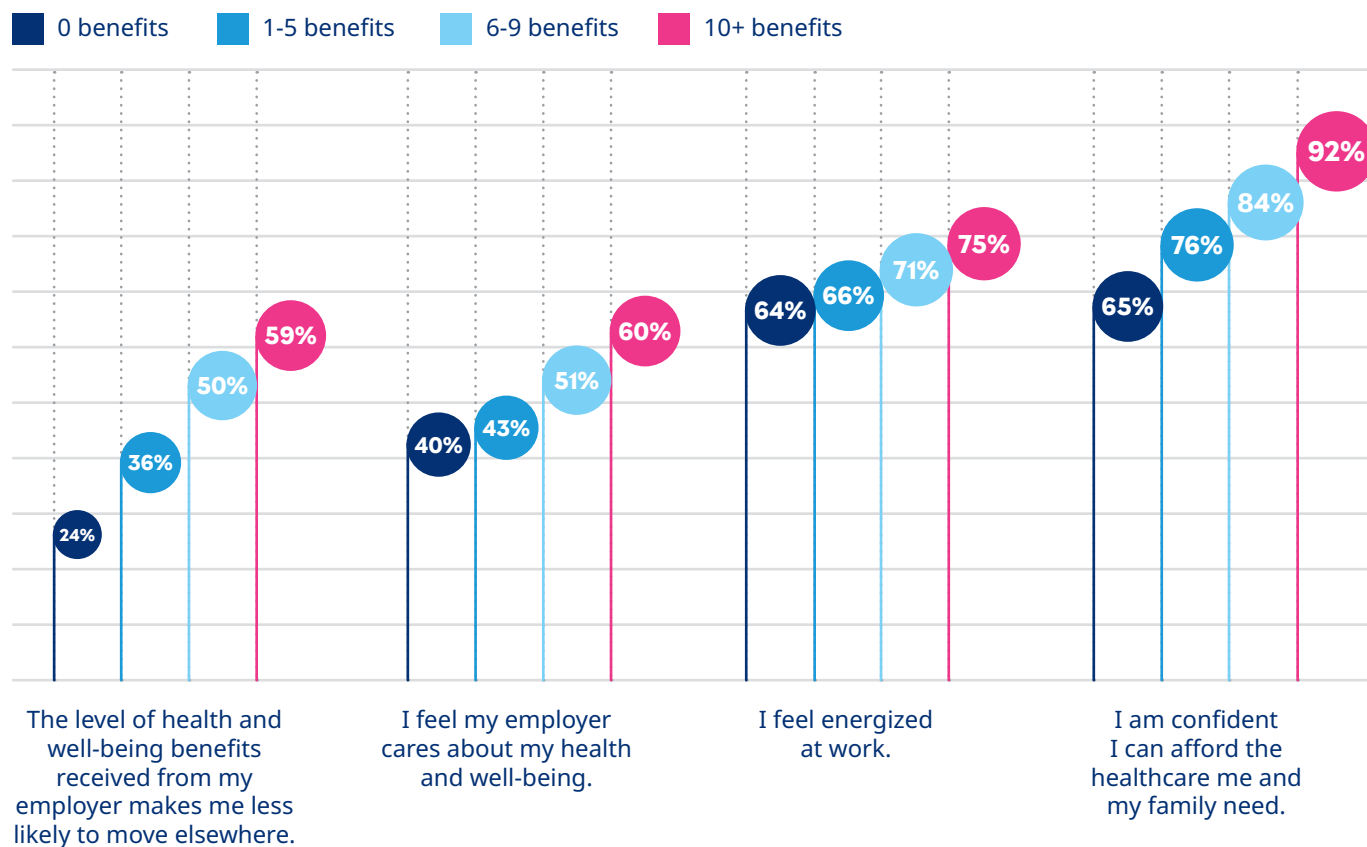
Increase choice

In the past, flexible benefit plans have been centered on different life stages. However, true personalization of benefits is best delivered when it is based on data and employee engagement insights. To get employees the benefits they value most highly, put the choice in their hands so they can create a selection of flexible benefits tailored to their unique needs. By introducing benefits based on what individuals need, instead of just what the majority wants, you can also boost diversity and inclusion.

Focus on the whole person

Instead of just looking at physical or mental health in isolation, effective employee benefits should take a joined-up approach and focus on the whole person. This should include an assessment of how connected the individual feels to their organization and its mission, vision and values. In the context of the changing nature of work, and to help retain employees, it is important to introduce new policies and support systems for hybrid and other flexible ways of working. Today's workforce is seeking choice, connection and the opportunity to contribute. They are also looking for a total rewards package that aligns to their values.

Figure 34: Evolution towards lifestyle contract

Past focus: **Retain**	Past focus: **Motivate**	Current focus: **Recover**	Future focus: **Energize**
Loyalty contract (transactional)	**Engagement contract** (work and workplace cetered)	**Thrive contract** (whole person consideration)	**Lifestyle contract** (LifeX – life experience)
Basic needs: Pay, benefits, security	**Psychological needs:** Achievement, camaraderie, meaning	**Well-being needs:** Purpose, equity, impact	**Fulfilment needs:** Choice, connection, contribution

Figure 35: Employee value proposition framework

Employee value proposition framework

- Purpose
- Careers
- Well-being
- Compensation
- Flexibility
- Benefits
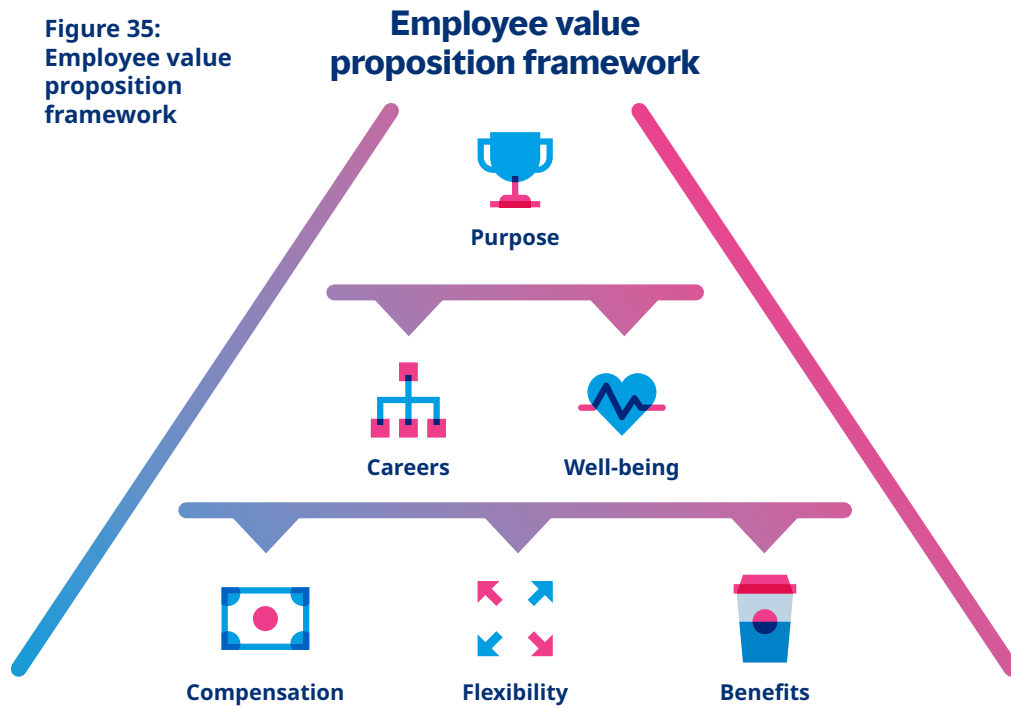
Employees with access to a range of benefits feel more loyal, cared for and energized.

Talent practices case study:
Multinational professional services company

Challenges

- Multinational with 80,000+ employees globally.

- Offered a comprehensive, evidence-based well-being program in the US over several years and experienced multiple benefits, including 18% lower medical spend for well-being program participants versus non-participants.

- Desire to scale wellness program globally with a focus on employee engagement, health/safety and cost containment.

Actions

- Conducted global stakeholder interviews to understand current and future wellness interests.

- Developed a global wellness framework that included global priorities and focused on five countries for targeted in-country health management interventions to address local risks.

- Created a global well-being brand.

- Built an external global communication portal for employees and families to learn about well-being and share their well-being stories through social media.

- Launched "global well-being week" by having countries organize local onsite events through existing global or local vendors.
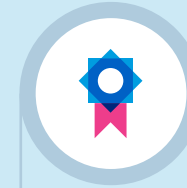
Outcomes

- Strong employee and leadership engagement in the wellness week with 134+ onsite events supported by 16+ existing vendor partners, 160+ wellness champions and 17+ leaders — built a foundation for a future year-round program launch.

- Recognized publicly: secured a highly reputable and respected global well-being distinction award.

- Tracked an employee engagement question — "Does my manager care about my well-being?" — before and after the development of the global wellness strategy and launch of global wellness week. Experienced a 16-point increase in satisfaction.

Mitigating talent practice risks

Flexible working, employee engagement strategies and the upskilling of employees can help mitigate talent risks.

Stay flexible

The pandemic transformed how and where we work, creating a focus on flexible working, gig workers, technology adoption and the growth mindset. Over two-fifths (42%) of businesses report having effective policies and support systems for remote, hybrid or other flexible ways of working. This rises to almost one in two (47%) in Asia. This can reduce commuting costs and helps employees migrate back to home locations to live closer to their families. However, thought needs to be given to the steps that are required to sustain collaboration, shared purpose and innovation in the sphere of work.

Engage employees

Globally, two-fifths (44%) of organizations report having effective training, communication and engagement strategies around their company's purpose, culture, values and ethics. In the US the figure is one in two (56%). In the UK it is just 35%. More than a third (38%) of businesses report having a competitive employee value proposition. Employers should consider the needs of all employees in refreshing total rewards. For example, the needs of older workers may be overlooked.

Upskill employees

Globally, almost two-fifths (39%) of organizations report mitigating risks such as the changing nature of work and succession planning using effective tailored upskilling and reskilling policies for all their employees. This figure rises to almost one in two (44%) organizations in Latin America, but falls to less than one in three (29%) in the UK.

Talent practice mitigations

Figure 36: Talent practices mitigations

Policies and support systems to enable remote, hybrid or other flexible ways of working.

Training, communication and engagement strategies around the company's purpose, culture, values, and ethics.

Tailored upskilling/reskilling policies for all employees.

Competitive employee value proposition including reward practices.

33% United Kingdom — **42%** → **47%** Asia

35% United Kingdom — **44%** → **56%** United States

29% United Kingdom — **39%** → **44%** Latin America

24% Pacific — **38%** → **44%** Middle East & Africa

25% 30% 35% 40% 45% 50% 55% 60%

Measure is currently in place and effective

◯ Global average

Companies have a unique opportunity to unlock employee energy by redesigning work, working and the workplace.

Recommendations

Ideas to get started

1   **Start by listening to your employees** to ascertain what they value. Use the insights gained to inform your employee value proposition.

2   **Reflect on the impact that the flexible ways of working** introduced during the pandemic have had on long-term sustainability. Do this for all workers, including those on the front line.

3   **Train supervisors in psychological safety** to help them foster environments where it is safe to speak up, and to ensure stigmatized well-being issues are not seen as taboo.

4   **Evolve benefits** to support new ways of working and changing employee work/life priorities. This will help differentiate your employee value proposition.

5   **Introduce upskilling, reskilling and succession planning** as a business priority. Develop roadmaps for progressing talent.

6   **Review workforce data analytics** to inform strategies for building, buying or borrowing talent.

7   **Build a skills-based organization** by hiring employees based on their skills, rather than the role to be filled. Offer pay linked to skills.

Ideas to pull ahead

1   **Mitigate risks associated with digital exhaustion** and the intensification of work. Do this by focusing on future work and by restructuring jobs to be more sustainable.

2   **Utilize digital means of listening and data synthesis**. Use these methods to learn about different persona groups, unmet needs, benefit usage and any employee value proposition trade-offs staff would consider.

3   **When modernizing your employee value proposition, consider all elements of your total rewards package**. Start with your philosophy and values. Consider how all benefits fit together, and share what you care about.

4   **Revisit your talent acquisition and site selection strategies**. Ensure you are fully accessing non-traditional talent and optimizing hiring for skills.

5   **Invest in technology** to support skills-based strategies and talent movement (e.g., strategic planning software based on skills and/or talent marketplace platforms).

6   **Upgrade the digital experience**. Offering a full range of benefits is smart, however these need to be carefully curated and easily accessed through one "front door". If this is not the case, your employees won't be able to find them, and your investment will be lost.

Environmental & Social

Figure 37: Top environmental and social risks by risk rating score

3

Catastrophic personal life events

Catastrophic personal events like death, critical illness or disability highlighting organization gaps in employer-sponsored benefits protection measures.

8

Environment

Lack of meaningful environmentally sustainable business practices (i.e., nature of business, recycling, energy conservation, no toxic waste) . General impact of climate change (e.g., flood, fire) on the home/workplace. Exacerbated workforce health risks (e.g., hunger/famine due to drought, allergies/asthma due to pollution, increase in water borne illnesses).

13

Working conditions and labor relations

Not setting/evolving/delivering working standards aligned to emerging acceptable or legislated levels (including relating to fair pay, living wage, living pension). High volume of labor grievances. Perception of uncaring culture and lack of desirable company purpose.

17

Diversity, equity and inclusion

Lack of inclusive workplace. Bias and favoritism. Lack of representative race, ethnicity, gender and other diversity across all levels. Lack of transparency around DE&I goals and failing to meet legislated or emerging best practice human capital disclosures. One size fits all employee programs.

21

Leadership issues

Lack of human-centered, visionary, or trust in any or all levels of leadership. Disconnect between leadership and employees' values or social issues. Investments and/or supply chain relationships involving businesses that are uncaring, unethical, polluting or fail to meet evolving working condition standards. Disparity between rhetoric and meaningful actions on key issues (i.e., diversity/equity/inclusion, company's purpose, etc.).

Risk (RRS) Rank

Environmental and social

Environmental and social risks now make up a fifth of the top 10 people risks, but are perceived to matter more to employees than to the C-suite.

Organizations are feeling pressure from customers, investors, employees and regulators to ensure profit does not come at the expense of society or the planet. Employees also want to work for socially responsible employers with good ESG credentials; the days of saying one thing and doing another are over.

However, one in four (24%) organizations feel they don't have enough budget to manage environmental and social risks. This is despite the fact that businesses in the US and Latin America consider this pillar of risk to have the second biggest potential to disrupt business, after health and safety. Marsh, assisted by Cranfield University, analyzed key words in the risk sections of annual reports for a set of companies listed on the world's four leading stock exchanges to gain insight into how businesses evaluate ESG risks. These results point to a concentration across all exchanges on the environmental aspect of ESG evaluation, and less attention to its social and governance facets. It is vital that companies' strategies to mitigate ESG risks consider social and governance as well as environmental factors to ensure their long-term value and resilience.[39]

Catastrophic personal life events, such as hospitalization due to illness, disability due to an accident, or the death of a partner, were the third-biggest people risk overall. This highlights the need for employer-sponsored protection benefits. Organizations may wish to use scenario planning to be proactive towards future crises, including those stemming from climate change, inflation/rising interest rates, pandemics, recession or violent conflict.

In relation to retirement funding, many employers do not have a clear picture of whether retirement savings will provide an adequate income, particularly for employees in defined contribution plans.

We are also seeing pressure on employers to extend benefits to gig workers, something we have not seen before. This is in line with Mercer's Global Talent Trends study, in which 95% of executives say they have prioritized publicly setting standards/targets related to responsible work practices. Indeed, one in three executives believe investing in good work standards will deliver the greatest ROI, while 88% of HR are making this a priority.[40] Ensuring "people sustainability" requires a rethink of how people engage with work. It also requires moving the work contract itself towards "work in partnership", which, in turn, involves creating equitable, transparent and rewarding relationships.

Environmental risk also climbed several places from last year to become the eighth-biggest people risk. This type of risk was followed in importance by working conditions and labor relations, diversity, equity and inclusion (DE&I) and the need for leadership to drive purpose and meaning.

[39] Marsh. Evaluating ESG and Pandemic Risk Trends, 2022. Available at https://www.marsh.com/lu/en/risks/climate-change-sustainability/insights/evaluating-esg-and-pandemic-risk-reporting-trends.html.
[40] Mercer. 2022 Global Talent Trends Study, 2022. Available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

We're considering areas of benefits that may be exclusive rather than inclusive — such as life insurance which may have little relevance for many single employees and so actually be disengaging. You don't solve deep-rooted issues in a few days or weeks — it's about creating awareness and understanding and progressing from there.

**Lorna Macmillan,
Global Head of Benefits and Rewards,
Business Partner — Americas, Maersk**

24%

don't have enough budget to manage environmental and social risk.

3 in 5

say employees see ESG as very important, compared to just one in two people among the C-suite and investors.

8%

of investment schemes incorporate members' views into their investment strategy.[41]

41 Mercer. UK pension schemes' ESG journey — Time for action, 2022. Available at www. uk.mercer.com/content/dam/mercer/attachments/private/uk-2022-mercer-responsible-investment-total-evaluation-report.pdf.

Advancing ESG holistically requires putting the 'S' into ESG

Benefits designed to bridge social, racial and economic inequalities along with sustainable people practices help you become a more responsible employer.

Apply an ESG lens to investments and benefits

"Impact investing" targets the interconnections between investments and the effects they have on people's lives and our environment. Health, which offers multiple opportunities to apply an ESG lens, is one critical theme. For example, healthcare benefits are still largely targeted at the top of the organizational pyramid. Lower-paid, part-time, temporary and gig employees, who are most in need of employer-sponsored healthcare, are the least likely to benefit. Less than 25% of employees are confident they can afford healthcare[42] — so extend coverage to bridge this inequality.

[42] Mercer Marsh Benefits. Health on Demand, 2021. Available at https://www.mercer.com/our-thinking/health/mmb-2021-health-on-demand.html.

Figure 38: Impact investing pathway and themes[43]

Intent   **Action**   **Outcome**

1 **Impact ambition** → **2 Themes** → **3 Parameters** → **4 Portfolio** → **5 Reporting**

Define your ambition and principles

Choose your themes and frameworks

Agree key portfolio, governance and reporting requirements

Invest for impact across asset classes and strategies

Measure and report key impact outcomes and metrics
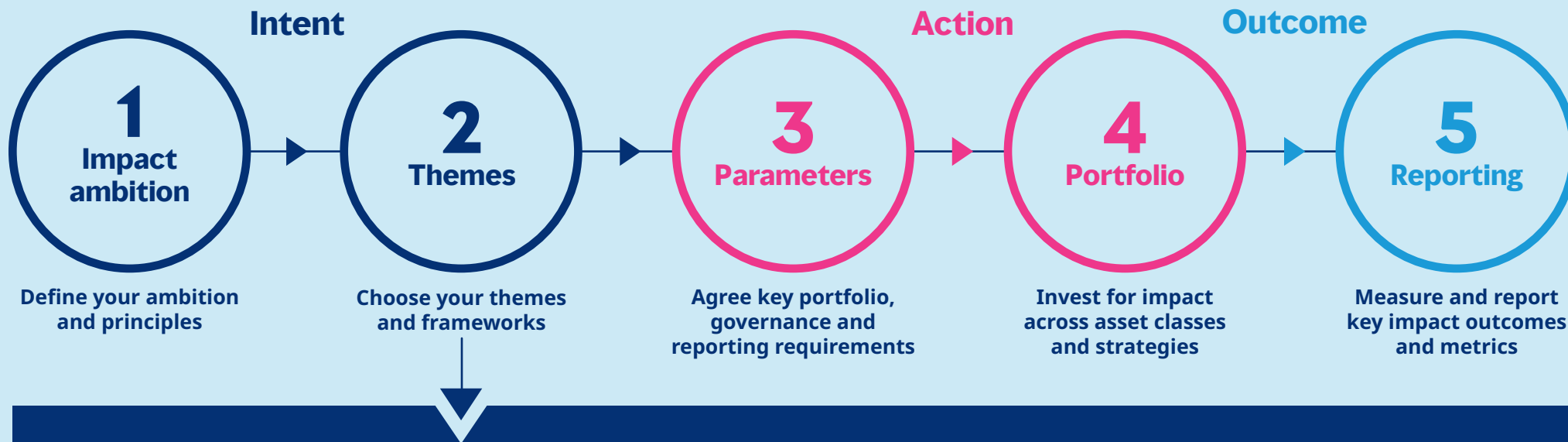
Themes

Environmental - climate change, healthy planet, resource stewardship
- Biodiversity and natural capital
- Circular economy
- Efficient energy
- Environmental support and waste management
- Green buildings
- Physical resilience/adaptation solutions
- Pollution prevention and control
- Renewable and alternative energy
- Sustainable agriculture and forestry
- Sustainable oceans
- Water

Social - Basic needs, well-being, empowerment
- Affordable consumer staples
- Affordable housing
- Education and skills
- Financial and digital inclusion
- Health
- Inclusion and equality
- Sustainable transport

[43] Mercer. (2021). Raising Your Impact Ambition- A Case for Impact Investment. Marsh McLennan. https://www.mercer.com/content/dam/mercer/attachments/global/gl-2021-mercer-impact-investing.pdf.

Figure 39: ESG benefit opportunities

Health access and coverage gaps

Health affordability and value

Workforce protection and safety

Supply chain and gig economy

Policies – protection gaps

Health access

Well-being and resilience

Sustainability

DEI and health equity

Equity – digital – partnerships

Infectious disease and chronic conditions

Mental health

Inclusion and communities

Maternal and child health

Climate change threatening workforce health

Climate change is already responsible for at least 150,000 deaths per year, and this number is expected to double by 2030.[44] As highlighted by our MMC Climate Health Threat Illustrator, climate change is worsening both health risks and costs.[45] Climate change is leading to more frequent and more severe storms, floods, wildfires and extreme temperatures. These catastrophic climate events are causing an increased prevalence or exacerbation of injuries, infectious and chronic disease, and poor mental health. In addition, heat waves and poor air quality often go hand-in-hand, which leads to an increase in respiratory conditions.[46] The vulnerable are most likely to be impacted, including low-income employees and those with pre-existing health issues.

[44] Kasotia, P.K. "The Health Effects Of Global Warming: Developing Countries Are The Most Vulnerable," available at https://www.un.org/en/chronicle/article/health-effects-global-warming-developing-countries-are-most-vulnerable.
[45] Marsh McLennan. Health Impacts of Climate Change, 2021. Available at www.marshmclennan.com/climate-health.html.
[46] Friedman, L.F., and Wu, M.W. "Climate change and its impact for a sustainable workforce," available at www.mercer.com/our-thinking/health/climate-change-and-its-impact-for-a-sustainable-workforce.html.

Catastrophic personal events

Catastrophic personal events, such as the death of a partner or disability due to an accident, are the third-biggest people risk, but only 11th when it comes to action. As just one in two businesses provide effective income protection, rehabilitation and return-to-work support, more can be done to help employees in this area. Overall, individual and organizational resilience will require health, migration, crisis management planning, and insurance supports.

Figure 40: Catastrophic personal life events contradiction

Risk rating score

3

High

Catastrophic personal life events

Low

11

Being addressed
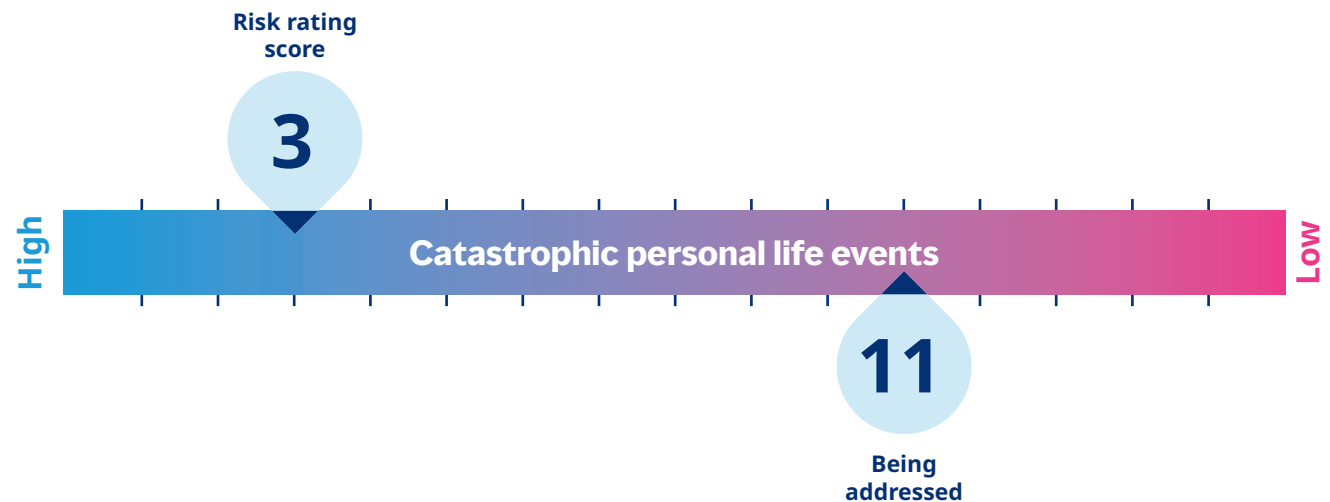
Less than one in four employees are confident they can afford healthcare. This figure is one in three for working single mothers.[47]

[47] Mercer Marsh Benefits. Health on Demand 2021. Available at https://www.mercer.com/our-thinking/health/mmb-2021-health-on-demand.html.

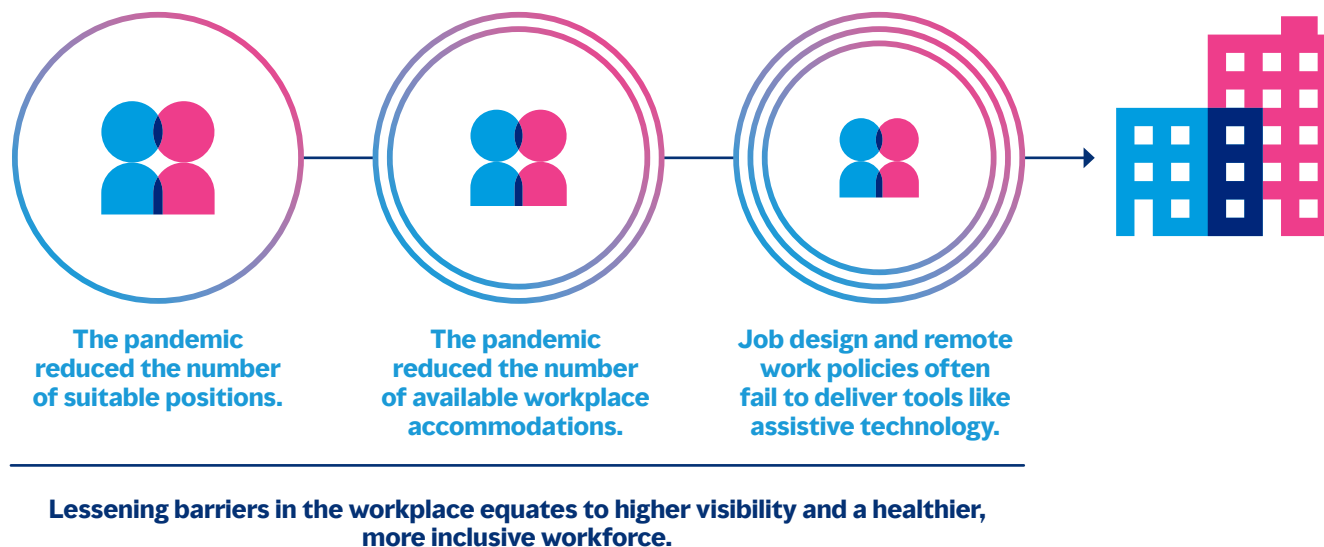# Diverse abilities must be considered when making decisions on how, when and where work is performed

Responsible employers help people thrive at work despite any challenges they might face; they also support people returning to work after an accident or illness in an empathetic ability-centered manner.

Inclusive working conditions reduce risk

Making the full workforce feel they belong can go a long way towards attracting, retaining and engaging talent. It can also help bring people back to work after they have suffered a disability. In addition, organizations could further support neuro-diverse individuals (for example, those who may have ADHD). Such people have unique skills and ways of seeing the world, which can provide real benefits in the world of work. It is also appropriate to consider how the pandemic has had an impact on disabled employees and other individuals, and how your business has responded to their new circumstances.

Figure 41: Isolating the effects of ableism in employment[48,49,50,51,52,53]

The COVID-19 pandemic was isolating and further impeded persons with disabilities to access meaningful work.

The pandemic reduced the number of suitable positions.

The pandemic reduced the number of available workplace accommodations.

Job design and remote work policies often fail to deliver tools like assistive technology.

Lessening barriers in the workplace equates to higher visibility and a healthier, more inclusive workforce.

[48] Rotarou, E. S., Sakellariou, D., Kakoullis, E. J., and Warren, N. "Disabled people in the time of COVID-19: identifying needs, promoting inclusivity," Journal of global health (2021). Available at https://doi.org/10.7189/jogh.11.03007.

[49] Maroto, M. L., Pettinicchio, D., and Lukk, M. "Working differently or not at all: COVID-19's effects on employment among people with disabilities and chronic health conditions," Sociological Perspectives, 64(5), (2021), pp. 876-897.

[50] "Neurodiverse Employees May Need Accommodations for Remote Work," HRNews (2020).

[51] Ameri, M., and Kurtzberg, T. R. "Leveling the Playing Field Through Remote Work," MIT Sloan Management Review, 63(3), (2022), pp. 1-3.

[52] Schur, L.A., Ameri, M. and Kruse, D. "Telework After COVID: A "Silver Lining" for Workers with Disabilities?" J Occup Rehabil 30 (2020), pp. 521–536. Available at https://doi.org/10.1007/s10926-020-09936-5.

[53] Jones M. "COVID-19 and the labour market outcomes of disabled people in the UK," Social science and medicine (2022), pp. 292. Available at https://doi.org/10.1016/j.socscimed.2021.114637.

Empathetic return to work

The longer an individual is off work due to illness (including mental health issues and long-COVID) or following an accident or operation, the less likely they are to return. Physical issues can often give way to feelings of isolation and depression. Bringing such people back into work as soon as possible and appropriate, even in a reduced capacity, accelerates recovery, retains knowledge and reduces costs.

Unions and works council partnerships

Where employees need help to recover, or have an existing disability, create working conditions that allow them to thrive. Working conditions and labor relations are one of the biggest people risks in this category, so involve unions and work councils in building and supporting disability management programs.

One billion people worldwide experience some kind of disability[54]; we must advance equity, dignity and prosperity for all.

[54] World Health Organization. "Disability and health," available at www.who.int/news-room/fact-sheets/detail/disability-and-health.

Environmental and social case study: Canadian manufacturing company

Challenges

- Concerns over high volume of sick leave claims, lack of adjudication rigor and rapidly escalating long-term disability insurance costs and claims.

- Complex union negotiations, requesting increasing leave benefits.

- Federal regulations mandating increases in sick leave allotment.

- Limited availability and use of data to understand health risks and cost drivers.

- Opportunities to enhance communication flows between teams and to ensure accountability for critical disability management processes.

- Provider service issues on disability claims, resulting in a suboptimal experience for employees, supervisors and others.

- No attendance management programs.
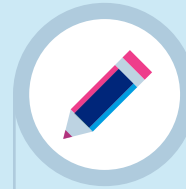
Actions

- MMB completed a program review and gap analysis:

  – Review of three years of data.

  – Analysis of policies and programs directly linked or related to absences.

  – Interviews with key stakeholders, administrators, service providers and recipients.

  – Analysis against maturity model for disability and absence, as well as effective program hierarchy models.

- Quantification of risk of current program versus proposed approach showing >C$10M liability risk.

- Proposed action plan for development of upgraded program.

- Aligned with senior leaders, union, HR and health teams to obtain buy-in.
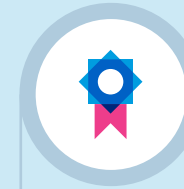
Outcomes

- Redesigned a de-risked incidental absence, short-term disability program.

- Enhanced access and support for employees.

- Defined roles and responsibilities, enhanced team collaborations.

- Developed new attendance support program and tools to mitigate and reduce absences.

- Ensured alignment with federal standards and requirements.

- Reduced exposure for absent lost time by over C$10M per year.

- Enhanced support for HR, leaders, union and employees throughout absence process.

- Improved reporting and action-based communications.

- Reduced absenteeism by over 15% (duration and incidence) in year one.

Mitigating environmental and social risks

Active management combined with cost containment will mitigate governance and finance risks.

Protect employees

An important part of managing social risk is having policies and insurance programs to protect employees against loss of income due to disability, provide rehabilitation/return-to-work support and foster accessible workplaces. However, less than half (44%) of those surveyed feel that their organizations have effective disability management policies in place.
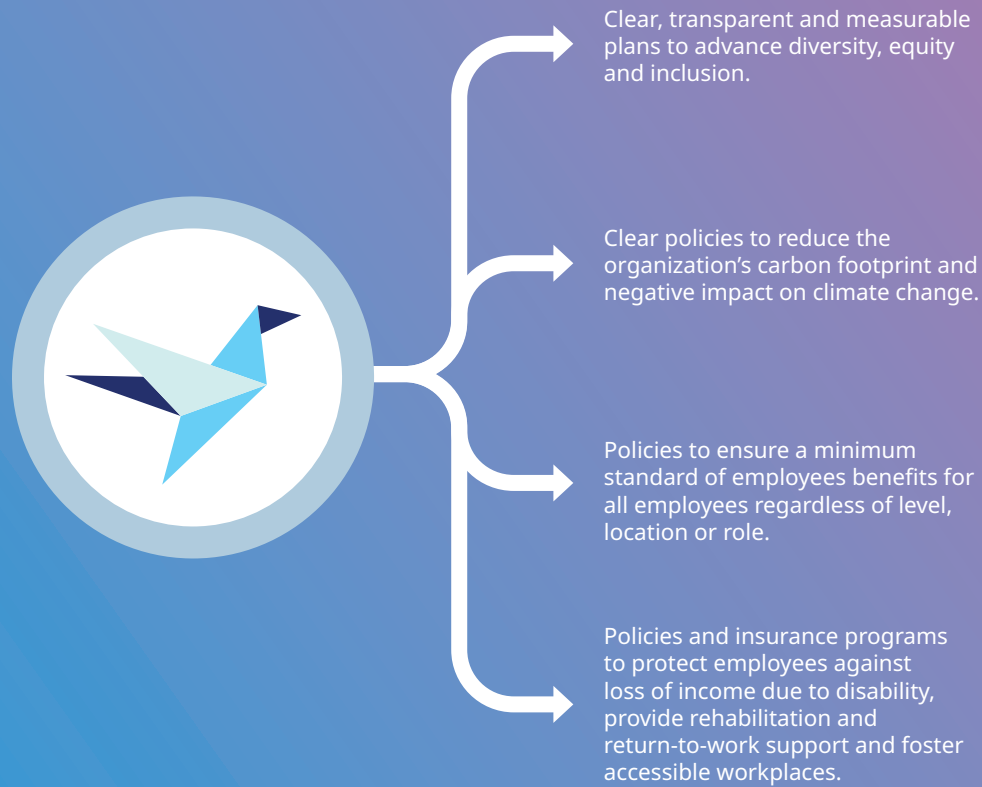
Environmental risks

Businesses in Latin America are the most likely to report having policies to reduce environmental risks. Almost one in two (48%) say they have clear policies to reduce their organization's carbon footprint and negative impact on climate change. This compares to an average of two out of five (41%) organizations globally and less than one in three (29%) in Canada.
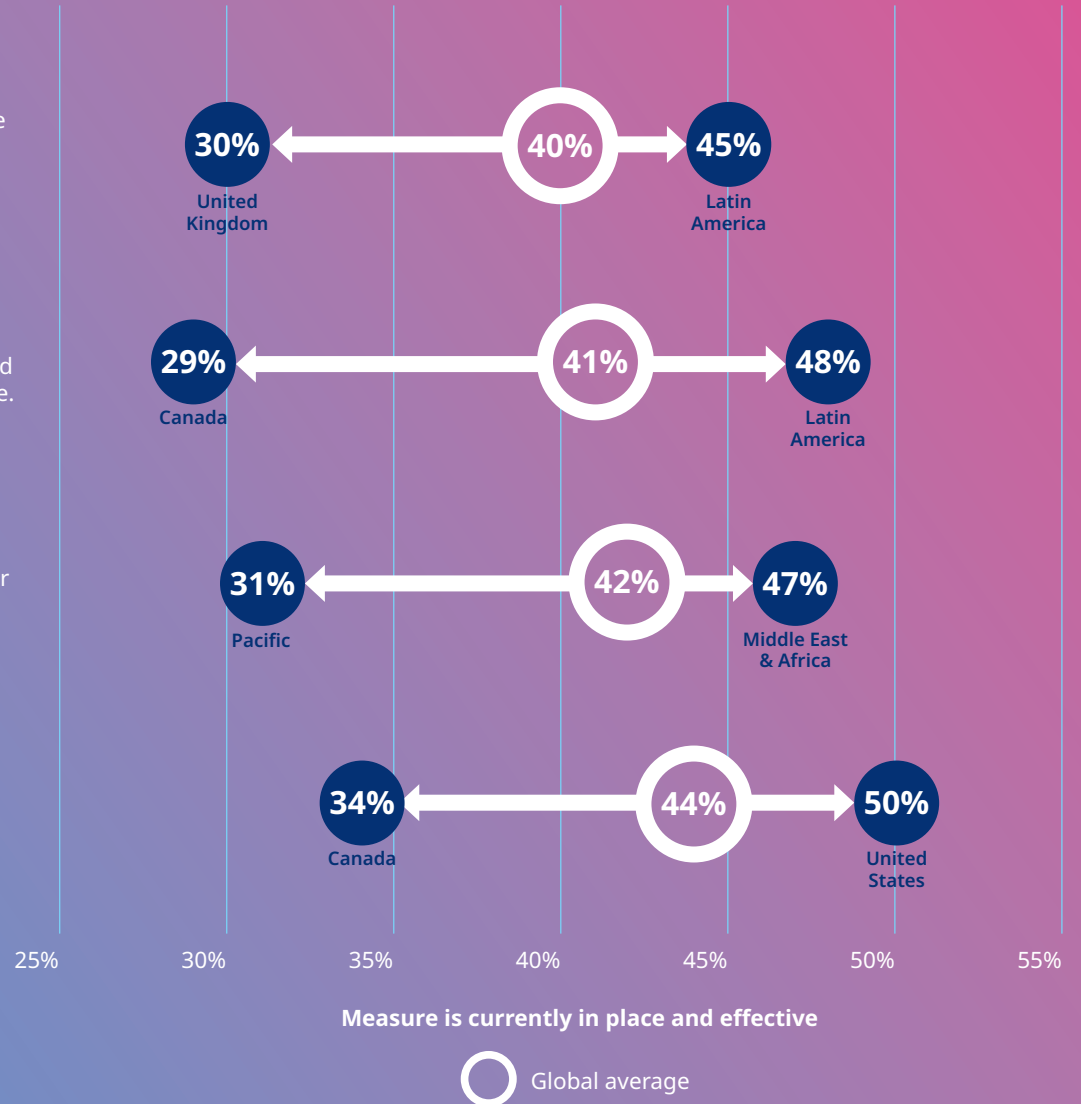
Equality and inclusion

Just three in ten (30%) organizations in the UK report having effective, clear, transparent and measurable plans to advance diversity, equity and inclusion, compared to two in five (40%) globally. A similar number of organizations globally (42%) report effective policies to ensure a minimum standard of employee benefits for all employees, regardless of role or location. The question must be asked: are companies viewing DEI as an opportunity and not a risk?

Environmental & social mitigations

Figure 42: Environmental and social mitigations

Clear, transparent and measurable plans to advance diversity, equity and inclusion.

Clear policies to reduce the organization's carbon footprint and negative impact on climate change.

Policies to ensure a minimum standard of employees benefits for all employees regardless of level, location or role.

Policies and insurance programs to protect employees against loss of income due to disability, provide rehabilitation and return-to-work support and foster accessible workplaces.

	30% United Kingdom	40%	45% Latin America
29% Canada	41%	48% Latin America
31% Pacific	42%	47% Middle East & Africa
34% Canada	44%	50% United States

25% 30% 35% 40% 45% 50% 55%

Measure is currently in place and effective

○ Global average

Drive social accountability by embedding ESG metrics into goals, incentives and rewards.

Recommendations

Ideas to get started

1 **Undertake ESG diagnostics** to understand where your areas of ESG exposure and opportunity are.

2 **Define the values you seek to uphold** and translate these into commitments on issues ranging from fair pay to climate change.

3 **Enable your workforce to take collective responsibility** by sharing your company's values with employees.

4 **Drive a culture of social accountability** by embedding ESG metrics into goal-setting, investment strategies, incentives and rewards.

5 **Offer diverse and inclusive benefits** that give everyone access to basic medical care, risk protection and well-being benefits.

Ideas to pull ahead

1 **Get involved in the community** and create diversity in your workforce by providing pre-hire training to disabled and marginalized communities.

2 **Partner with unions and works councils** on opportunities to strengthen communities and ensure an inclusive and representative voice.

3 **Link the social impact of investments** to the values of your employees.

4 **Evaluate progress on delivering fair pay and equity** around the world. Consider contractors' benefits, minimum wages and pay equity.

5 **Make your vendors accountable** for ESG and purchase accordingly.

6 **Actively engage with key stakeholder groups**, including employees who can be powerful advocates.

Conclusion

All of the top 10 people risks identified by HR and risk managers globally are mitigated by employee benefit support programs and/or how they are designed and delivered:

1. Cybersecurity and data privacy:

Human errors can be reduced through adequate training, as well as by prioritizing employee health and engagement. Using secure data and payment platforms reduces the risk of personal information breaches.

2. Administration and fiduciary:

Getting the basics in place (such as inventories, global brokers and institutionalized administration protocols/manuals) is the critical first step to being able to operate with resilience and agility.

3. Catastrophic personal life events:

Traditional medical, risk protection and well-being benefits have never been more relevant. We now also need new benefits to cope with emerging crises, including natural disasters, climate events and even geopolitical instability.

4. Pandemics and other communicable health conditions:

Ensuring people have access to preventative care such as vaccines, diagnostic procedures, health education and secure environments can reduce the risk of infectious illnesses and other health problems.

5. Changing nature of work:

Benefits must align to the move towards flexible working. Employees must have the ability to access benefits remotely. Companies must address the new health risks associated with working away from a single worksite. More/better arrangements for part-time or temporary working should be put in place.

6. Increasing health, risk protection and well-being benefit costs:

Organizations must be deliberate in defining which benefit cost management levers can be pulled given other competing objectives.

7. Benefits, policy and reward decision making and accountability:

As the landscape for rewards becomes more complex, and as C-suite and shareholder scrutiny increases, employers must make sure that corporate commitments are translated into consistent action.

8. Environment:

Employers have an opportunity to express their commitment to the environment in the benefits they provide (e.g., responsible investment choices in retirement plans) and in how they deliver them (e.g., increasing the use of digital).

9. Impacts of automation and AI:

Employee health and benefit programs can help people develop new skills in areas like resilience. They should include digital delivery to accelerate digital adoption.

10. Talent attraction, retention and engagement:

Health, risk-protection and well-being programs are foundational to a good employee experience, as workers seek caring employers who offer support that meets a diverse set of needs.
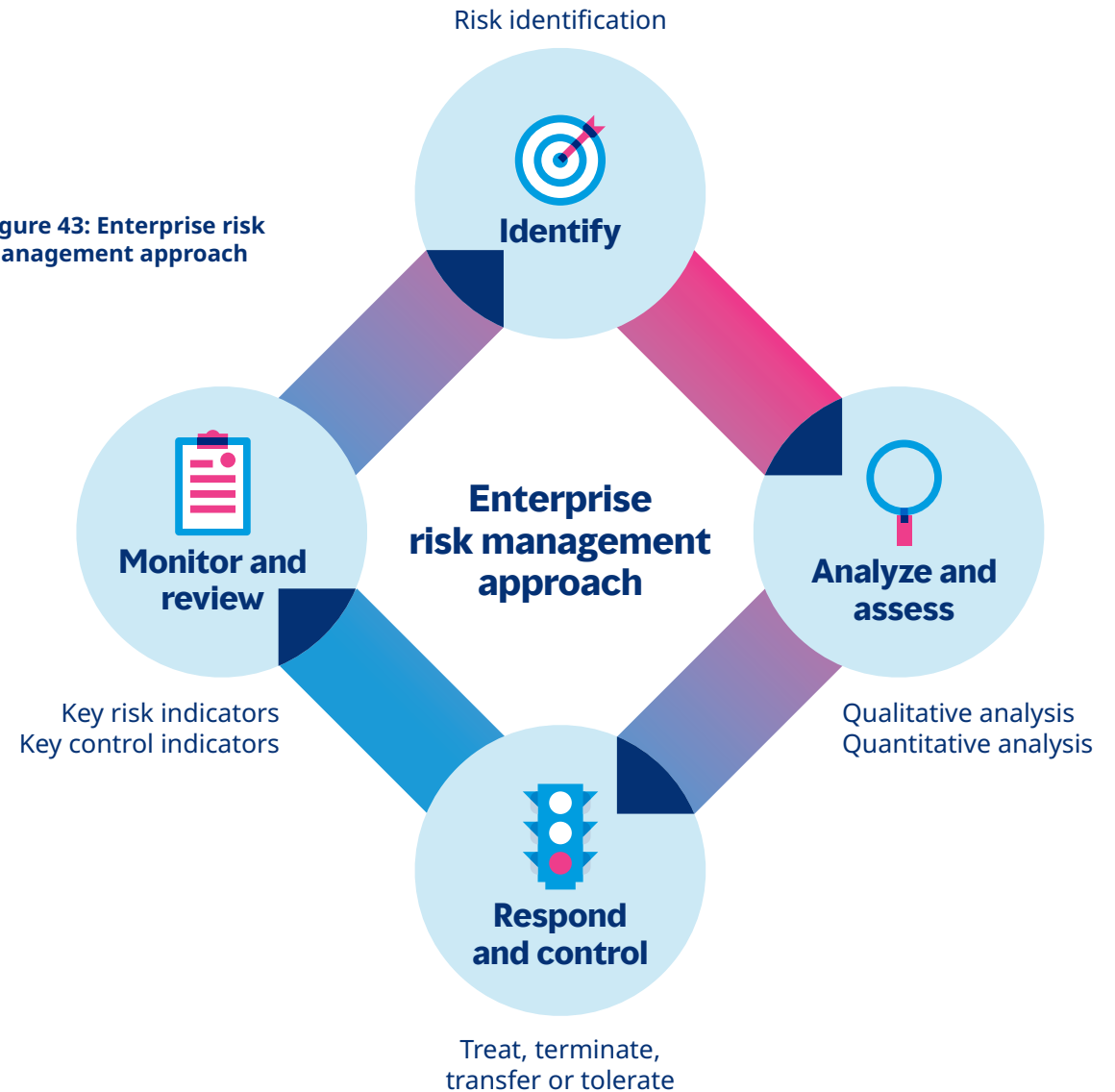
Although times are turbulent, there are exciting opportunities ahead for organizations to achieve competitive advantage by enhancing their resilience and agility. One key step is to have a highly effective enterprise risk management (ERM) framework in place. This will provide assurance and confidence to boards and leadership teams.

To be highly effective, an ERM framework must be built upon analytical data, expert foresight and active participation across the organization. HR leadership should be encouraged to develop a risk-mitigation mindset and to make risk management a key people focus. This will help bring better coherence, a commonality of business language and critical reporting to stakeholders and investors.

Across Marsh McLennan, we advise on a range of people risk management techniques. We believe that the time is right for HR and risk functions, along with other operational and functional leaders, to apply an ERM approach to people risks — and to reap the benefits that this type of forward thinking can provide.

Figure 43: Enterprise risk management approach

Risk identification

Identify

Enterprise risk management approach

Analyze and assess

Qualitative analysis
Quantitative analysis

Respond and control

Treat, terminate, transfer or tolerate

Monitor and review

Key risk indicators
Key control indicators

For further information, please contact your local Mercer Marsh Benefits office.

Mercer Marsh Benefits provides a range of solutions to help you manage people risk, including:

– Brokerage of core employee benefits as well as expatriate and special risks like business travel accident.

– Advice and support for health and well-being, plan member communications, and benefit plan financing.

– Digital solutions to engage plan members in their health and benefits.

About Mercer Marsh Benefits™
Mercer Marsh Benefits (MMB) was born out of the unification of one of the world's most respected consultancies, the global leader in people risk advisory and the number one disruptive benefits technology firm to form one unique business. Together they have shaped some of the world's most loved employee benefit experiences for small companies, growing enterprises and global firms. MMB is 7,000 strong, on the ground in 73 countries, and servicing clients in more than 150 countries. It brings local expertise to more places and works side-by-side with clients, and Mercer and Marsh colleagues around the world. Mercer and Marsh are two businesses of Marsh McLennan (NYSE: MMC), together with Guy Carpenter and Oliver Wyman. The Company's 81,000 colleagues advise clients in 130 countries. With annual revenue over $20 billion, through its market-leading companies Marsh McLennan helps clients navigate an increasingly dynamic and complex environment.

Businesses of Marsh McLennan