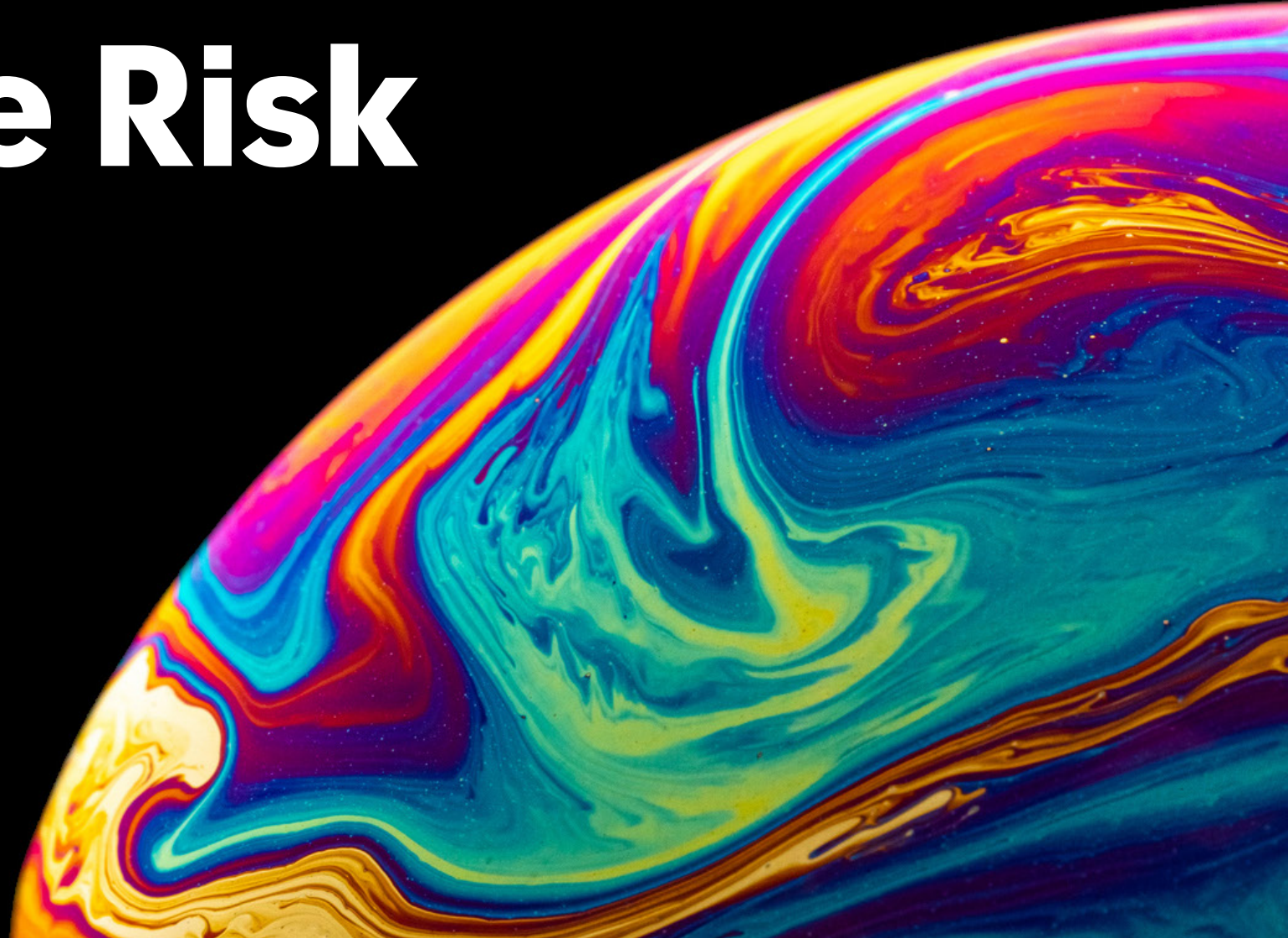




People Risk 2024

Investing in your people,
protecting your business

benefits that truly benefit



About the cover image

This image represents the complex world in which we live, with concurrent crises, interacting risks and intensifying stakeholder expectations, as well as the agility and resilience we need to have when operating in a fast-changing world.

The vibrant colors represent the optimism that comes from managing people and business-related risks through innovation and collaboration.

Contents

p3 Investing in your people, protecting your business

- p5 About the research
- p5 How to use this report
- p6 The 25 people risks
- p7 Top risks for HR and Risk professionals
- p8 Top risks by region
- p9 Top risks by industry

p10 10 imperatives for addressing people risks

p11 Chapter 1: Technological change and disruption

- p14 Develop a workforce that fights bad actors
- p20 Don't delay on addressing AI
- p25 Recommendations

p26 Chapter 2: Talent, leadership and workforce practices

- p29 Power the productivity of your people
- p37 Take ownership for creating a resilient organization
- p42 Recommendations

p44 Chapter 3: Health, well-being and safety

- p47 Design work for well-being
- p55 Become a catalyst for health transformation
- p62 Recommendations

p64 Chapter 4: Governance, compliance and financial

- p67 Be prepared for benefits cost increases
- p71 Get ahead of emerging governance gaps
- p77 Recommendations

p78 Chapter 5: Environment, sustainability and protection

- p81 Address climate risks as health risks
- p86 Minimize benefit disparities
- p91 Recommendations

p93 Conclusion: Key takeaways

p96 Appendix

Investing in your people, protecting your business

HR and Risk professionals sit at the apex of a balancing act. Economic challenges, conflict, energy transition, disruptive technologies, talent shortages, widening cyber risks, increasing compliance demands and growing benefits costs all require careful mitigation using effective risk frameworks and people management strategies.

However, many of those same factors are at the core of future business innovation: new skills and knowledge opportunities, the potential of AI, better stewardship of businesses and ways to evolve employee healthcare for a new generation of workers.

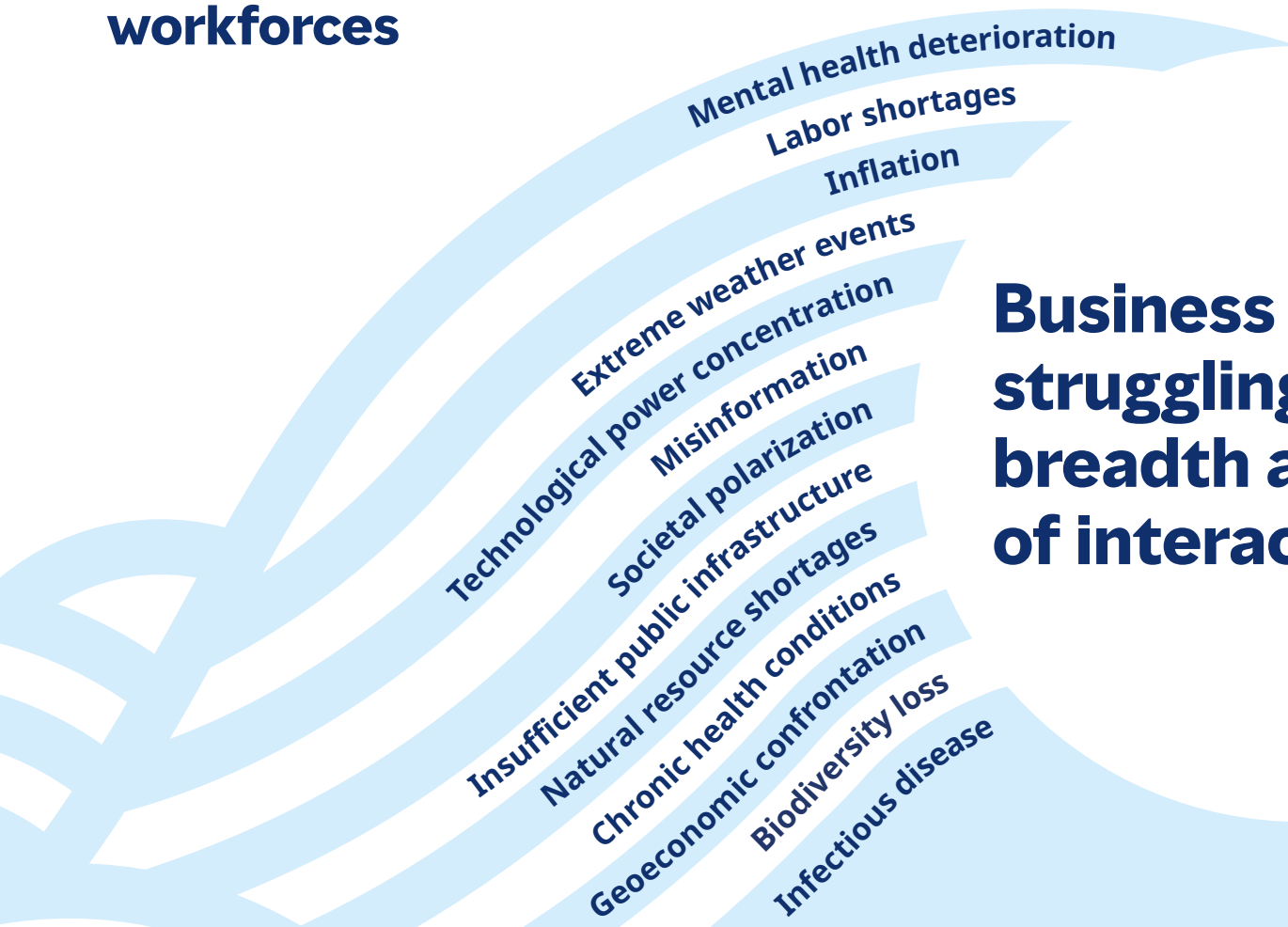
The people risk landscape is broadening to encompass new concerns that might not have been perceived as employee-related in the past. Consider the Global Risks Report 2024 from

the World Economic Forum (WEF), in partnership with Marsh McLennan and others, identified misinformation and disinformation as the top global risk in the coming two years. At the same time, the impact on employee health of climate events — such as heatwaves, floods and wildfires — which traditionally have been viewed as property risks, is increasingly evident. An aging workforce is adding long-term health concerns, as well as potentially deepening labor shortages.

Stakeholders' expectations of people risk management are also intensifying. It is no longer sufficient to have a strategy and evidence that risks within an organization's control are contained. Risk management now requires a wider ecosystem view that identifies and addresses issues, such as those within supply chains and takes account of the wider communities in which a business operates.



Concurrent crises impacting businesses and their workforces



Business leaders struggling to address breadth and depth of interacting risks

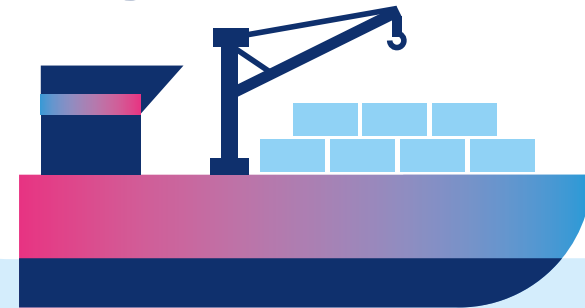


Figure 1: Business leaders struggling to address breadth and depth of interacting risks

4,575 HR and Risk professionals were surveyed in 26 markets across eight regions.



What

Captures attitudes about the most significant people risks facing organizations, including the challenges organizations face managing these risks.

When

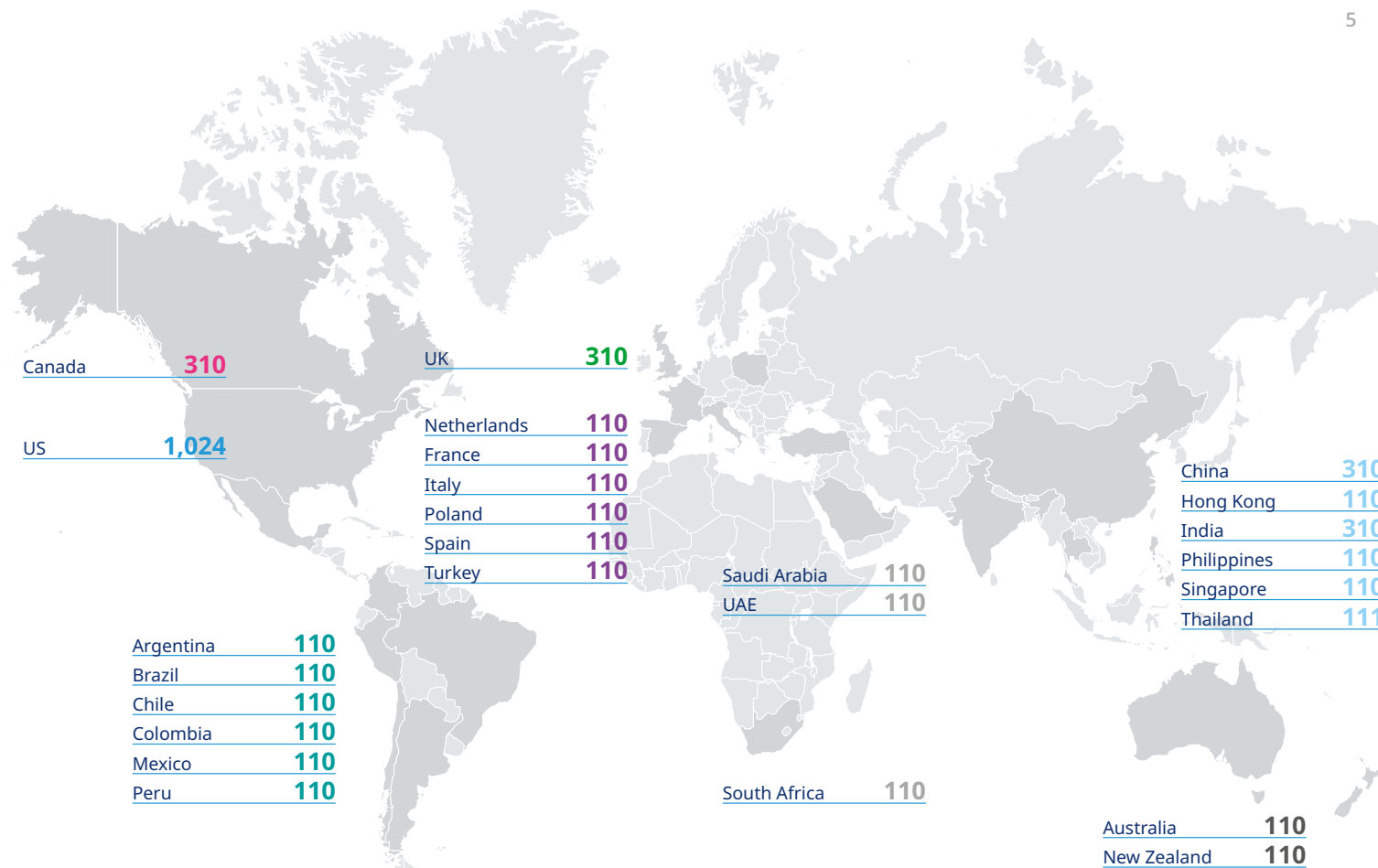
Data collected between October and November 2023.

Who

2,283 HR and 2,292 Risk professionals with job titles that include HR Director, Chief HR Officer, HR Manager, HR Coordinator and VP of Risk Management, Chief Financial Officer, Director of Finance, Director of Insurance and Risk Manager, Chief Information Security Officer and VP of Health and Safety.

Where

In 26 markets across eight regions.



Risk-ranking methodology

To establish the priority order of the 25 risks in this research, survey respondents were asked to assess the impact and likelihood of each risk on their business if it were to occur in the next one to two years. Throughout the report, we calculate and rank the risks by Risk Rating Score (RRS). RRS is a numeric score that captures the likelihood of the risk impacting the organization and the severity of its impact. See the Appendix of this report for more information.

How to use this report

Use this report to prioritize, identify and manage people risks across your organization:

Discover the most significant people risks facing businesses globally

Learn strategies for proactively managing people risks

Understand how to identify and overcome barriers to mitigating people risks

25 People Risks were analyzed



Technological change and disruption

- 4. Technology skills shortages
- 9. Lack of cybersecurity knowledge
- 13. Mishandling of data and intellectual property
- 15. Suboptimal HR benefits and other technology
- 18. Mismanagement of artificial intelligence



Talent, leadership and workforce practices

- 2. Labor shortages
- 6. Uncompetitive attraction and retention strategies
- 7. Ineffective leadership
- 10. Disengaged workforce
- 17. Misconduct and detrimental culture



Health, well-being and safety

- 8. Mental health deterioration
- 11. Pandemic and infectious disease
- 20. Healthcare system deterioration
- 22. Unsafe physical and psychological working conditions
- 25. Chronic illness



Governance, compliance and financial

- 1. Increasing health and benefit costs
- 5. Changing legislation and heightened scrutiny
- 12. Improper benefit, policy, and rewards decision making
- 21. Poor management of long-term benefit financial exposure
- 23. Weak administration and failure to fulfill fiduciary responsibilities



Environment, sustainability and protection

- 3. Disparities in executive and worker rewards and values
- 14. Natural disasters and extreme weather
- 16. Inadequate coverage for catastrophic personal life events
- 19. Absence of HR in business decision-making
- 24. Lack of diversity, equity, and inclusion

The number next to each risk is its ranking (out of 25) by RRS Score

Top risks for HR and Risk professionals

Both HR and Risk professionals view increasing health and benefits costs as their most pressing concern. This is driven by its high likelihood, as its severity score is further down the list. The top 10 risks for HR professionals are dominated by talent, leadership and workforce practice concerns, such as labor shortages. Risk professionals place a slightly greater focus on technological change and business disruption.

Key blind spots

The top 10 rankings reveal some key blind spots for both HR and Risk professionals, such as the deepening impact of weather-related events and natural disasters on parts of the workforce, as well as the relationship between health concerns such as chronic illnesses and increased health and benefit costs. Chronic illness was the lowest-ranked risk in the survey.

Collaboration



of respondents say HR and risk functions in their organizations collaborate to mitigate people risks.

The level of collaboration is higher among larger organizations, with 58% of organizations with 5,001 to 9,999 employees saying there is a great deal of collaboration between HR and Risk. In contrast, just 40% of organizations with 250 to 499 employees say this is the case.



Figure 2: Top risks for HR and Risk professionals

Top risks by region

The top 10 risks across regions show consistency, with concerns around health and benefit costs a top three concern in six out of eight regions. Only the UK did not identify this as a top 10 concern.

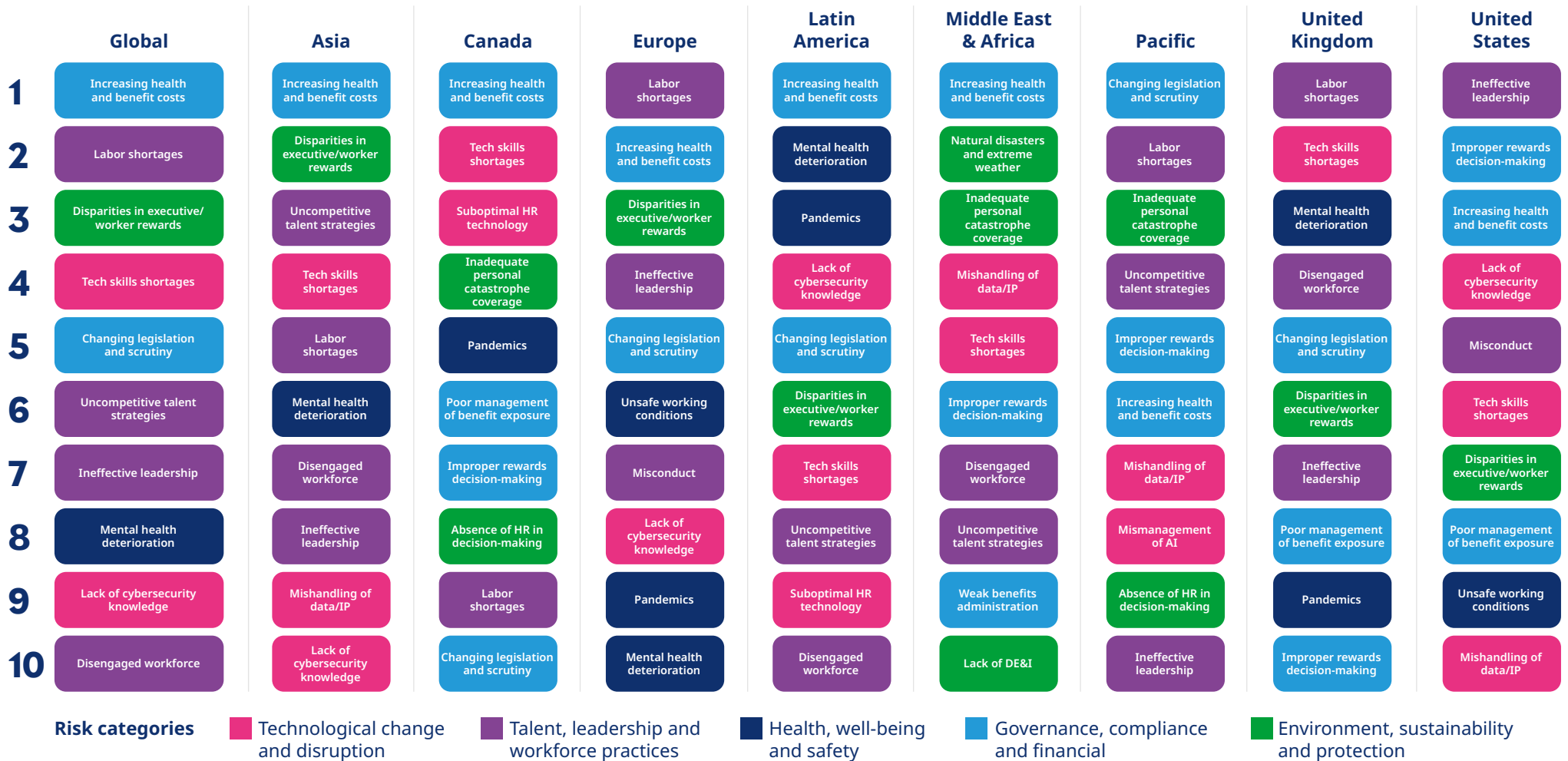


Figure 3: Top risks by region

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

Top 10 risks by industry

Talent, leadership and workforce practices are a near-universal concern across industries, dominating the global ranking and representing around a third of the top 10 risks in each industry sector except financial and professional services.

Technological change and disruption risks rank highly in the top 10 risks for communications, media and technology and professional services. These industries are acutely exposed to both the opportunities of emerging technologies and the risks of failing to

harness AI and cybersecurity effectively. Governance, compliance and financial risks are core in financial services and life sciences.



Figure 4: Top risks by industry

10 imperatives for addressing people risks

We derived the following 10 imperatives from responses to the 25 people risks and survey questions about top concerns affecting HR and Risk professionals. They represent the most significant actions for businesses aiming to mitigate people risks in 2024.



Technological change and disruption

Develop a workforce that fights bad actors

Use the collective power of your full workforce to protect against cyber threats, data breaches, misinformation and intellectual property theft.

Don't delay on addressing AI

Collaborate with leaders across your organization to understand the advantages and risks of artificial intelligence, evaluate uninsured scenarios, encourage safe adoption and build a digital-first people strategy.



Talent, leadership and workforce practices

Power the productivity of your people

Fight fatigue and improve performance by investing in employees' basic needs, work design, skills and tools.

Take ownership for creating a resilient organization

Build a culture that stands for risk management, trust, exceptional results and good health as you prepare for future crises and motivate the workforce towards a common purpose.



Health, well-being and safety

Design work for well-being

Broaden the scope of how your organization defines well-being at work, prioritizing the mitigation of psychological risks alongside physical safety.

Become a catalyst for health transformation

Seize the opportunity to advance employee health by supplementing strained health systems. Introduce innovations that create new models of care, foster benefits inclusivity and meet employees' changing expectations.



Governance, compliance and financial

Be prepared for benefits cost increases

As inflationary pressures on benefits costs persist, make changes to benefits program management now.

Get ahead of emerging governance gaps

Use strengthened controls and decision-making in the face of increased stakeholder scrutiny and legislative activity in areas such as benefits and rewards.



Environment, sustainability and protection

Address climate risks as health risks

Recognize that environmental issues are people risks, as climate events have a catastrophic impact on the health of employees, families and communities.

Minimize benefit disparities

Help counter compounding hardships by narrowing health, wealth and opportunity gaps to achieve improved prosperity and protection for all.

Chapter 1

Technological change and disruption



Top risks for HR and Risk professionals

As technology forges new jobs, delivery channels and products, it also introduces new risks and deepens existing ones. Technology skills shortages make job vacancies difficult to fill, from board-level executives with digital transformation expertise to cyber experts who can confidently adapt to a corporate environment. These factors have contributed to making technology skills shortages the fourth-highest ranked risk in our research.

There also are the consequences of increased technology use when governance is not in place to manage the risks: errors/misinformation/bias, security/data vulnerabilities and lack of human reasoning. For example, these may translate into qualification tools that exclude parts of the potential customer community and cause reputational damage, exposure of trade secrets through misuse of generative AI tools like ChatGPT and complaints from customers about engagement that lacks the human touch.

People risk actions mean creating a culture that is committed to protecting the organization from cyber threats, data breaches and intellectual property theft, as well as one that genuinely addresses AI and other disruptive technologies as both opportunity and threat. By driving a whole-workforce commitment to cybersecurity, organizations will be better placed to see and capitalize on the opportunities offered by technological change and disruption.



Risk rating score **Technological change and disruption risk rating scores for HR and Risk professionals combined**

4 **Technology skills shortages**
Shortage of highly-skilled workers in fast-changing technology fields, including cyber and artificial intelligence, leading to difficulty in developing, implementing and managing necessary technology and automation leading to decreased competitiveness.

9 **Lack of cybersecurity knowledge**
Insufficient knowledge and understanding of cybersecurity risks and best practices across all levels of the organization leading to increased risk of cyber-attacks, ransomware, and loss of operations capability.

13 **Mishandling of data and intellectual property**
Failure to properly handle, store and protect sensitive information against internal or external bad actors leading to data breaches, loss of sensitive/proprietary information, litigation, and damage to competitive advantage, reputation and trust.

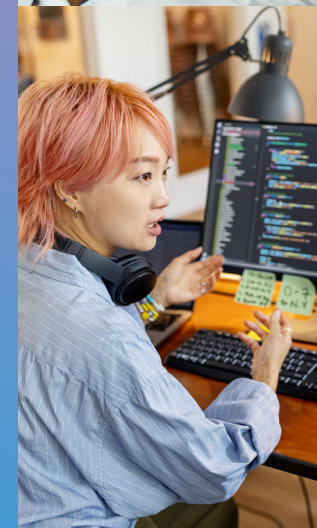
15 **Suboptimal HR, benefit and other technology**
Outdated or poorly implemented systems including a lack of automation leading to sub-optimal employee experience or ineffective use of data, hindering the ability to deliver higher-value support to the business.

18 **Mismanagement of artificial intelligence**
Inappropriate and uninformed business or employee use of artificial intelligence leading to bias, errors, loss of intellectual property and knowledge, resulting in legal action, brand and reputational risk.



Real world situations

- The Chief Information Security Officer (CISO) that is impossible to hire
- The experienced manager who 'doesn't do apps'
- The employee census file that is sent to the wrong party by mistake
- The benefits platform that undermines the employee experience (EX)
- The programmer who unknowingly uses malicious code output from an AI chatbot



Develop a workforce that fights bad actors

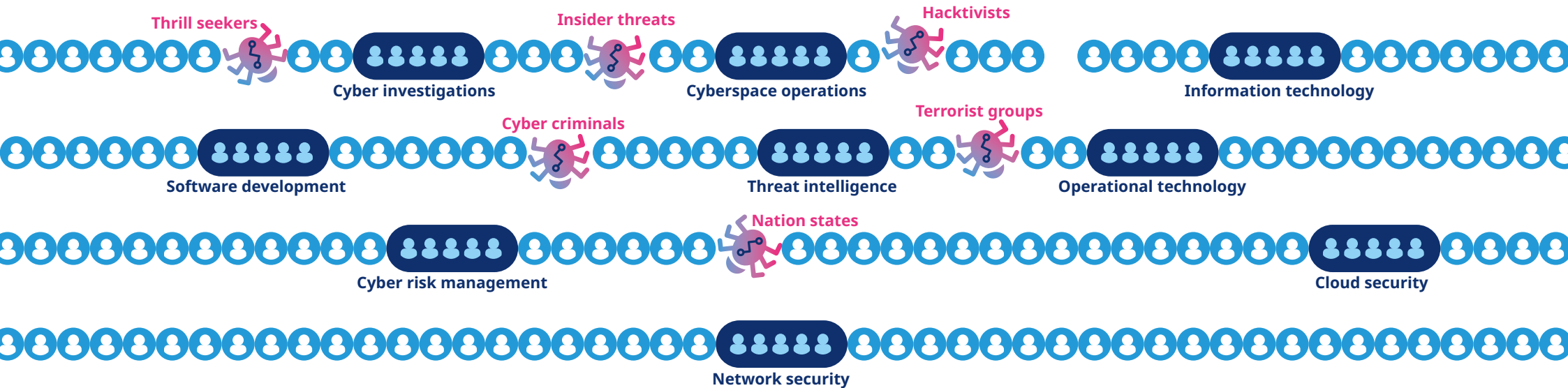
Protecting organizations from growing risks such as cyber threats, data breaches and intellectual property threats requires the collective power of the entire workforce. But technology skills shortages and a lack of cybersecurity awareness across all employees are now top people risk concerns.

Addressing cyber people risk means:

- Equipping the entire workforce to understand their roles in protecting the organization
- Attracting and retaining the right cyber skills and talent

HR and Risk professionals' top concerns focus on lack of cybersecurity awareness and cyber expertise. Organizational design, including culture, pay, benefits and talent management are also significant factors.

Figure 5: The cyber workforce and the full workforce must protect against cyber threats¹



The cyber workforce and the full workforce must protect against cyber threats

¹ Adapted from "National Cyber Workforce and Education Strategy" <https://www.cyber.gc.ca/en/guidance/introduction-cyber-threat-environment>

Lack of cybersecurity awareness and expertise are the primary concerns related to technology skills shortages

Regarding technology skills shortages, what are you concerned about in your role?

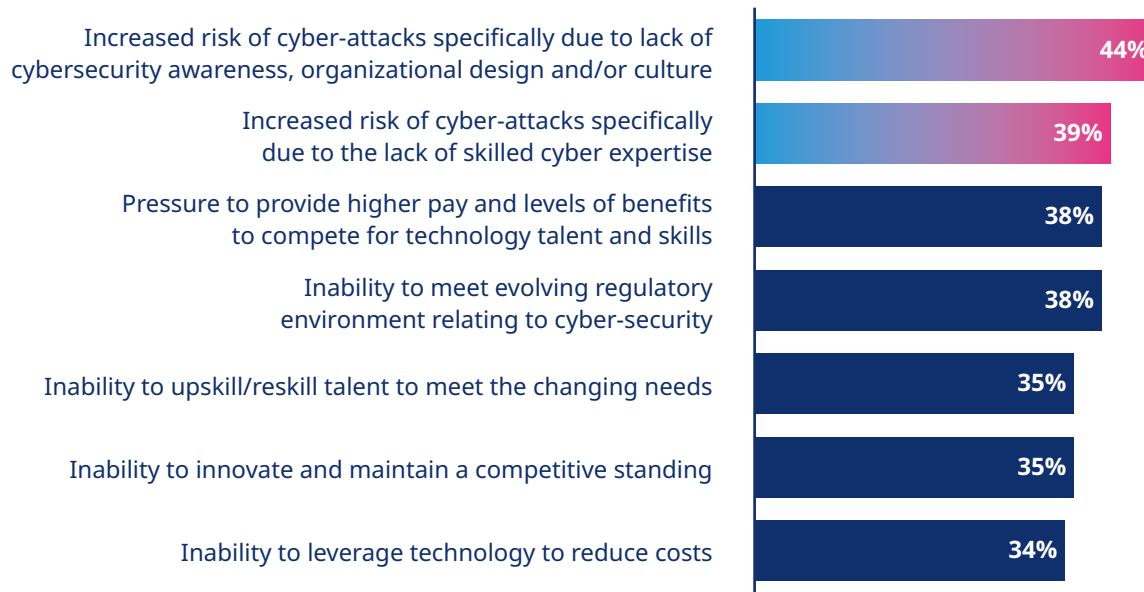
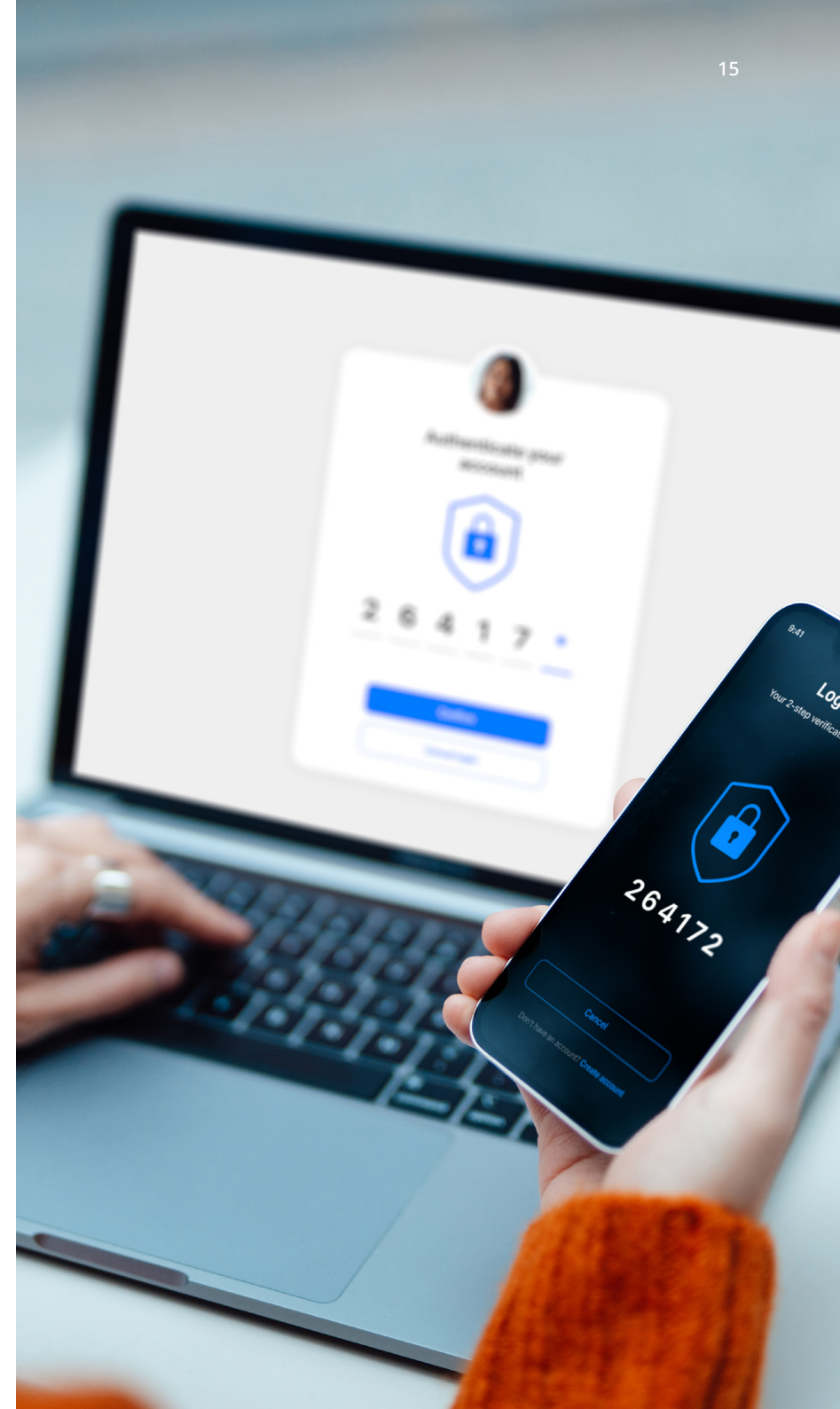


Figure 6: Key concerns about technology skills shortages



Equip the entire workforce to mitigate cyber risk

Lack of cybersecurity knowledge is the ninth-biggest risk in this year's ranking by RRS. Of the five risks identified as fundamental to technological change and disruption, Risk professionals rank this highest while HR professionals see it as less of a priority, perhaps signaling an oversight in awareness.

From 2017 to January 2024, Marsh McLennan's Cyber Risk Analytics Center shows that the average cost of a cyber event is \$18.8 million.² With cyber threats becoming more sophisticated and difficult to detect, the number of organizations impacted is likely to increase. The vectors being used are evolving, with misinformation playing a key role. For example, in February 2024, a Hong Kong-based finance worker was deceived by an AI-generated deepfake of the company's CFO and sent \$25.6 million to scammers.³ Mitigating this requires awareness across the organization, without exception.

55%

of CEOs are very confident about their cyber-risk program and are constantly reviewing new information and making updates accordingly.⁴

Cyber resilience strategies

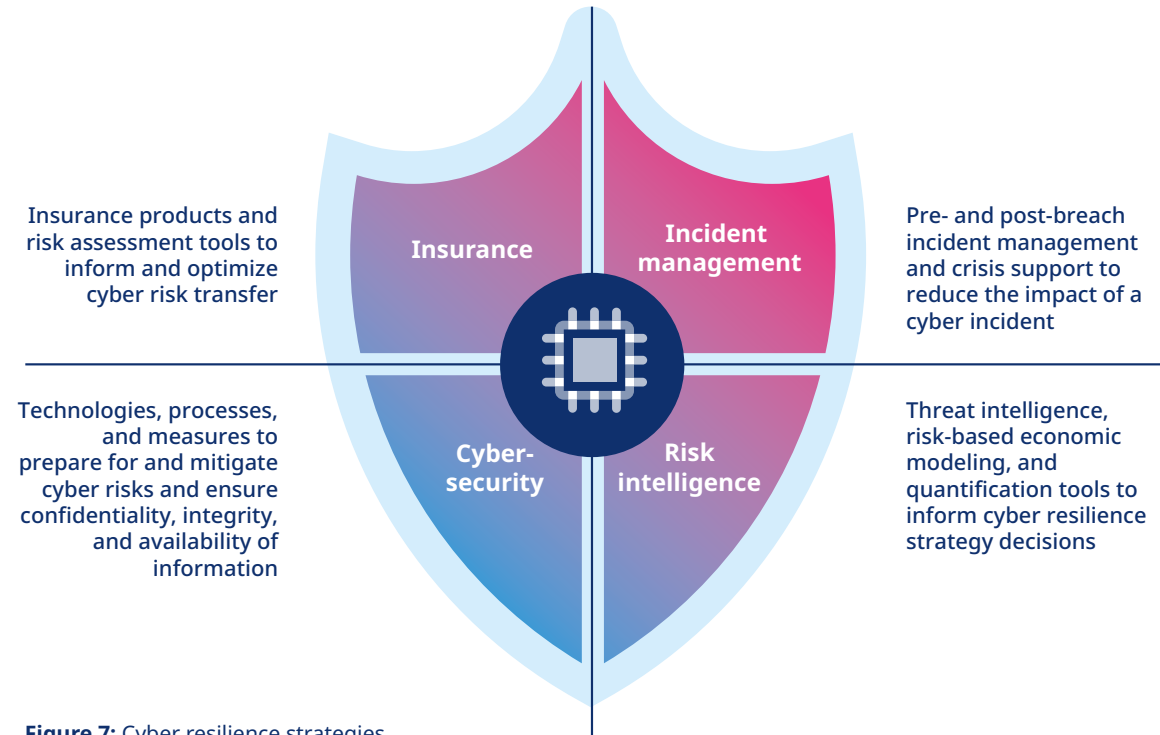
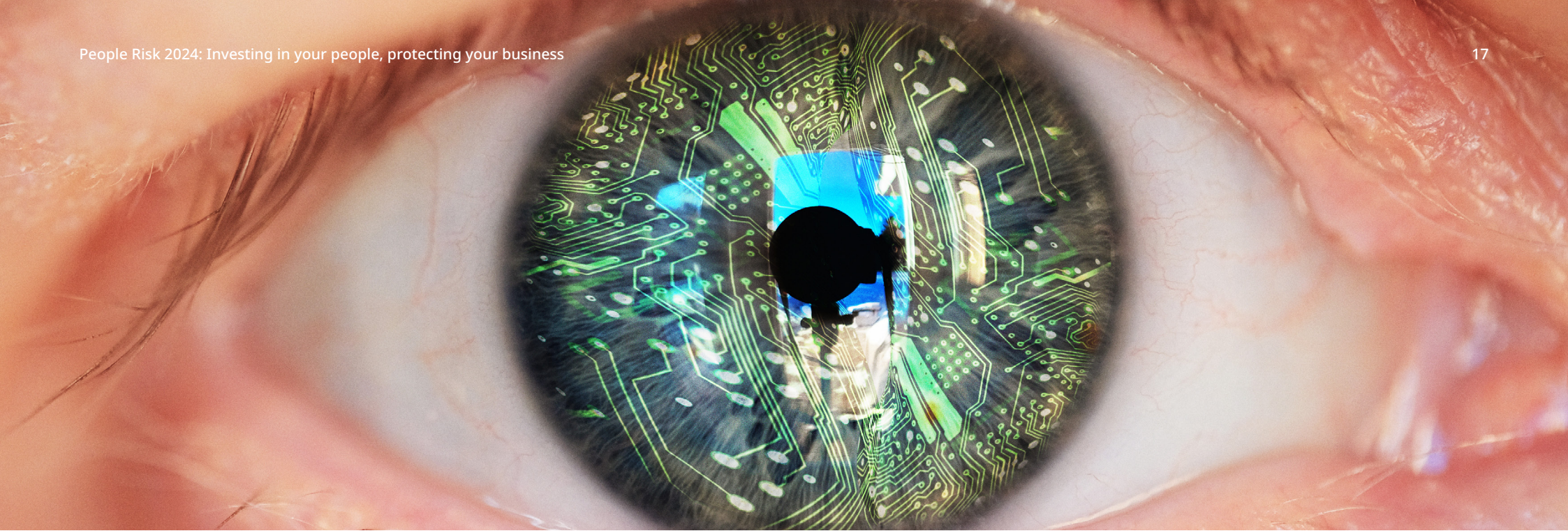


Figure 7: Cyber resilience strategies

² Marsh McLennan Cyber Risk Analytics Center. 2017-2024 average cost of privacy and extortion events.

³ CNN Report. "Finance worker pays out \$25 million after video call with deepfake 'chief financial officer'," 2024, available at <https://www.cnn.com/2024/02/04/asia/deepfake-cfo-scam-hong-kong-intl-hnk/index.html>

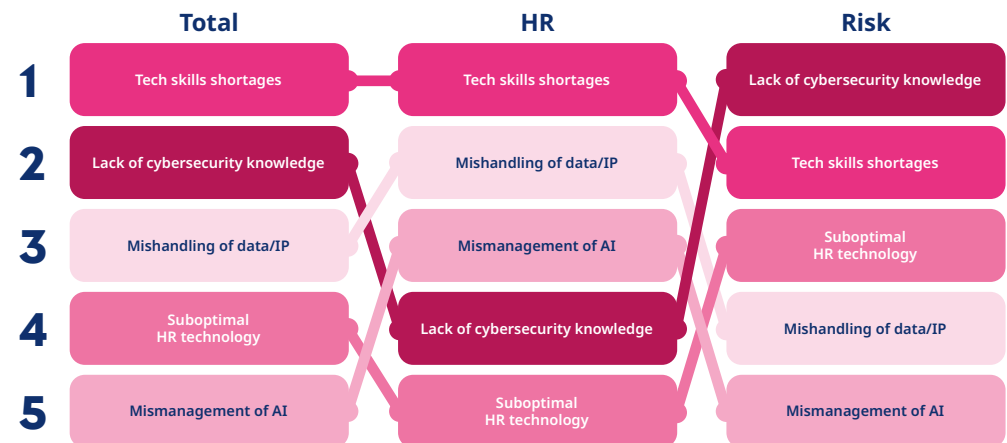
⁴ Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>



Address skills shortages

Technology skills shortages are a key concern for both HR and Risk professionals as demand continues to outstrip supply, despite the global cybersecurity workforce growing 8.7% to 5.5 million people between 2022 and 2023. However, the cybersecurity workforce gap has reached a record high, with 4 million additional professionals needed to adequately safeguard digital assets.⁵ With constraints on cash incentives and pay, organizations need to understand the reasons why these highly valued employees join or stay with their employer – from an organization’s purpose, values and culture to a broader suite of rewards, career path opportunities and benefits.

Figure 8: Tech skills shortages are a concern for HR and Risk professionals, but HR is less focused on organization-wide cybersecurity knowledge



⁵ ISC2. "ISC2 reveals growth in global cybersecurity workforce, but record-breaking gap of 4 million cybersecurity professionals looms," 2023, available at <https://www.isc2.org/Insights/2023/10/ISC2-Reveals-Workforce-Growth-But-Record-Breaking-Gap-4-Million-Cybersecurity-Professionals>

HR and benefits administration systems are a weak point

Among technological change and disruption risks, HR professionals identified **'mishandling of data and intellectual property'** as the second-highest risk. This highlights that while HR professionals are aware of the antiquated processes and tools being used, they view the risk of suboptimal technology as less of a priority — despite the fact that technology improves employees' experience.

Technology improves the employee experience

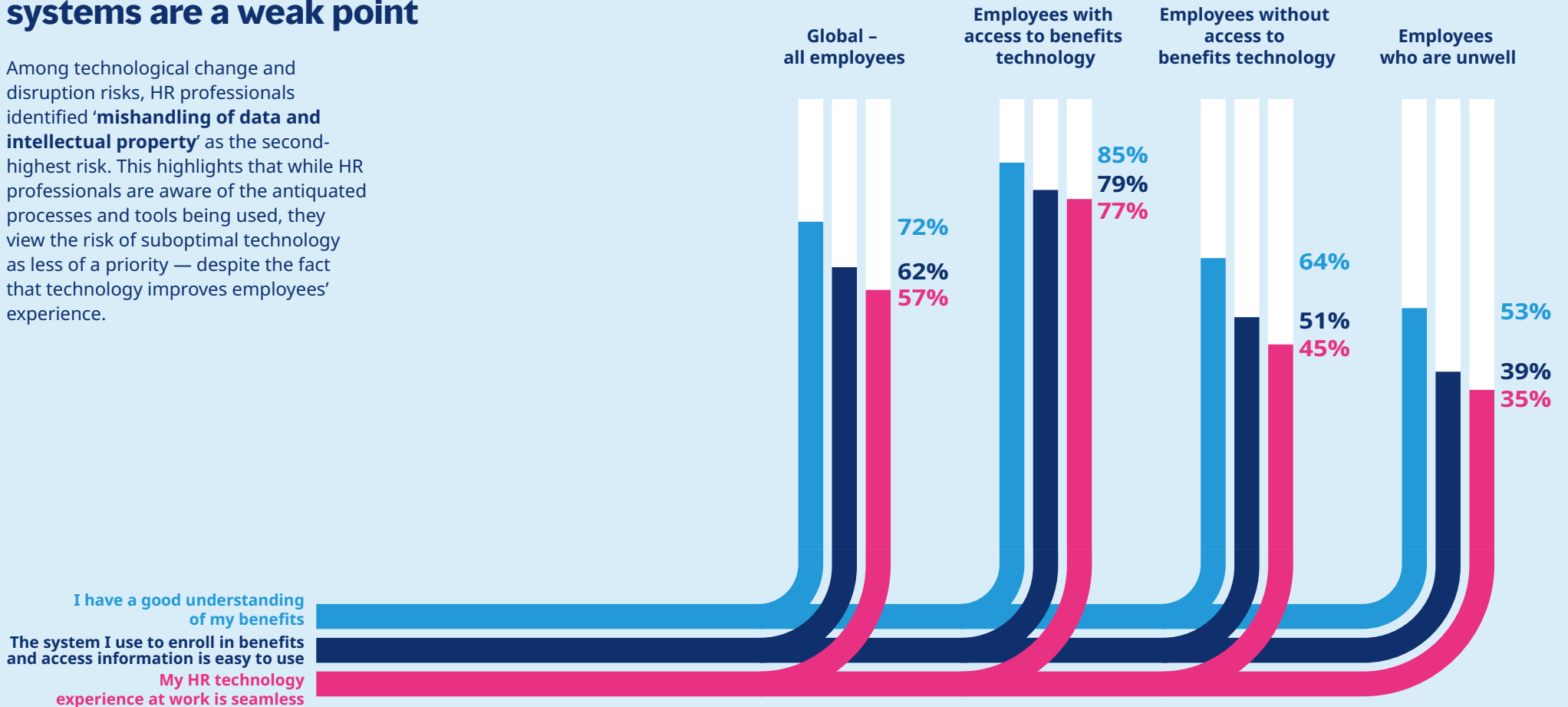


Figure 9: Technology improves the EX⁶

⁶ Mercer Marsh Benefits. "Benefit Technology Trends Report," 2023, available at <https://www.mercer.com/insights/total-rewards/employee-benefits-strategy/employee-benefits-and-technology-trends-report/>

Sharing unencrypted employee census data with benefits and other vendors for administration purposes is still common practice in many markets. This creates vulnerabilities that can be easily exploited by third parties.

Meanwhile, enterprise-wide HR systems are not always well equipped for benefits administration, which may require safeguards such as supplementing platforms with additional niche technologies and automation. Making sure that executives are aware of the potential shortcomings of HR systems is essential. The top concern related to obsolete HR platforms is senior leaderships' expectations that enterprise-wide technologies will solve all problems without the use of niche technology.

Regarding sub-optimal HR, benefit and other technology, what are you concerned about in your role?



Don't delay on addressing AI

Where is the right balance between putting too much trust in AI and under-investing in a transformative technology? How leaders and workforces approach AI as it evolves will be integral to developing digital-first people and business strategies and evaluating insurable and uninsurable risks related to its use.

Employees are already engaging with generative AI everyday as consumers. While employers may simply ban the use of generative AI, this is not an effective strategy, as it is readily available and accessible. Instead, employers should navigate the challenge of enabling employees to leverage generative AI for work-appropriate use while mitigating risks involved (see 'Generative AI at work' graph).

Top concerns focused on employee behavior, such as over-reliance on AI and non-compliance with regulations. Poorly implemented or managed AI solutions also pose business risks related to legal, reputational and data management, including cyber vulnerabilities.⁷ Wider societal concerns include the risk of generative AI deepening inequalities and the impact on mental well-being of employee worries over job security.

In contrast, the C-suite is concerned about the failure to adopt AI and automation, seeing this as its top near-term risk according to Mercer's Global Talent Trends 2024 research.⁸ The potential for AI to be used in business as a force for good is significant. An estimated 300 billion work hours could be saved globally every year, roughly equivalent to an average of two hours per person per week.⁹

⁷ Marsh. "Generative AI: Understanding the risks and opportunities," 2023, available at <https://www.marsh.com/us/services/cyber-risk/insights/generative-ai-understanding-the-risks-and-opportunities.html>

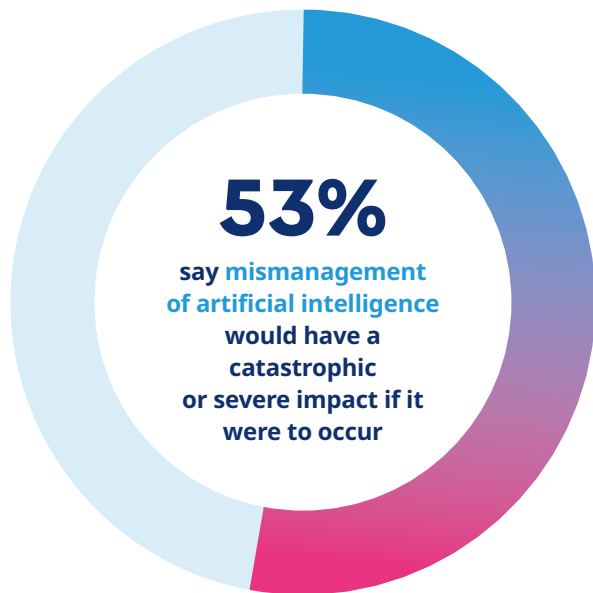
⁸ Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

⁹ Oliver Wyman Forum. "How generative AI is transforming business and society," 2024, available at <https://www.oliverwymanforum.com/content/dam/oliver-wyman/ow-forum/gcs/2023/AI-Report-2024-Davos.pdf>





Figure 10: Top concerns related to mismanagement of AI



Regarding mismanagement of artificial intelligence, what are you concerned about in your role?



Generative AI at work

How often are you using generative AI in your current job?

% all employees, by country¹⁰

Use AI at least once a week Use AI daily

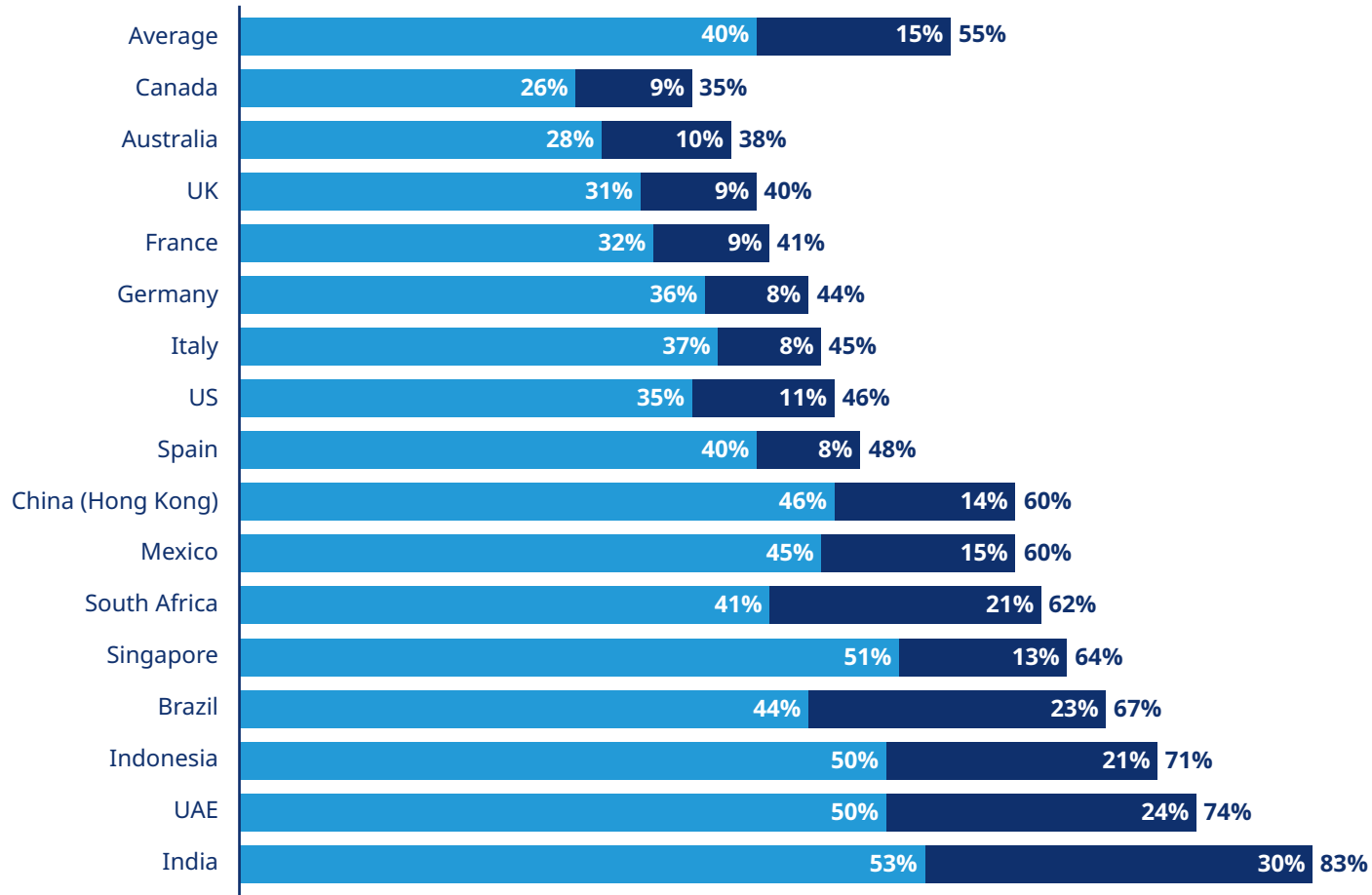


Figure 11: Employers are already engaged with AI at work

¹⁰ Oliver Wyman Forum. "How generative AI is transforming business and society," 2024, available at <https://oliverwymanforum.com/content/dam/oliver-wyman/ow-forum/gcs/2023/AI-Report-2024-Davos.pdf>



Get to grips with AI policy

AI can unlock incredible potential and is an essential part of digital transformation. However, risk management of an ill-defined, continuously evolving and much misunderstood technology that presents as many concerns as opportunities is a key challenge for organizations globally.

HR and Risk professionals require a coordinated approach to establishing risk frameworks and enforcing them consistently across organizations to rein in threats and maximize AI's positive uses.

- Engage senior leaders across multiple functions including business, technology and compliance
- Build leadership and employee awareness and set expectations of AI use with clear guidelines
- Provide organization-wide training on acceptable use, security threats and actions to take in an AI-generated crisis (e.g., data breach)
- Create an employee value proposition (EVP) that embraces reskilling, rather than skills redundancy
- Implement centralized governance, risk and compliance processes to monitor and adapt quickly to emerging legislation, new developments and threats
- Consistently monitor emerging AI use cases in the company and assess corresponding risks
- Devise and adopt enterprise-wide controls for limiting or enabling access to AI tools
- Identify gaps in insurance that may leave an AI-related incident uncovered



AI's impact on HR

The HR profession is feeling the impact of AI and technology change across skills, policy development and tools.

Top HR processes or outcomes that use AI are¹¹:

Performance management (46%)

Skills assessment (46%)

Learning upskilling/reskilling (46%)

Top processes or outcomes where they are not using AI today but plan to do so in 2024 are¹²:

Work redesign (48%)

Mitigating employee burnout (41%)

Employee "nudges" to navigate their career (40%)

Given the sensitivity and complexity of health and benefits, those responsible for this area should closely monitor AI's impact:

Navigating health and benefits AI risks and impacts (a sample list)

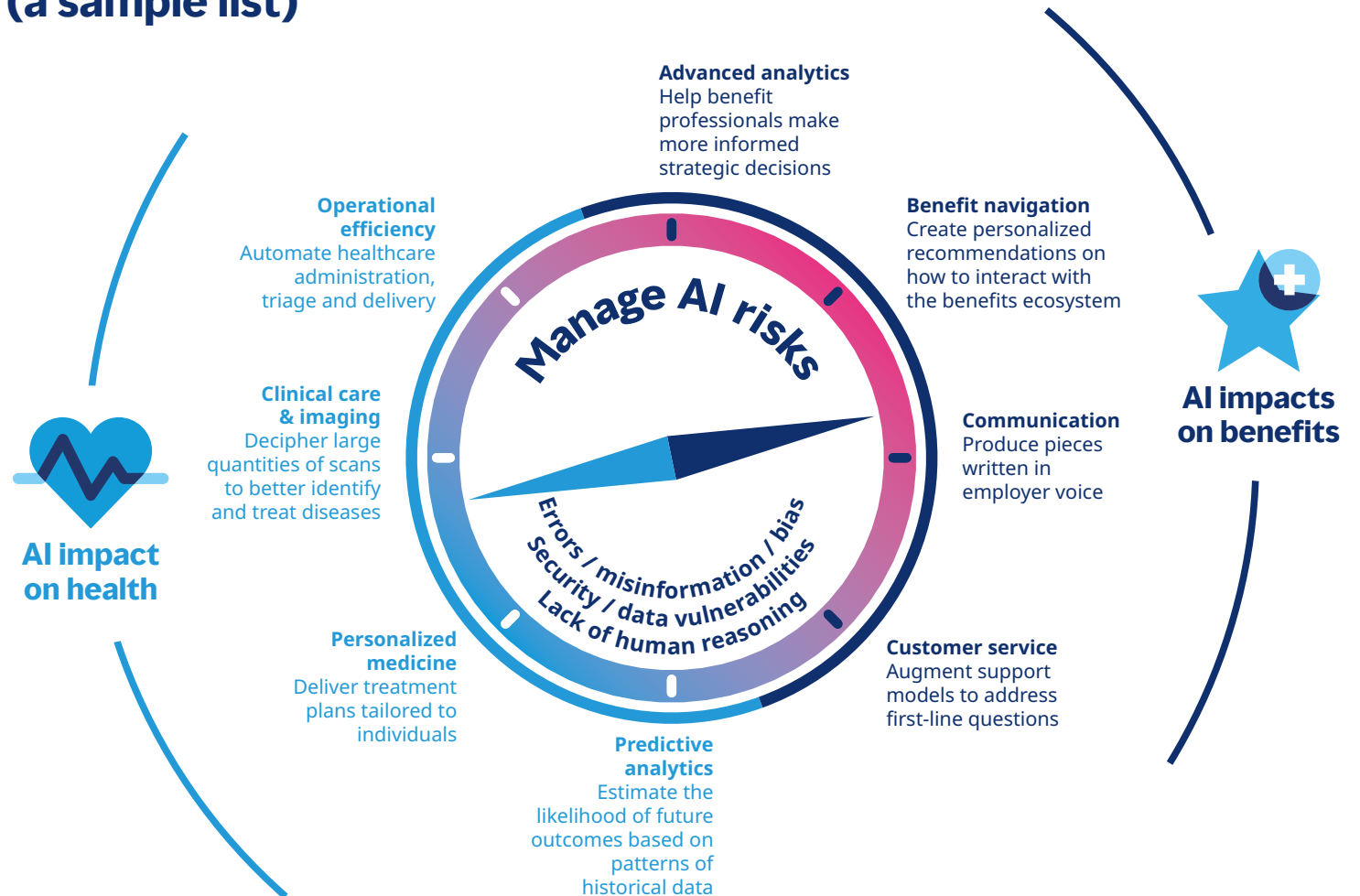


Figure 12: Navigating health and benefits AI risks and impacts

^{11,12} Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

Technological change and disruption recommendations



Take an enterprise-wide approach to cybersecurity and AI use so that all employees become guardians of organizational assets

Engage with the potential opportunities and threats of generative AI. Involve the whole organization in developing policies and use cases

Plan for future disruptive technology needs and create skills maps, upskilling and reskilling programs to ensure the organization has access to the knowledge it needs

Understand the limitations of enterprise-wide HR software and consider specialist solutions where appropriate. Manage senior executives' perceptions of enterprise-wide software's capabilities

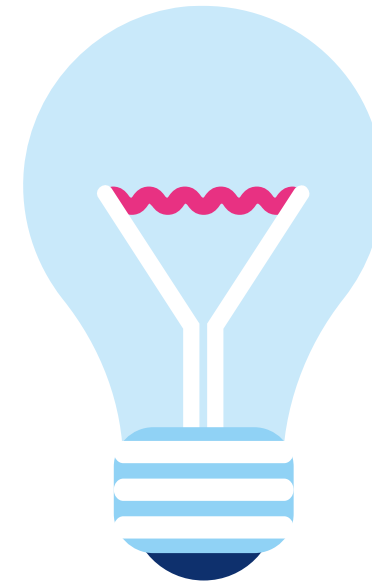
Recognize that AI use is already widespread among employees as consumers, so its use demands clear boundaries in the workplace

Reassess recruitment processes and partners for cyber roles to ensure hiring is wide-ranging and inclusive

Listen to and review the employee value proposition (EVP) and employee experience (EX) through the lens of cyber talent. Will it inspire and attract people with the required skills?

Chapter 2

Talent, leadership and workforce practices



Top risks for HR and Risk professionals

Organizations can only remain competitive and plan for the future if they can recruit and develop the right skills, talent and leadership. Business practices are transforming at extreme speed, as are the skills needed to remain competitive and forge ahead through future innovation. The modern workforce cares quite considerably about the credibility of the promises organizations make to colleagues, communities and customers.

Workers' expectations of the workplace are also evolving. Leadership needs to be able to recognize those changing needs, inspire engagement and loyalty and take action on supporting their people through critical moments. They must also be equipped to lead through a crisis – acting decisively, communicating effectively and benefiting from hard-to-earn trust and a culture of risk management.

Benefits, reward and culture are all part of offering a solid EVP that will resonate with various populations and attract and retain top talent. Successful EVPs not only reflect workers' values, but also connect to a wider organizational purpose. But with limited budget, benefits and pay strategies require creativity. Defining an employee experience (EX) that supports talent acquisition and retention strategies is a core part of mitigating risks.



Risk rating score

Talent, leadership and workforce practices risk rating scores for HR and Risk professionals combined

2

Labor shortages

Insufficient number of qualified candidates to meet job vacancies leading to greater competition for talent, higher wages, and limitations on growth.

6

Uncompetitive attraction and retention strategies

Ineffective combination of pay, rewards, benefits, career development, and employee experience leading to the inability to attract and retain talent needed to meet business objectives.

7

Ineffective leadership

Inadequate leadership skills (weak decision-making, communication, emotional intelligence, vision and direction, succession planning, and/or disconnect from organizational values) leading to lack of trust, high employee turnover, decreased productivity, and reputational issues.

10

Disengaged workforce

Lack of enthusiasm, ambition, proactivity, and sense of purpose or belonging, leading to low morale, decreased productivity and stagnant innovation.

17

Misconduct and detrimental culture

Misconduct in the workplace including corruption, bullying, harassment, dangerous behavior, fraud, espionage, the wrongful or illegal sharing of proprietary information, and/or cultures that foster behaviors that are misaligned to corporate values, illegal or unethical.



Real world situations

- The obstetrics department that shuts down due to a lack of skilled personnel
- The devoted team that no longer can afford to work for the organization
- The branch manager not equipped to deal with a crisis
- The cynical employee not confident enough to resign
- The supervisor who tolerates mediocrity



Power the productivity of your people

There are limits to the “do more with less” mantra that often characterizes organizational change and shareholder expectations. Employers that want sustainable productivity gains from their workforces should start with:

- Meeting employees’ needs
- Optimizing work design or redesigning work to take advantage of AI
- Acquiring the right workforce skills and mechanisms to reskill and upskill
- Giving employees the tools they need to be sustainably productive.

Point of view regarding productivity influencers

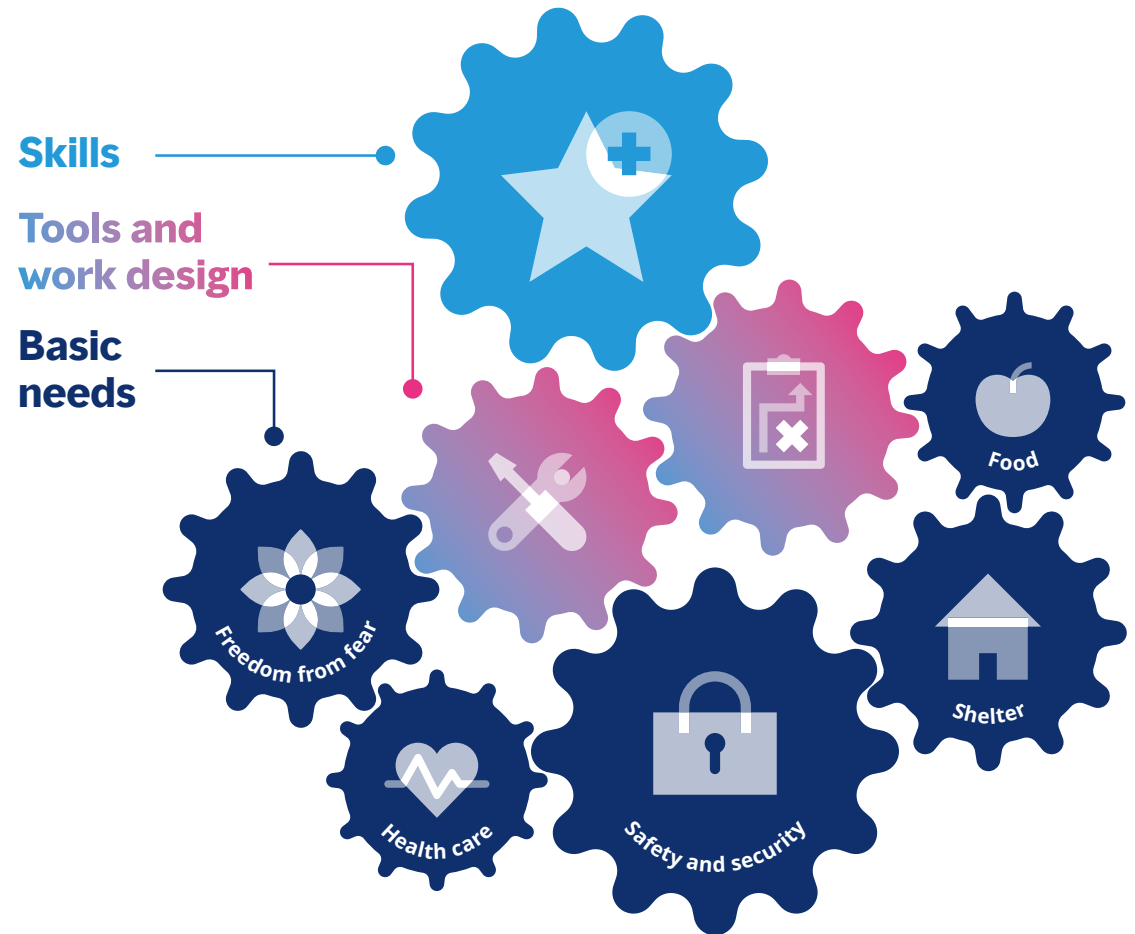


Figure 13: Productivity influencers

Short-term pressures such as labor shortages and employee burnout, combined with longer-term demographic trends like an aging population, are pressuring skills availability, individuals' workloads and team effectiveness. Business continuity and increased errors present day-to-day challenges, with future issues such as business innovation and product development also at risk.

To mitigate this, organizations need effective, competitive attraction and retention strategies, as well as a clear strategy for maximizing the productivity of their current workforce. Employees and executives are mainly aligned in saying that key barriers to productivity include too much busy work, insufficient thinking time and ineffective organizational structures (see Figure 15).

Improving productivity is the #1 transformation driver this year, but are we adequately tackling what workers say depletes it?

(Source: Global Talent Trends 2024)

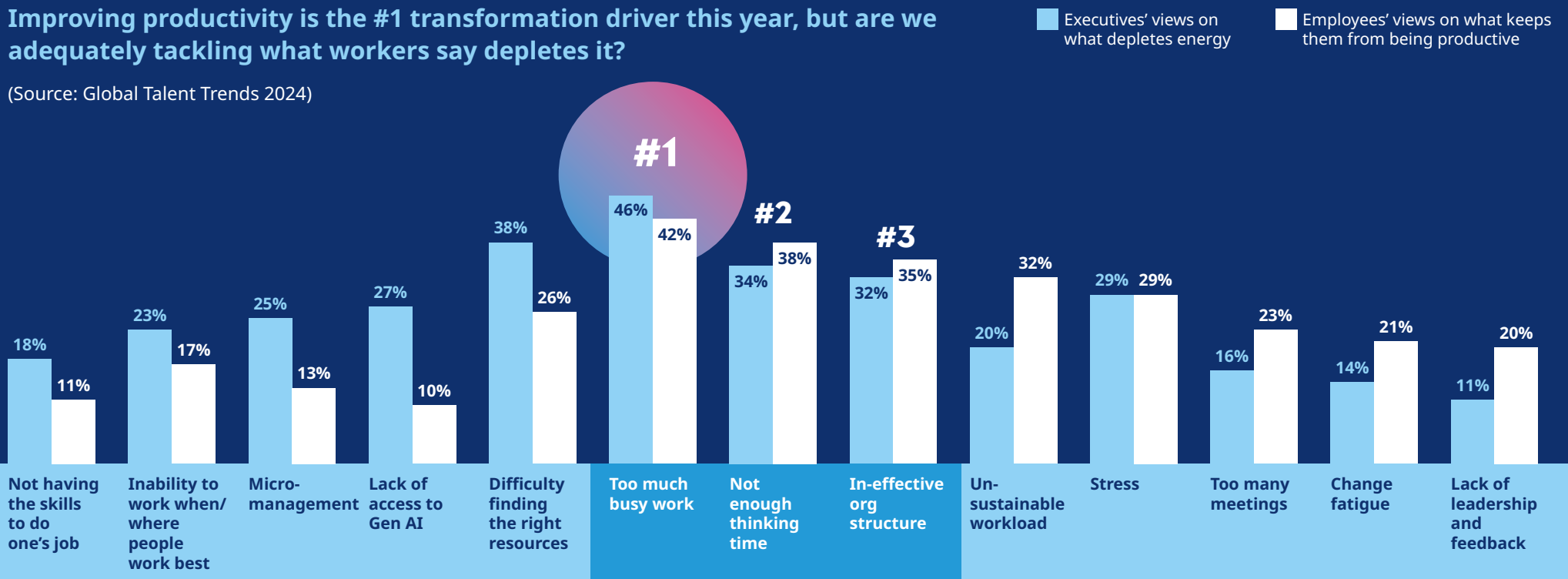


Figure 14: Executives and employees are aligned on key causes of lost productivity.

Meet employees' basic needs

For people to be productive, their basic needs, such as support for their health and a living wage are foundational. MMB's Global Health on Demand 2023 research found that care fundamentals such as access to health evaluations and paid sick leave are far from universally available from employers.¹³ Concerns over being able to support and afford family healthcare are an issue for around one in five employees of the workforce globally (see Chapter 5 for greater description on inequity in the workplace).

Workforce productivity is linked to health and well-being. Employees increasingly expect their employers to play a part in enabling them to become and remain well.

Employer-sponsored health support is inconsistent¹⁴

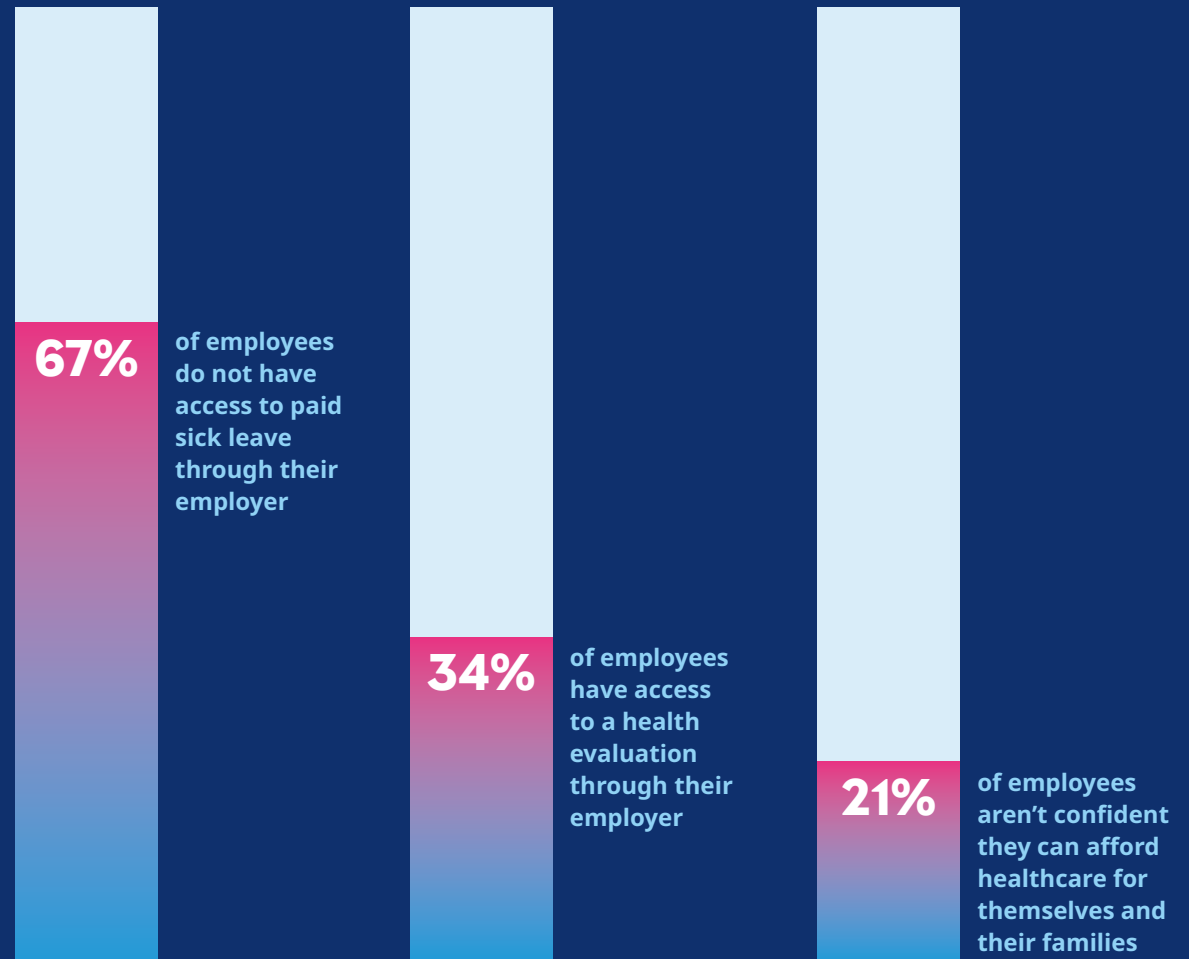


Figure 15: Employer-sponsored health support is inconsistent.

^{13,14} Mercer Marsh Benefits. "Health on Demand," 2023, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-strategy/health-on-demand-2023-survey-report/>

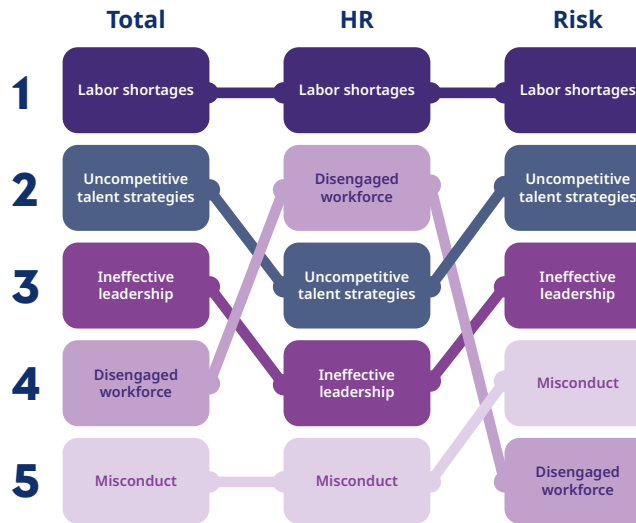
Optimize work design

MMB's Global Talent Trends 2024 research found that 98% of organizations are planning work redesign in 2024. The top changes planned are¹⁵:

- redesigning career models/pathways
- deconstructing jobs into tasks

Supporting these changes requires wider structural change, such as a shift towards internal centers of excellence, centralized models that can make the most effective use of skills and tools like generative AI and outsourcing selected activities. Effective supply chain management is also fundamental to combining internal people resources and external suppliers like contingent workers in a coherent and productive way.

Figure 16: Talent, leadership and workforce practice risks



Acquire the right workforce skills

While technology skills may be a critical gap in workforces, employers in many sectors are also grappling with wider labor shortages, from sales professionals to nurses, which in part explains why this is ranked the top risk in this section for HR and Risk practitioners.

Uncompetitive talent strategies (attraction and retention) are also a top three risk for both HR and Risk professionals. Their biggest concern is being able to secure specialized skills to drive innovation and deliver services.

An insufficient number of suitably skilled candidates for vacancies means that employers need to mitigate the risk of leaving key vacancies unfilled for long periods by mapping skills needs and addressing shortages within the existing workforce. This is especially important as many employees' current skills will become outdated; employers are urged — for example, through the Good Work Framework — to help foster employability and a learning culture.¹⁶

Upskilling (i.e. giving employees the skills they need to enhance their current roles), reskilling (giving employees the skills they need to fulfill new roles) and career planning for the existing workforce are vital. This is also a key focus for the C-suite, with 69% saying that training and up/reskilling will enhance productivity.¹⁷

^{15,17} Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

¹⁶ World Economic Forum. "Good Work Framework," 2022, available at <https://initiatives.weforum.org/good-work-alliance/gwf>



Regarding uncompetitive attraction and retention strategies, what are you concerned about in your role?

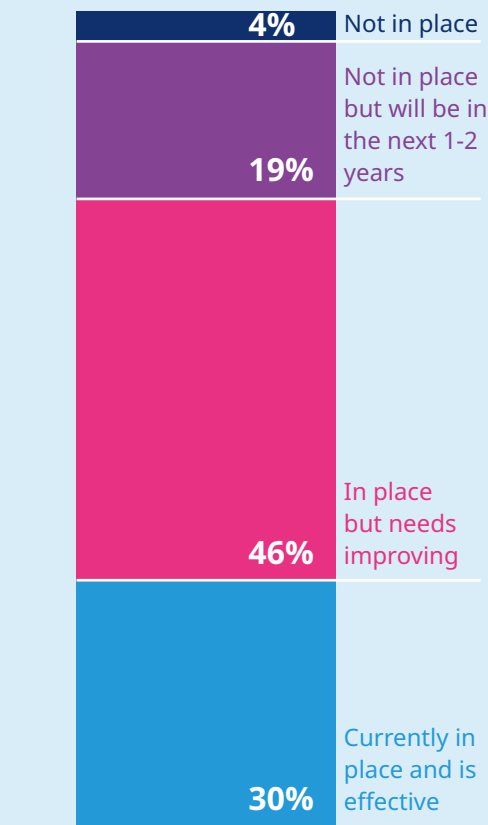


Figure 17: Uncompetitive attraction and retention strategies concerns

Breaking down the skills needed for a job and then identifying where there are mismatches with talent within the organization is a key starting point. It may be possible to shift some work to more junior roles or evaluate whether tasks can be made part of full-time, part-time or gig worker roles.

We asked organizations whether they have a workforce strategy where talent can be acquired, grow and be deployed based upon skills. While the majority (76%) have measures in place, 46% acknowledge that this strategy needs improving.

Figure 18: Do organizations have risk mitigation measures for talent acquisition and skills development?



Workforce strategy where talent can be acquired, grow and deployed based upon skills



Employees who report that their organization provides them with the skills they need to succeed are nearly 50% more committed to their organization.¹⁸



¹⁸ Mercer. "Inside employees' minds," 2024, available at <https://www.mercer.com/en-us/insights/talent-and-transformation/attracting-and-retaining-talent/2023-2024-inside-employees-minds-survey-report/>

Give employees the tools they need to be productive

Setting people up to do their jobs effectively means giving them the tools they need to maximize productivity. This includes technology and analytics, and extends further to such forms of support as lone worker protection tools in remote environments, or heat monitors for construction workers where extreme temperatures are a risk. That feeds into organizational priorities of efficiency and work design.

CEOs are aware of the potential of generative AI to become an effective workplace tool. Over a quarter (27%) believe that lack of access to generative AI is depleting workers' energy.¹⁹

¹⁹ Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>



Define the employee experience and employee value proposition

Nearly a third of organizations (30%) say they have an effective, clearly defined employee value proposition (EVP) in place. An EVP that identifies tailored reward and benefits practices and sets out principles for a positive employee experience (EX) is fundamentally linked to attraction and retention strategies when communicated loudly and clearly. This in turn helps to address labor shortages, which is our top-ranked risk in this section (see page 32).

To create an attractive EX, organizations need the ability to craft experiences that people want at work, supporting productivity and delivering business value. Individually, people feel enabled to perform, trusted and secure. Collectively they feel heard, part of a community and that they can win together.

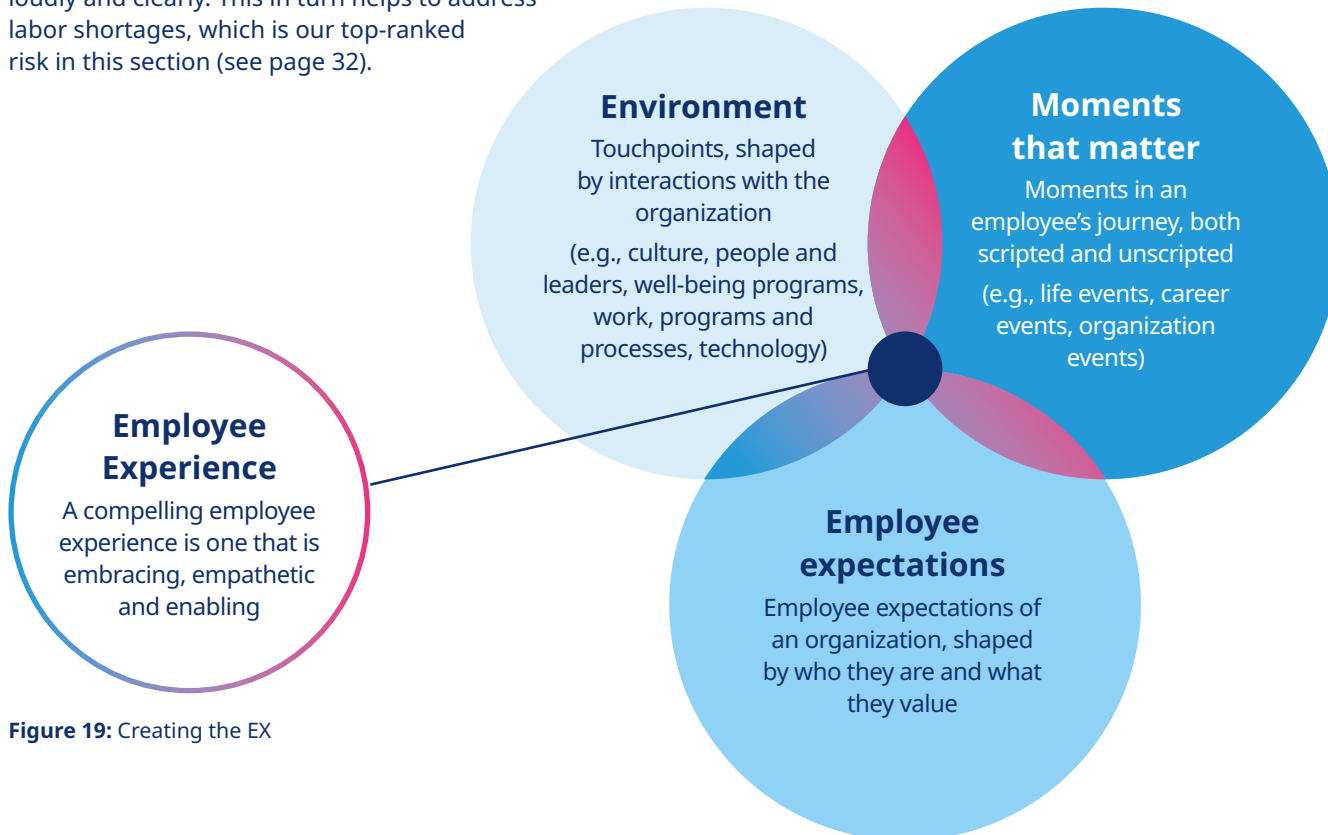


Figure 19: Creating the EX

Key actions for creating a winning employee experience (EX)



Streamline the process of creating an EX by involving employees, understanding their expectations and empathizing with key demographics.

Map their journey through moments of change in their lives to identify EX gaps and opportunities to better support employees.

Identify touchpoints in the work environment that impact EX. Break down organizational silos to improve employees' journey across these touchpoints.

Communicate the EVP clearly through the use of a variety of media, reminding employees of their benefits at multiple touchpoints, communication channels and through internal authentic influencers.

Take ownership for creating a resilient organization

Businesses are facing a blend of societal, business and people risks. Beyond current known sources of risk, organizations also need to be able to predict and mitigate future threats in a way that is proactive, predictive and disciplined. Dealing with this turmoil demands exceptional organizational resilience. Creating a culture of risk management, performance and financial, physical and emotional health will help motivate and fuse the workforce around business goals and crisis response when needed.

Build effective leadership

Exemplary leadership involves the ability to define vision, communicate organizational purpose, motivate the workforce and navigate a crisis. Ineffective leadership is seen as the #1 most severe risk, although it is ranked as the #7 risk by RRS.

Ineffective leadership ranked 1st

most severe potential risk globally if it were to occur in an organization

Regarding ineffective leadership, what are you concerned about in your role?

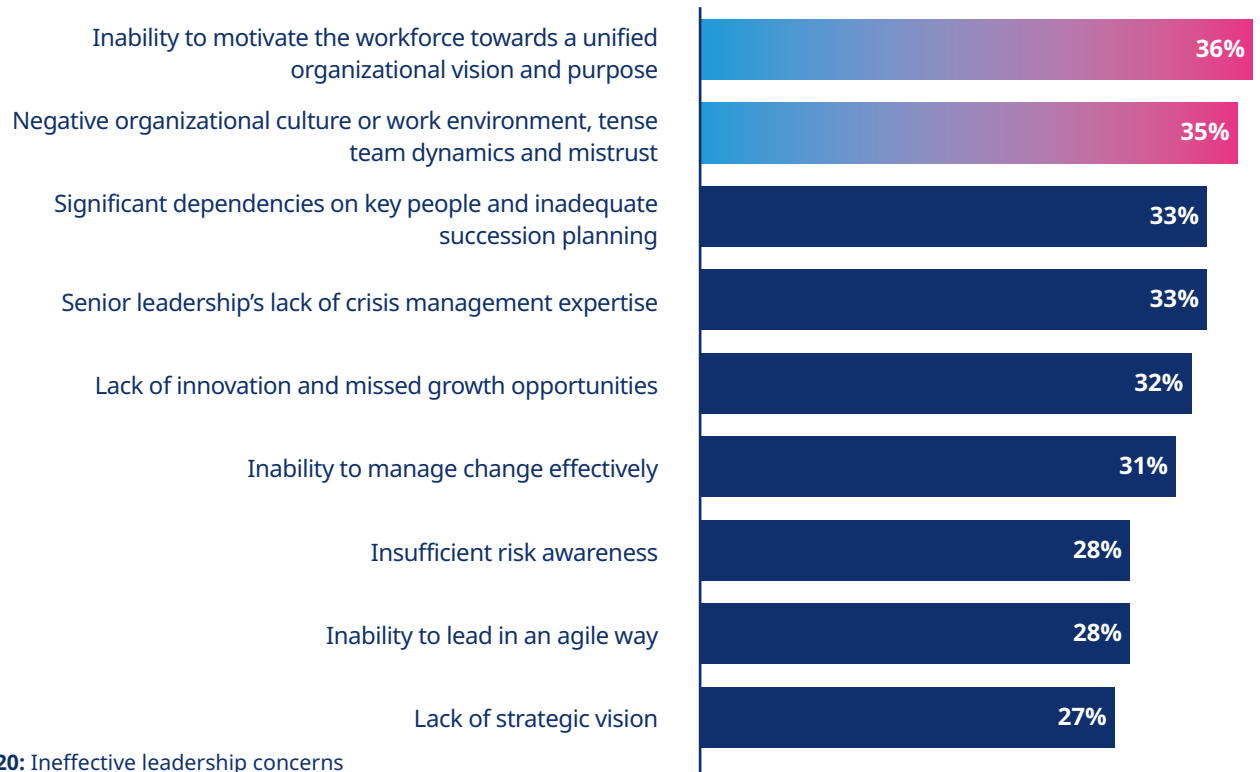


Figure 20: Ineffective leadership concerns

Senior leadership’s lack of crisis management expertise is a significant cause for concern, with a third of organizations identifying this as an issue. Ensuring that executives are visible, engaged, informed and agile in a crisis is essential to organizational risk management and employees’ psychological safety. Having trust is also fundamental during a crisis. Mercer’s Global Talent Trends 2024 report found that broken promises and not delivering on sustainability were the two biggest factors eroding trust.

Percentage of employees who trust their organization to do the right thing for employees²⁰



Percentage of employees who trust their organization to do the right thing for the business²¹



Figure 21: Employee trust in their organization

²⁰ Mercer. “Global Talent Trends,” 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

²¹ Mercer. “Global Talent Trends,” 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

Psychologically unsafe cultures, where people feel unable to speak up, are fundamentally at odds with the core principles of effective risk management.

Darren Holmes, Managing Director,
Head of Operational Risk Consulting, Marsh

Risk management culture

Involving all stakeholders in risk management

**Be proactive.
Be predictive.
Be disciplined.**

Figure 22: Create a culture of risk management



Foster greater resilience

Organizational resilience needs to encompass both resilient workers who are able to navigate turmoil in their day-to-day working lives and adapt to new skills or role requirements, along with enterprise practices that strengthen the organization overall, such as a strong culture, effective leadership and rigorous risk frameworks.

Mercer’s Global Talent Trends 2024 survey showed that organizations believe they are becoming more resilient: 64% say their business can withstand unforeseen challenges, compared to just 40% two years earlier.²²

However, the key challenge is being able to anticipate and manage future risks in a climate of continued uncertainty. Leaders need to embed a culture of risk management throughout the entire organization as well as their broader ecosystem.

²² Mercer. “Global Talent Trends,” 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

Organizations that rate themselves as resilient tend to²³:

Put long-term viability over short-term gains

Have executives that believe resilience, agility and flexibility are more important than efficiency and effectiveness

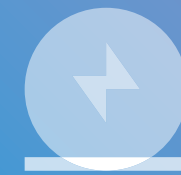
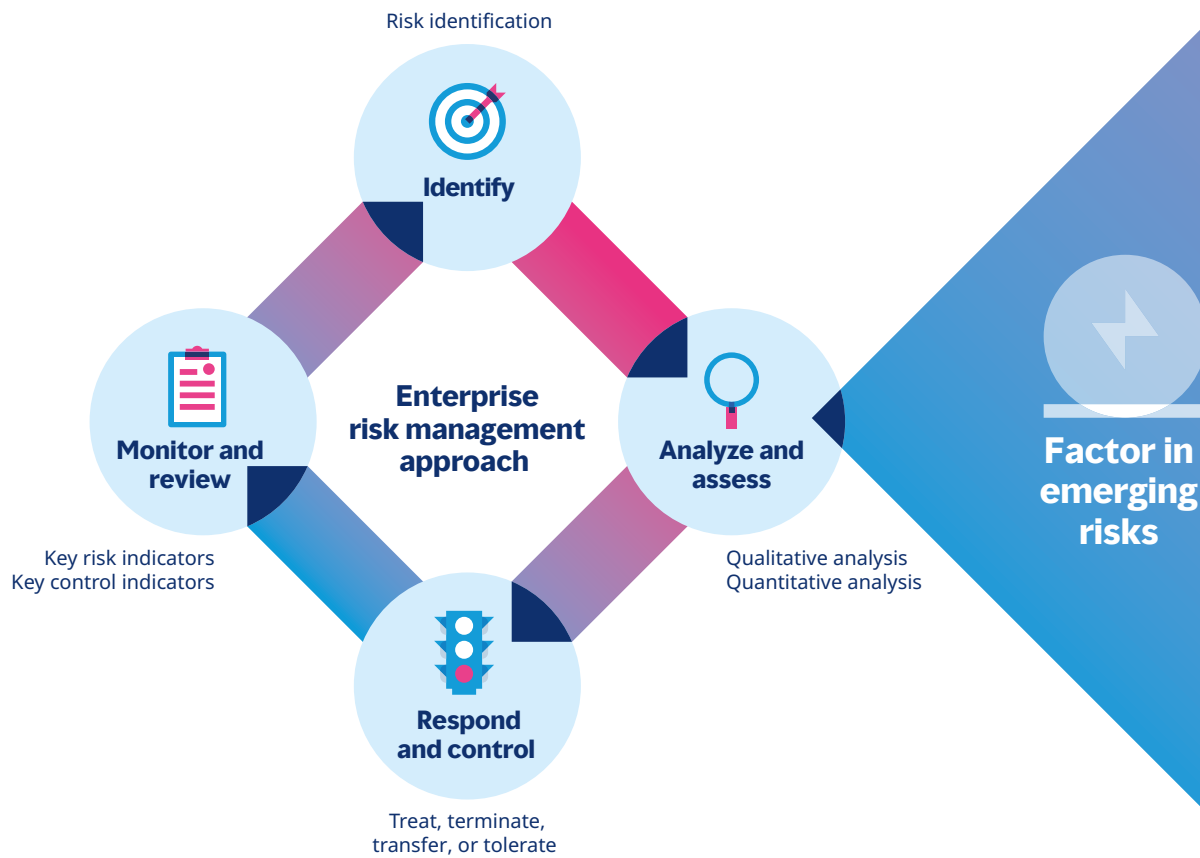
Establish risk officers with the governance, structure and policies to allow for more informed and adaptive decisions

Have mature digital strategies



²³ Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

Applying an enterprise risk management approach to people risks enhances agility and resilience



Factor in emerging risks

The ability to stress test and quantify risks, even emerging risks, leads to better decision-making and reduces uncertainty. People metrics are often underutilized as early warning signals as to potential operational risks in other parts of the business.

Reid Sawyer, Head of Emerging Risks, Marsh

Figure 23: Applying an enterprise risk management approach to people risk enhances agility and resilience

Talent, leadership and workforce practices recommendations



Prioritize resilience, both at a personal level for employees and at an organizational level through effective leadership and risk controls

Collaborate through enterprise-wide initiatives to promote risk awareness

Empower employees to take an active role in risk management, including comfort in speaking up

Consider whether employees' basic needs are met, including adequate healthcare and savings; develop reward and benefits strategies that align with employees' needs and business ambitions and risk mitigations

Get ahead by mapping future skills needs that support organizational plans and purpose

Foster a culture of continuous skills development to ensure employees' talents remain relevant

Support employees through organizational changes, including adoption of new technology, to minimize employee stress and burnout

Adjust enterprise risk management processes to encompass emerging risks

Benefits personalization to support an evolved talent strategy for an international bank



Challenges

- Asia-based employee population of an international bank has evolved over the years from buying talent to growing their own. What used to be majority late-career professionals grew to include a large population of younger professionals
- Benefits were focused on providing significant coverage for treating at-risk populations (e.g., those with chronic conditions or severe medical diseases)
- Benefits were very generous, but the younger workforce was not using high benefit limits for inpatient and outpatient specialist coverage
- Younger population highly valued preventive care, including fitness classes and health centers, which the benefits package did not cover



Actions

- Reviewed benefit offerings and redesigned flexible benefits, offering employees the choice on their coverage
- Introduced Darwin to manage benefits enrollment and reimbursement manager to administer flexible spending account (FSA) claims against new flex benefits
- Rolled out annual funding to employees' spending accounts to spend on their own prioritized well-being activities
- Introduced roadshows and one-on-one clinics to support employees in thinking about their needs and benefits available under flex
- Introduced health education to target cost drivers



Outcomes

- Channeled new benefits investment into flex spending dollars which allowed for many new benefit categories for younger employees without buying costly insurance products for all employees
- Introduced new benefits in areas of chronic disease management and additional health checks to continuously assess risk
- Roadshows and clinic sessions helped to achieve a 91% log-in rate and 51% selection during enrollment period
- Employee engagement surveys found that overall engagement with the company's reward offering increased by 5% because of the new benefits program

Chapter 3

Health, well-being and safety



Health, well-being and safety

Employee health and safety is a staple of any people risk agenda, but organizations should broaden the scope of how they define well-being at work. As suicide, conflict and burnout trend in the wrong direction, psychological safety now demands equal recognition with physical safety in terms of risk mitigation.

Organizations should recognize the connection between psychological safety, physical safety and mental health. This requires close attention to work design as well as sufficient workforce data to make sure that employees are physically protected, psychologically protected from risks arising in the workplace, not overwhelmed and that they understand the purpose of their role in the wider organization. With 47% of employees feeling stressed in everyday life,²⁴ this is a significant cause of concern for both HR and Risk professionals.

Employers have a unique opportunity to advance health support for their employees. Traditional systems of healthcare are struggling under the parallel pressures of intensified demand, complexity of health issues and resource constraints. This is bound to get worse as the “peace dividend” the world has been benefiting from potentially comes to an end, with governments potentially needing to spend more on defense. Meanwhile, health innovation is creating new opportunities, particularly in digital offerings, enabling employers to address health inequalities and gaps more effectively.

²⁴ Mercer Marsh Benefits. “Health on Demand,” 2023, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-strategy/health-on-demand-2023-survey-report/>



Risk rating score **Health, well-being and safety risk rating scores for HR and Risk professionals combined**

8 **Mental health deterioration**
Workforce mental health issues such as stress, depression, anxiety and burnout, leading to sub-optimal productivity, safety, benefit spend, absenteeism and loss of talent.

11 **Pandemics and infectious diseases**
Spread of infectious diseases, including future pandemics, impacting business continuity, operational costs and overall individual and organizational performance.

20 **Healthcare system deterioration**
Decreased access to public and/or private healthcare providers, for example, due to clinician shortages, resulting in missed diagnoses/treatment or lower quality care, impacting workforce health and productivity.

22 **Unsafe physical and psychological working conditions**
Hazards including detrimental work pressure and working conditions, leading to on-the-job accidents, exposures, workplace violence, security incidents and occupational diseases.

25 **Chronic illness**
Non-communicable illness including cancer, heart disease and diabetes impacting ability to thrive and organizational performance.



Real world situations

- The high-performing team that leaves due to burnout
- The infectious disease outbreak in the central call center
- The single mother struggling to find care for her children
- The supervisor who bullies
- The crane operator who does not know he has diabetes



Design work for well-being

Employers continue to prioritize safety within the workplace to avoid accidents and casualties, but mental health deterioration is a pervasive risk recognized by both HR and Risk managers.

Mental health deterioration is the #1 most severe risk for HR and #6 most severe risk for Risk Managers. It is the #8 risk globally based on severity and likelihood. This has a direct impact on overall safety, with psychological distress shown to significantly increase the risk of work-related accidents.²⁵

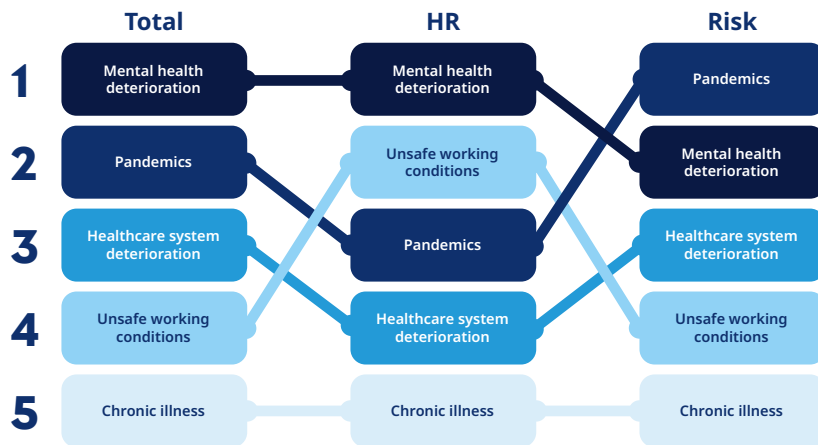


Figure 24: Health, well-being and safety risks ranked

²⁵ Hilton, M., Whiteford, H. "Associations between psychological distress, workplace accidents, workplace failures and workplace successes," 2010, available at <https://pubmed.ncbi.nlm.nih.gov/20596722/>



Only half of employers say that work is designed for employee well-being, including physical and mental, according to Mercer’s Global Talent Trends 2024 report.²⁶ The report also found that eight out of ten employees are at risk of burnout, and four in ten at risk due to

exhaustion or excessive workload. This last figure is particularly concerning, given that one in three C-suite executives say they will reduce headcount if faced with financial challenges.²⁷

Doing more with less may be a short-sighted strategy. Given the increased likelihood of workplace accidents due to psychological distress, reducing headcount may have unintended consequences, such as increasing casualty or error claims.

Work factors impact employee health

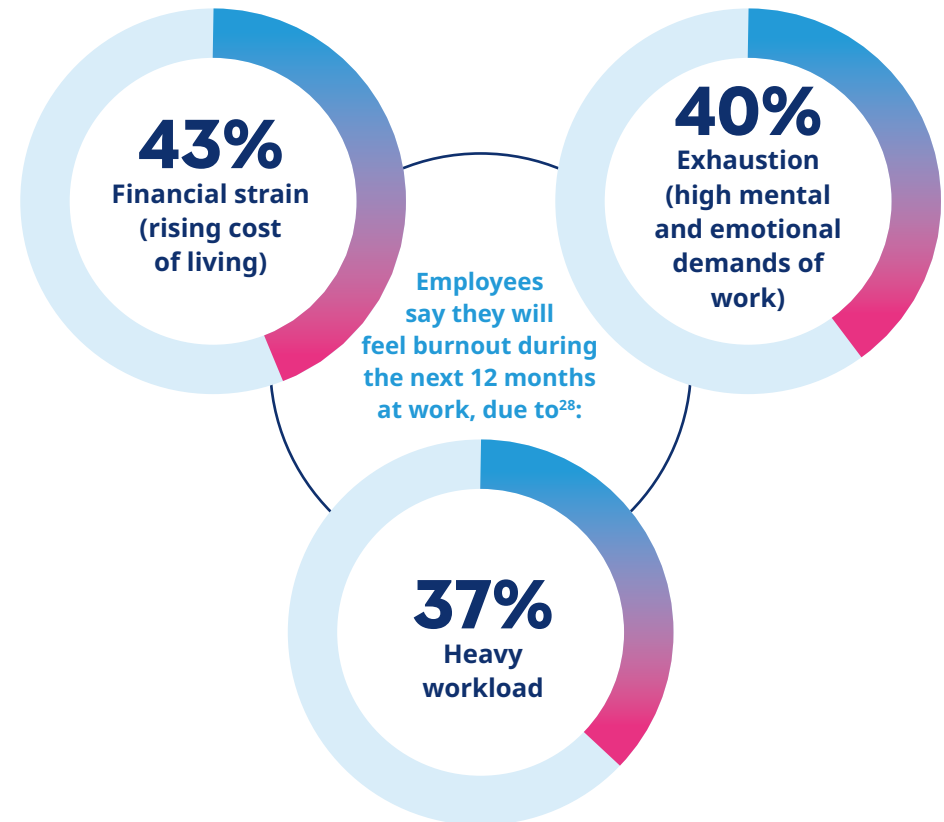
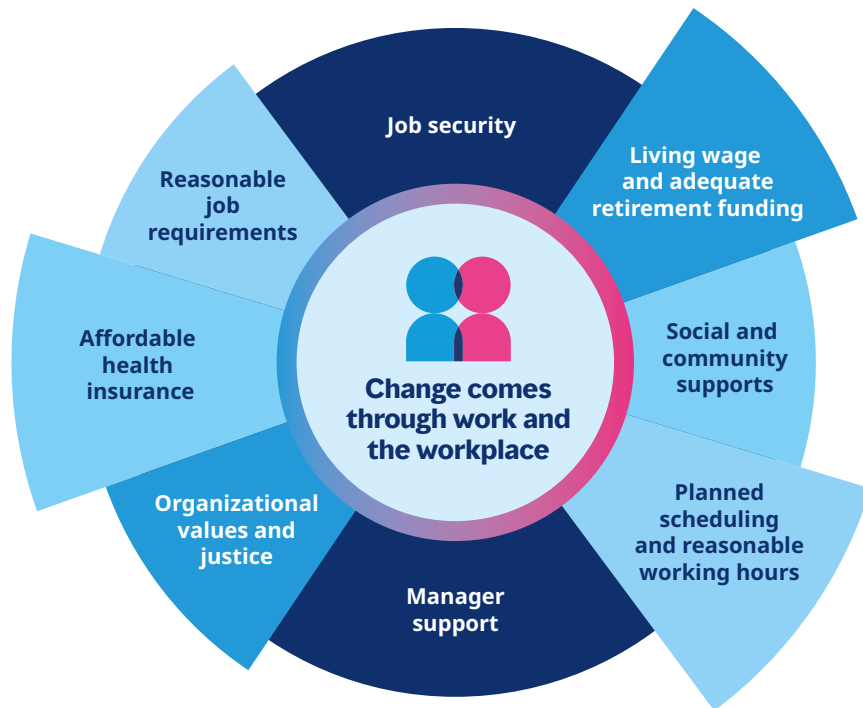


Figure 25: Work factors impact employee health

^{26,27,28} Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

Mental health deterioration risk by industry

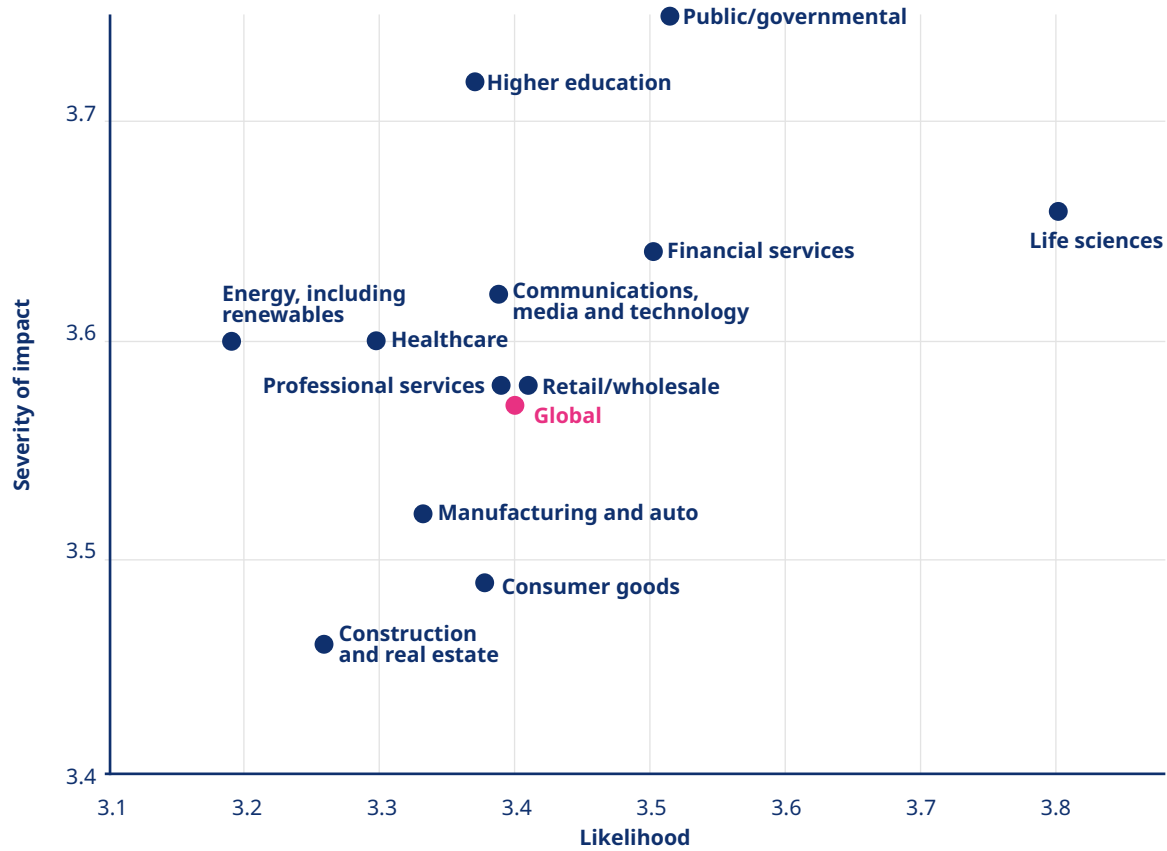


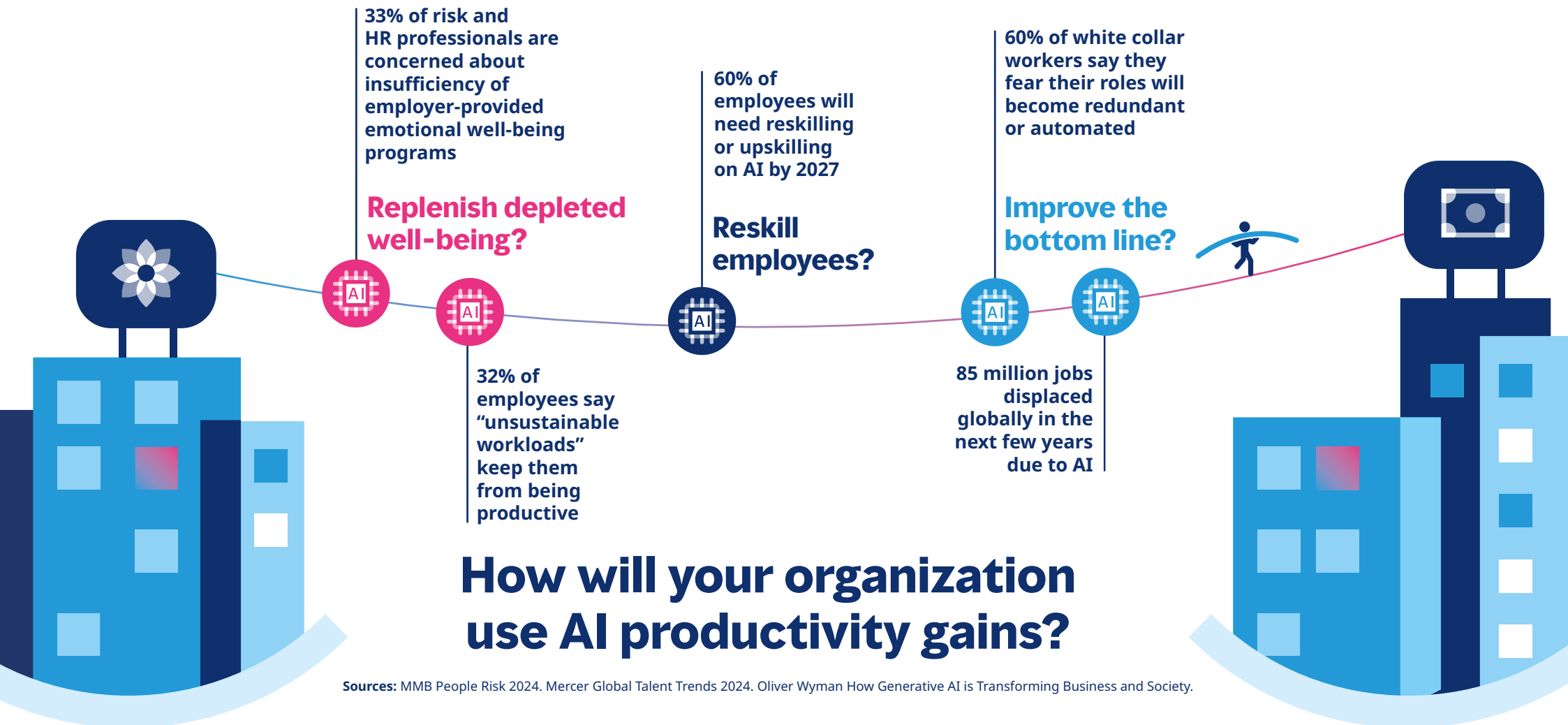
Figure 26: Mental health deterioration risk scattergram by industry based on views of HR and Risk professionals



Building mental well-being strategies to manage risk

As AI and other factors lead to productivity wins, organizations will have to decide how to take advantage of any time and labor savings. Companies will need to take care in getting the balance right between supporting employees' mental well-being and maximizing profit. Carefully weighing the cost of risk associated with these decisions will be critical in determining long-term exposures.

Figure 27: How will your organization use AI productivity gains?



Respondents are concerned that employer-provided emotional well-being programs are insufficient to mitigate mental health deterioration. Factors such as supervisors' inability to handle mental health issues and attitudes between colleagues are also key challenges, pointing to the need for both cultural change and new approaches to benefits. Managing work-related stress is more important than ever.



Mental health deterioration ranked 8th

risk globally (RRS)

Regarding mental health deterioration, what are you concerned about in your role?



Figure 28: Mental health deterioration concerns

While employers need to provide benefits to help support good mental well-being and treat mental health concerns, it's also important to evaluate how work-related stressors are affecting employees. Only 29% of employers have effective initiatives to create a psychologically safe workplace and address work-related causes of mental distress.

1.9x

Generation Z is 1.9x more likely than others to struggle with mental health issues. They are also more likely than older workers to trust their employer to deliver health solutions.²⁹



Figure 29: To address mental health, start with the workplace

²⁹ Mercer Marsh Benefits. "Health on Demand," 2023, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-strategy/health-on-demand-2023-survey-report/>

Violence at work needs a proactive approach



Almost 23% of people in employment have experienced violence or harassment at work, according to the International Labour Organization.³⁰ Proactively addressing this issue is critical to organizational effectiveness. The aftereffects of a violent incident can have a ripple effect on other workers and customers, as well as potentially being financially ruinous. Addressing active violence in the workplace demands a holistic approach across the C-suite.

CEO

Is the organization prepared to respond to a crisis involving active violence, and what is the recovery plan?

COO

What plans and procedures are in place to respond to active violence, and do we have the skills to be truly prepared?

CRO

How likely is it that the organization will face an active violence incident, and what are the external and internal factors driving this risk?

CHRO

How can we create a safer environment for our people, and what supports do we need to have in place to assist employees, should there be an incident?

³⁰ International Labour Organization. "Experiences of violence and harassment at work: A first global survey," 2022, available at https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_863177/lang-en/index.htm

Recover

- Post-incident analysis
- Update plans and procedures
- Continued mental health support
- Continuity of operations

Assess

- Security, vulnerability, threat assessments
- Threat policies and procedures
- Employee on- and off-boarding policies and procedures
- Mental health and EAP program adequacy



Respond

- In-the-moment emergency response, crisis management and crisis communications
- Mental health resources and trauma support

Prepare

- Emergency response plan
- Drills and exercises
- Crisis management communications
- Awareness, trainings, briefings: employees, managers

Figure 30: Build a proactive plan for threats such as workplace violence



Well-being benefits are a differentiator for employees

Employees greatly value employer-funded well-being, to the extent that 46% said that they would give up a 10% pay increase to have more well-being benefits according to Mercer’s Global Talent Trends 2024 report. This is an increase of 14 percentage points from 2022, when 32% said they would make this sacrifice. In addition, 29% said that they would give up a 10% pay increase for higher quality medical care and coverage.³¹

Well-being can be a differentiator in Total Rewards programs

Employees would give up a 10% pay increase for

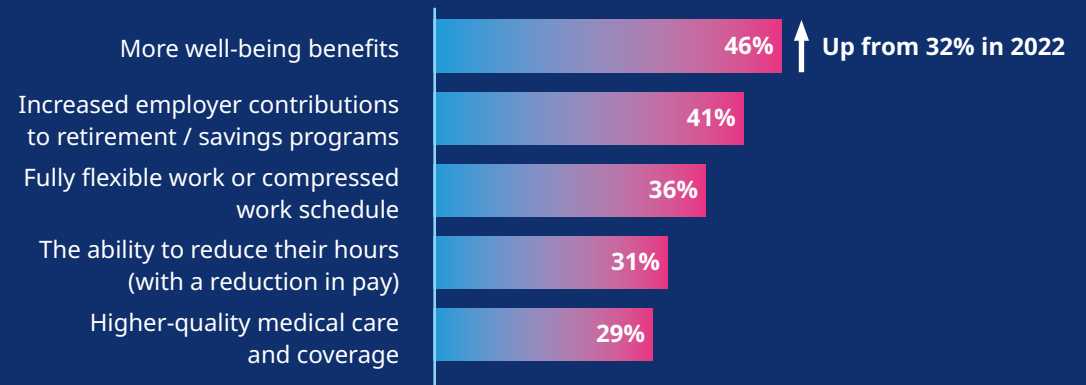


Figure 31: Rewards employees are willing to give up a 10% pay rise for

³¹ Mercer. “Global Talent Trends,” 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

Become a catalyst for health transformation

Employers play an important role in building a prosperous society. Part of this involves making investment in the health and productivity of the workforce, ideally in collaboration with governments and insurers. Benefits modernization needs to meet the real needs of employees and help address the limitations of other systems. Employers can also use their influence with the workforce, community and institutions to drive other changes that contribute to people’s health and prosperity, including wider use of digital health.

Socioeconomic issues are a priority for employees

Percentage of employees who believe it is very or extremely important that their employer supports³²



Employers and employees working together to support the community has a number of benefits, including improving the social well-being of employees.

Figure 32: Socioeconomic issues for employees



Health needs to be relevant and welcoming for all. How we design, provide and deliver healthcare must have inclusivity and affordability at its center.

Hervé Balzano, President, Health & Benefits, Mercer and Marsh



³² Mercer Marsh Benefits. “Health on Demand,” 2023, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-strategy/health-on-demand-2023-survey-report/>

Health system deterioration: A blind spot?

HR and Risk managers globally rate health system deterioration as the #20 risk of 25 globally, even though access to many healthcare systems has worsened since the pandemic. Respondents' top concerns related to this risk are productivity losses navigating to care (47%) and increased absence/sick leave (46%), and these are fairly consistent across regions. However, there appears to be little awareness, across all eight regions, of the wider ramifications of a deteriorating health system, including public health systems being underfunded and unable to cope with demand.

Pandemics and infectious diseases remain a top 10 risk in four out of our eight regions. However, when asked about health system deterioration, concerns about the ability for health systems to cope with another global pandemic on the scale of Covid-19, the Middle East and Africa, Pacific and the UK are less concerned about this relative to other issues.

Ageing populations are another risk factor that will increase pressure on public health services and lead to a further increase in healthcare costs. Employers should

expect the average age of their workforces to increase, with a comparable rise in health conditions linked to aging. In Spain, for example, the median age of the population is expected to reach 50 in 2030, compared to 40 in 2010.³³

Regarding healthcare system deterioration, what are you concerned about in your role?

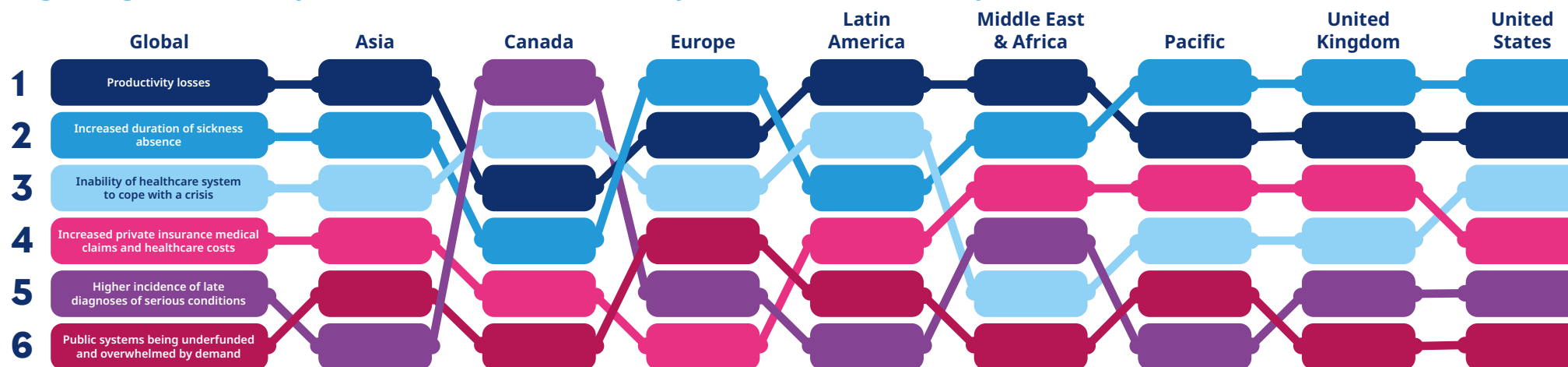


Figure 33: Healthcare system deterioration concerns, by region

³³ Statista. "Median age of the population in Spain from 1950 to 2050," 2024 available at <https://www.statista.com/statistics/275398/median-age-of-the-population-in-spain/>

Employers' role in driving access to health and well-being benefits

How do attributes of today's public and private systems compare to before the pandemic?

Public healthcare

	Scope		Quality		Affordability		Access	
	Better	Worse	Better	Worse	Better	Worse	Better	Worse
Global	34%	18%	29%	28%	22%	29%	19%	48% ▼
Asia	49% ▲	6%	48% ▲	12%	31%	22%	31%	33%
Europe	15%	38%	10%	48% ▼	13%	35%	8%	73% ▼
Latin America and Caribbean	21%	31%	13%	38%	8%	42% ▼	3%	59% ▼
Middle East and Africa	43% ▲	13%	27%	23%	33%	27%	23%	30%

Private healthcare

	Scope		Quality		Affordability		Access	
	Better	Worse	Better	Worse	Better	Worse	Better	Worse
Global	52% ▲	3%	50% ▲	3%	26%	42%	37%	14%
Asia	52% ▲	3%	59% ▲	1%	32%	38%	46% ▲	5%
Europe	50% ▲	0%	40% ▲	3%	13%	50% ▼	28%	28%
Latin America and Caribbean	54% ▲	3%	59% ▲	3%	42%	16%	44%	13%
Middle East and Africa	60% ▲	7%	47% ▲	10%	23%	63% ▼	33%	7%

Figure 34: Insurers' perspectives on public and private healthcare³⁴

³⁴ Mercer Marsh Benefits. "MMB Health Trends 2024," 2023, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-optimization/mmb-health-trends-2023/>


³⁵ Mercer Marsh Benefits. "Health on Demand," 2023, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-strategy/health-on-demand-2023-survey-report/>

Should employers care if health systems are struggling? What responsibility do they have to drive health and well-being access for their employees?

Incentives for supporting good quality access to healthcare are aligned for employers and employees. Employees will get sick, but fast access to quality care, as well as vital preventive care, creates organizational resilience. To best enable access, employers need to understand both the public and private systems. By supporting employees in their health journeys, employers make an ongoing investment in the workforce, enhance productivity and reduce the risk of long-term workplace absence and health insurance claims.


1.4x

Thriving employees within the workforce are **1.4x more likely to have employer sponsored health screenings to give early indicators of potential health risks.**³⁵



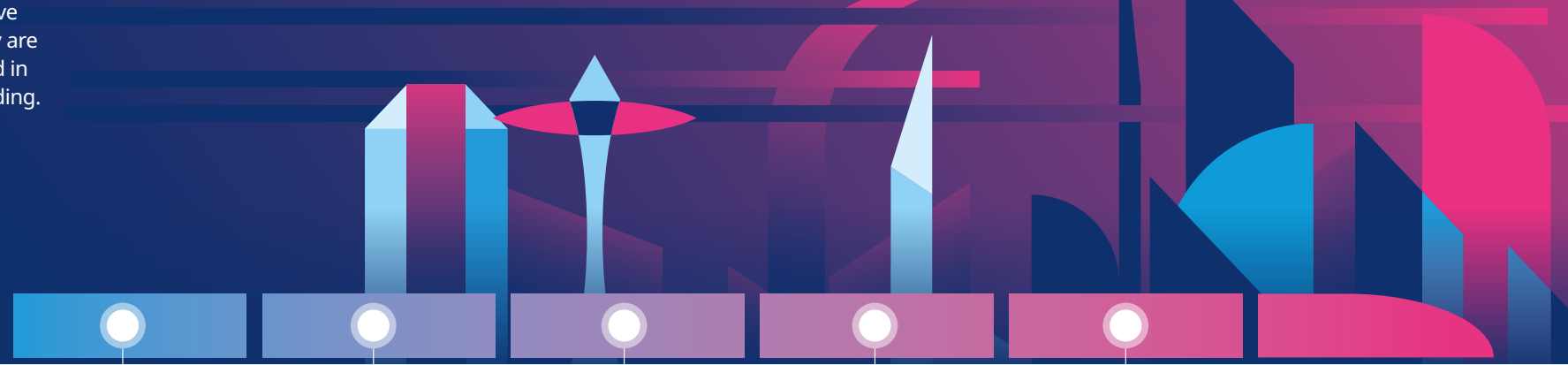
Our research suggests that employees look to their employers as trusted sources of support in both times of crisis as well as for ongoing health concerns. This presents opportunities and responsibilities for employers as they identify gaps within the communities and digital health ecosystems in which they operate.

Dr. Lorna Friedman, Senior Partner,
Health Transformation and Sustainability, Mercer



As the broader health ecosystem evolves, health and well-being benefit modernization should be on employers' agendas. Employers should evolve the mix of benefits and how they are designed, delivered and financed in order to optimize precious spending.

Benefit modernization considerations



Why provide benefits?

- Optimize total rewards investment
- Manage enterprise risk
- Address gaps in public provisions
- Standardize care and protection
- Enhance employee value proposition

Why modernize benefits strategy?

- Meet the needs of an evolving workforce
- Mitigate inflation/volatility
- Move beyond outdated market practice
- Align to business, ESG and DEI objectives

What should benefits achieve?

- Support total well-being (physical, emotional, social, financial, career)
- Meet employees in the moments that matter
- Align to emerging needs and be inclusive
- Be sustainability designed with evidence-based guidance

How are benefits delivered?

- Front door access
- Human-centric design
- Consistency through minimum standards
- Optimized financial vehicles and vendor mix
- Clear, effective communication
- Globally consistent, locally relevant

What are the advantages of benefit modernization?

- Engaged employees, increased sense of belonging
- Long-term cost mitigation
- Healthier, present and productive workforce
- More effective vendor partners
- Competitive advantage as employer of choice

Figure 35: Benefits modernization considerations



Greater use of digital health practices and products can ease pressure on health systems. Furthermore, employees are optimistic about the digital future. Key benefit modernization actions include:

Explore digital health opportunities and stay aware of innovations

Focus on preventive care, awareness and screening

Fill gaps in areas like mental health coverage and reproductive health; for example, family-building benefits

Provide more choice in employee benefit options

Align to company purpose, values and goals in areas such as sustainability

Design quality health and benefits navigation so that employees can quickly access supports when they need them most

Incorporate multiple generations' needs and the requirements of a diverse workforce more broadly

Enable employees to identify/manage/monitor chronic health conditions

Consider opportunities for more public/private partnerships

Cancer – improving support

Both HR and Risk professionals rank chronic illness, including cancer, as the lowest risk overall, but according to MMB's Global Health Trends 2024, cancer cases are the #1 driver of claims costs.³⁶ The World Health Organization (WHO) projects that the number of new cancer cases will increase by 77% by 2050.³⁷

This is driven by an aging global population, but also by increased risk and lifestyle factors such as tobacco, alcohol, obesity and air pollution.

How can employers help?



Promote the importance of regular screening, cover the associated costs and consider providing paid time off for employees to access these screenings

Provide access to new innovations like personal risk assessments using polygenic-risk scoring, pharma genomics testing to reduce adverse drug reactions and home-based treatments

Allow for digital avenues of care that ease access to care

Establish a supportive environment where employees can voice their concerns and experiences related to cancer

Train managers and leadership about the value of practical support and empathy for employees affected by cancer

Offer benefits to assist employees living and working with cancer, including time off, accommodations and flexible work arrangements

Support caregivers with paid and unpaid carers leave, employee assistance plans, mental health support, flexible working arrangements and financial assistance

³⁶ Mercer Marsh Benefits. "MMB Health Trends 2024," 2023, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-optimization/mmb-health-trends-2023/>

³⁷ World Health Organization. "Global cancer burden growing, amidst mounting need for services," 2024, available at <https://www.who.int/news/item/01-02-2024-global-cancer-burden-growing--amidst-mounting-need-for-services>

Health, well-being and safety recommendations



Rethink definitions of employee health and safety to ensure these cover both mental health and physical factors

Leverage best practices, even if not legislated, in the area of managing psychological health in the workplace, for example, using ISO 45003 or other structures

Mitigate health misinformation by reinforcing employees' trust in their employers as providers of credible health support and information

Understand the risks of gapped health systems and combat this through benefits provision to secure needed care

Enable individuals to get feedback on their total well-being through assessments that pinpoint health, wealth, career and work habits

Optimize employer healthcare offerings to take advantage of digital innovation, opening up new models of care and coverage

Develop active violence approaches and policies

Infrastructure company's onsite clinic as first choice for preventive care



Challenges

- Diverse workforce with varied healthcare needs and priorities within Latin America
- Employees seeking care outside of company policy for chronic diseases that can easily be managed
- Emergency visits also indicated deviations in seeking care compared to the standard policy



Actions

- Implemented onsite clinics in all units having a focus on primary health care and have a multidisciplinary team made up of doctors, nurses and specialists
- MMB connected onsite clinics with internal chronic disease management and misuse programs
- Eligible employees are directed to these disease management programs by the onsite clinic team

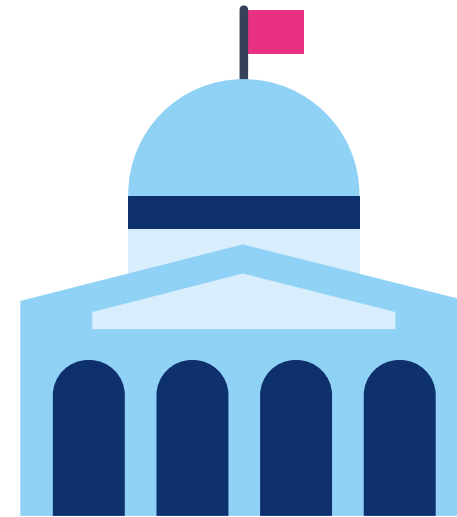


Outcomes

- There were more than 21,000 medical visits seen by onsite doctors within a year
- The attendance rate for medical appointments was close to 80%
- 98% of medical consultations were successful and prevented the employee from having a medical visit elsewhere (such as an emergency room)
- Within a year, the clinic avoided a cost of more than \$1M and had a ROI of 1:1.84

Chapter 4

Governance, compliance and financial



Governance, compliance and financial

As inflationary pressures persist, organizations should plan for a mix of rising prices and ongoing changes to their benefit programs, ideally prioritizing long-term cost containment without just shifting the burden to employees. By budgeting and planning for change now, businesses will be best placed to manage future price increases and ensure that cost does not become the driver of their strategy.

Optimizing cost does not have to mean sacrificing quality. Managing underlying risks and maintaining focus on employee health can help to manage claims, while building deeper relationships with insurers can open up new creative options for coverage structure.

Strengthening oversight controls and decision-making structures is another area of focus in benefits and HR practices. The increase in stakeholder scrutiny, litigation and legislative activity across different regions means that identifying and getting ahead of emerging governance gaps is crucial.



Risk rating score

Governance, compliance and financial risk rating scores for HR and Risk professionals combined

1

Increasing health and benefit costs

Increased spending on benefit premiums and other costs due to reduced insurer appetite for risk, medical inflation, increases in utilization, claims severity.

5

Changing legislation and heightened scrutiny

Misalignment of benefit and other HR practices/programs to new and existing regulatory requirements, tax, labor, human rights and employment law causing fines, penalties and litigation.

12

Improper benefit, policy and rewards decision making

Lack of controls/expertise in benefit plan design, financing, vendor selection/management, communication and administration decision-making, resulting in sub-optimal costs, liabilities and commitments.

21

Poor management of long-term benefit financial exposure

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

23

Weak administration and failure to fulfill fiduciary responsibilities

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



Real world situations

- The medical premiums that increase by double digits each year
- The missed pay equity disclosure
- The uncovered financial exposure from a legacy benefit
- The lawsuit related to overlooked defined contribution (DC) plan fees
- The investment manager whose performance has not been monitored



Be prepared for benefits cost increases

Our top risk in this year’s survey is increasing health and benefit costs. This is little surprise given that, outside the US, the global medical trend is projected to be an 11.7% rise in 2024, continuing a trend of double-digit increases every year since 2021.³⁸

Healthcare costs are also expected to remain high in coming years. This is an ongoing concern for senior leaders, with one in four executives in Mercer’s Global Talent Trends 2024 report saying that combating increased health and benefit costs will have the most impact on their business in 2024.³⁹

But while the likelihood of increased benefits costs is high, its severity is low in comparison (ranked 11th). That is reflected in CEOs’ thinking, with just 12% believing that rising healthcare costs will influence their three-year plans.⁴⁰

2019-2024 medical trend

	2019	2020	2021	2022	2023	2024
US	6.1%	5.3%	5.8%	5.9%	7.0%	6.6%
Ex-US	9.7%	5.7%	10.1%	10.1%	12.4%	11.7%
Canada	6.9%	3.9%	7.1%	7.0%	9.0%	7.5%
Asia	10.2%	3.5%	8.9%	10.7%	12.5%	11.4%
Pacific	4.6%	5.2%	5.0%	2.9%	8.2%	6.5%
Europe	8.0%	3.5%	10.9%	11.4%	13.0%	11.0%
Latin America and Caribbean	13.4%	8.0%	11.1%	10.0%	11.3%	10.3%
Middle East and Africa	11.1%	9.6%	10.2%	9.3%	12.7%	14.4%

Figure 36: 2019-2024 Medical Trend^{41,42}

Notes: Medical trend reflects year-over-year cost increase for claims under the medical scheme on a per-person basis. It reflects a variety of factors inflation, altered treatment mixes, utilization patterns and regulatory changes. Rates for 2019, 2020, 2021 and 2022 are retrospective. Rates for 2023 and 2024 are prospective. Unweighted ex-US averages used. Ex-US data was gathered in August from 223 insurers, with medical trend rates submitted by insurers validated by our local teams using their own internal book of business data, country-specific insurer surveys and subjective assessments. For more information on the ex-US rates, refer to MMB Health Trends 2024. For more information on the rates in the US, refer to the National Survey of Employer-Sponsored Health Plans.

^{38,41} Mercer Marsh Benefits. “Health Trends 2024,” 2023, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-optimization/mmb-health-trends-2023/>

^{39,40} Mercer. “Global Talent Trends,” 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

⁴² Mercer. “National Survey of Employer-Sponsored Health Plans,” 2023, available at <https://www.mercer.com/en-us/solutions/health-and-benefits/research/national-survey-of-employer-sponsored-health-plans/>

Active plan management for sustainability

Health and benefit cost increases are a top concern for businesses, but this is a manageable risk provided that organizations focus on active plan management. HR professionals are more confident than Risk colleagues that there are ways to manage cost beyond benefit reduction, which may point to a more detailed knowledge of the levers involved in managing benefit costs. However, both HR and Risk professionals are concerned about the time burden on the HR function, with more time and resources needed to manage benefits programs. This makes HR transformation efforts particularly vital.

Regarding increasing benefit costs, what are you concerned about in your role?

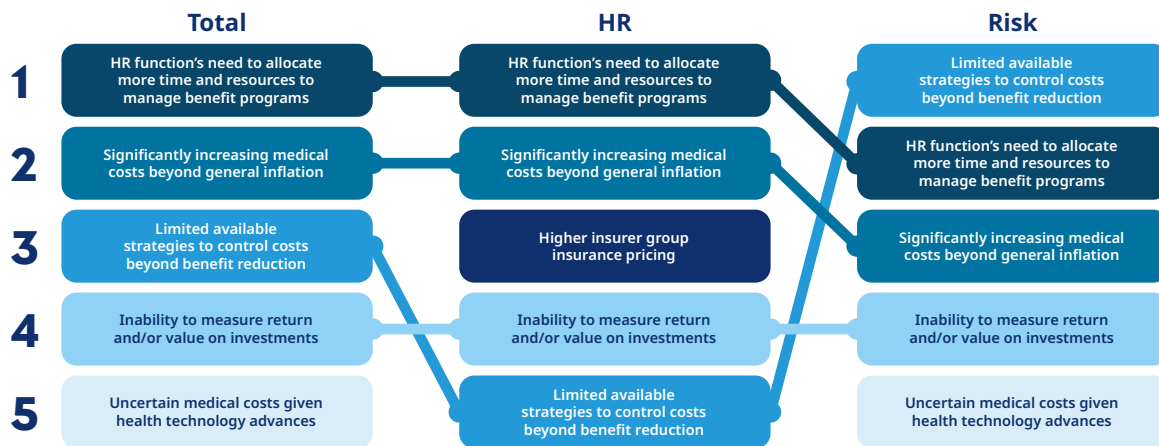


Figure 37: HR and Risk managers are concerned about HR time to manage benefit programs

Cost optimization through active plan management can help organizations budget for future increases, evolve the rewards mix and optimize spend to maximize ROI. But, this takes time, effort and discipline.

John Deegan, Multinational and Darwin Leader, Mercer Marsh Benefits



Proactive plan reviews

Overall, survey respondents cited “limited available strategies to control costs beyond benefit reduction” as the third-most pressing concern.

There are various levers employers can pull to make plan costs more sustainable without necessarily sacrificing quality of care or impacting members’ out-of-pocket expenses.

A formalized global benefits strategy provides direction and structure for long-term plan management.

- Work regularly with advisors to evaluate options; look beyond next year’s renewal to assess how to control costs over a longer-term horizon

- Consider alternative financing options, such as captives and self-insurance
- Communicate changes early, often, and effectively with key stakeholders within the business
- Track plan performance over time: Only one in three employers today have an effective approach to actively monitoring costs
- Focus on keeping employees well. Costs can be controlled by mitigating underlying health risks, such as early screening programs for cancer and providing employees with the supports they need to manage chronic health conditions, including access to maintenance medications.

For example, GLP-1s, such as Ozempic and Wegovy, are used to treat diabetes and obesity, respectively. While the benefits of these drugs are promising, the annual spend for them can near \$10,000 per patient.⁴³ Employers can take a proactive approach to addressing cost increases associated with these drugs by implementing prior authorizations and looking beyond medications to support patients with nutritional and dietary optimization, and other factors that impact weight including sleep and mental health. Putting prescribing guardrails in place to ensure appropriate drug use while promoting a more holistic view of health can help to optimize costs in the long term.

⁴³ Mercer. “Designing fiscally viable coverage of GLP-1 weight-loss drugs,” available at <https://www.mercer.com/en-us/insights/us-health-news/designing-fiscally-viable-coverage-of-glp-1-weight-loss-drugs/>



Three elements of an effective health and benefit cost management strategy



Figure 38: Three elements of an effective health and benefits cost management strategy

Get ahead of emerging governance gaps

Changing legislation and increased scrutiny ranked fifth-highest in this year's report and appeared in the top 10 risks of five different regions. With significant regulatory changes around the world across reward components as well as legislation regarding the use of disruptive technologies and even misconduct, this pattern is not a surprise.

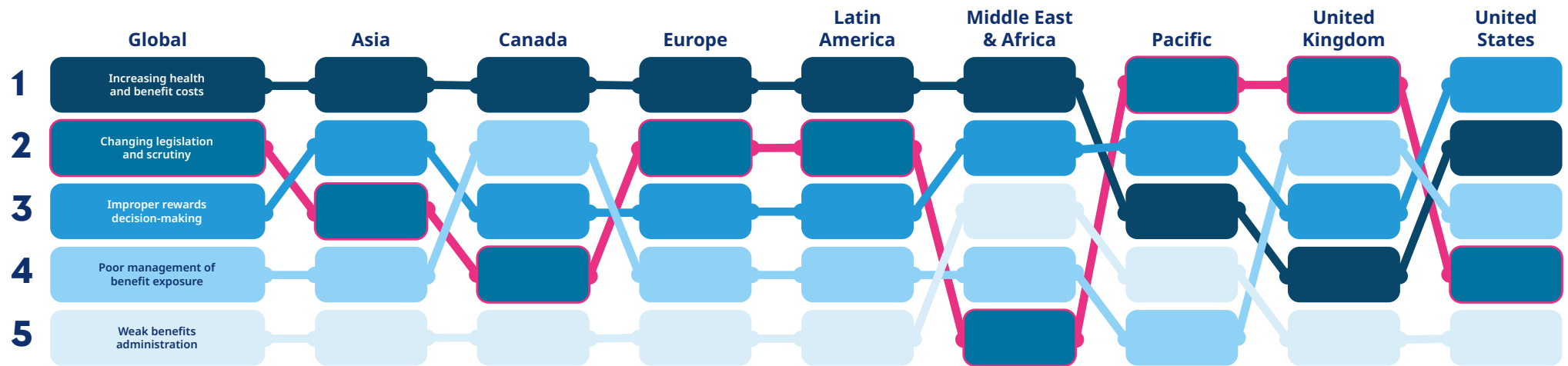


Figure 39: Changing legislation and scrutiny risk ranking by region



Pay transparency

Pay transparency is a global issue, with geographies including the EU, the US, Canada, Brazil and Australia introducing new laws, reinforcing compliance or considering legislation. For global reward and benefits directors, compliance with the new and proposed laws is challenging, as each is unique. Many organizations are reluctant to disclose pay, as it may reveal equity issues for employees, thus eroding trust and harming an organization's reputation.⁴⁴

The European Union Pay Transparency Directive requires employers throughout the EU to introduce gender pay gap reporting. In countries where it already exists, the new directive will also broaden the scope of the requirements. It will apply to all companies with more than 150 employees, although only organizations with more than 250 employees will need to report annually. The Directive was approved in 2023, and member states have three years to transpose it into national law, potentially with some differences across countries.⁴⁵

In addition to awareness of upcoming legislation, employers can mitigate risks associated with pay transparency by completing a thorough pay equity analysis and creating a plan to close any gaps over time. Additionally, preparing managers for having conversations with employees about pay and creating strong governance policies for pay and bonus decisions can help minimize the chance of equity issues in the longer term.

⁴⁴ Mercer. "Pay transparency is here – is your organization ready? A year-end strategy guide," 2024, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-strategy/pay-transparency-is-here-a-year-end-strategy-guide/>

⁴⁵ Mercer. "EU pay transparency law approved," 2023, available at: <https://www.mercer.com/insights/law-and-policy/european-union-advances-gender-equal-pay-transparency>

Multi-employer pension plans

Multi-employer pension plans, such as Pooled Employer Plans (PEPs) in the US and master trusts in Australia and the UK, provide opportunities for employers to mitigate some of the compliance risk associated with pensions.

Rather than employers having to administer their own pension plans in-house, PEPs and master trusts manage pension arrangements for multiple employers with a centralized governance board. This brings economies of scale in terms of investment and other parts of scheme governance, such as communications. It also means that most of the burden of compliance with pensions regulation rests with the plan, rather than with the organization.

However, the employer must still make sure that it is compliant with requirements such as auto-enrollment regimes and making contributions above legal minimums to the pension plan.

This helps to mitigate risks related to pension fund management, particularly compliance and administration risks. Examples for the US include:

- **Excessive fee and investment performance lawsuits.** These remain the most common lawsuits within the DC industry.
- **Operational lawsuits related to mismanagement of participant contributions and distributions.** These remain rare, although they do happen every quarter.

Investment funds, such as within pension plans, are becoming increasingly complex, thereby making it difficult for managers to keep up with understanding risk and return opportunities. Incorporating alternative investment strategies using asset classes such as private equity, infrastructure and real estate, as well as getting the right responsible investment strategy in place, is making it more important than ever to access expert advice or outsource investment management functions.

Benefits legislation and litigation

Legal issues regarding wider benefits also affect businesses.

For example, [in Oman](#), a new unified social protection fund has been introduced, replacing 11 different social insurance funds. It is expected to ease benefits and pension administration and requires employer contributions of 10% of an employee's gross salary. From 2024 onwards, a series of new regulations will also give foreign employees additional rights, including maternity leave, paid sick leave and work injury benefits.⁵²

Meanwhile, proposals have been made in Canada to introduce National Pharmacare, which would provide universal access to certain prescription drugs based on need rather than ability to pay. That could impact the way in which employers' healthcare provision is structured, or result in surplus funds to invest in other aspects of workplace healthcare, among other things.

⁵² International Labor Organization. "Far-reaching reforms in Oman set new benchmark for social protection in the region," 2023, available at: https://www.ilo.org/beirut/media-centre/fs/WCMS_888307

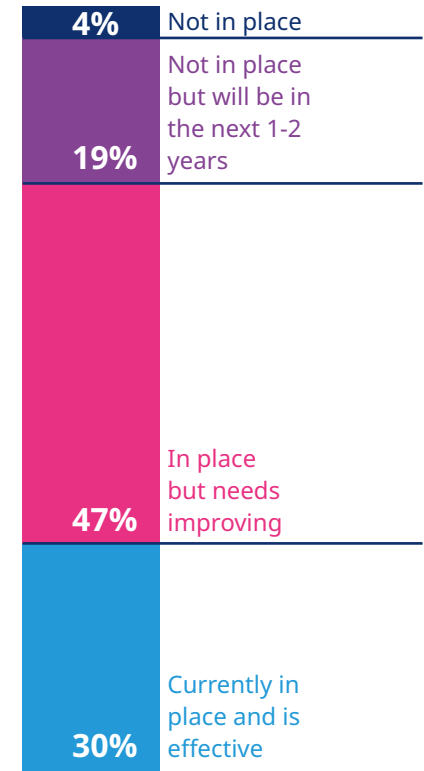


The due diligence challenge

About half of HR and Risk managers (46%) are concerned about the degree of due diligence expected by stakeholders regarding assessment of reward/benefit providers across a range of dimensions including environmental, social and governance (ESG) credentials. According to Mercer’s Global Talent Trends 2024 report, executives’ number two long-term risk is insufficient sustainability reporting.⁵³

From an HR and Risk manager perspective, there continues to be concern about how benefits decisions are made. For example, 42% of respondents are worried about benefits decisions being made without considering the impact on employees. A similar number (40%) have concerns about benefits decisions being made without considering the long-term cost impact.

Lack of a clear governance structure for benefits and insurance programs is a blind spot in organizations, with 70% saying that they do not have an effective approach. There is an opportunity here for Risk stakeholders to work more closely with HR colleagues and have a greater say in benefits strategy and reviews. This would help to address issues such as uncertainty of cost impact and could improve governance.



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

Figure 40: Percentage of respondents who say they have a clear governance approach for benefits and insurance programs in place

⁵³ Mercer. “Global Talent Trends,” 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

Preparing for future governance changes

To be fully prepared for legislative changes, organizations need to ensure they have a strong governance framework. This includes accountability and ownership for complex legislative requirements, such as ESG reporting and associated stewardship.

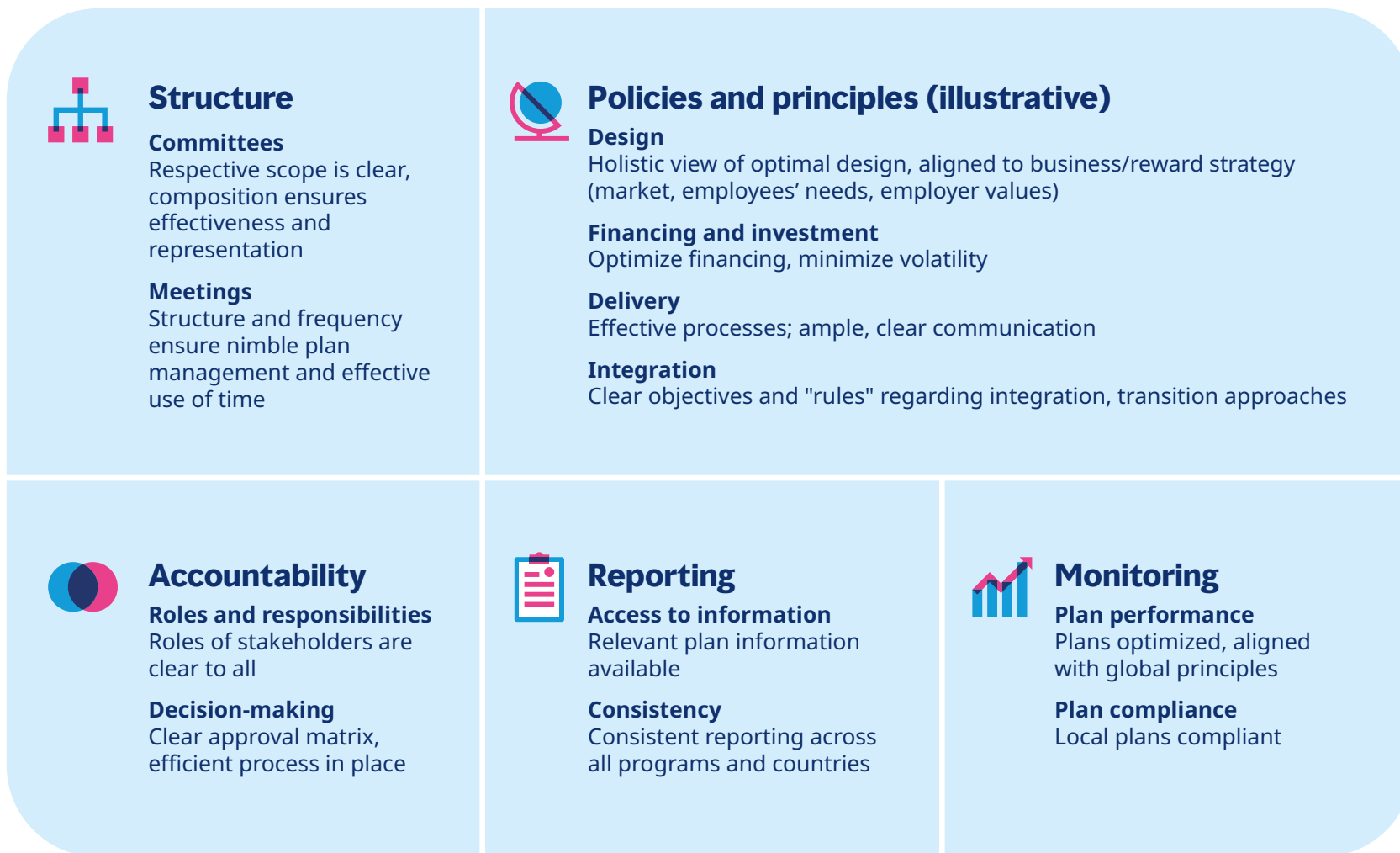


Figure 41: Benefits governance enablers

Governance, compliance and financial recommendations



Be proactive in cost and plan design review for health and benefit coverages to budget for future cost increases

Ensure regular benefit reviews to support optimization of plan design, delivery and financing and the ability to meet corporate objectives for healthcare and other benefits

Stay ahead of changes in benefits legislation globally and plan for increased compliance needs

To create more robust governance, consider outsourcing some non-core aspects of benefits, particularly where a lack of expertise exists within an organization, such as pooled employer plans for pensions, investment management or global benefits coordination

Get ahead of future challenges by building a robust governance framework for benefits to support decision-making, compliance, efficiency and flexibility

Chapter 5

Environment, sustainability and protection



Environment, sustainability and protection

The link between climate events and employee health risks has been relatively low-key to date. Environmental risks have traditionally been interpreted as related to property, but the potentially catastrophic impact of extreme weather events and natural disasters on the health of employees and their families is perhaps viewed as a distant threat.

Issues such as the cost-of-living crisis have compounded hardships for many employees over this decade. Widening disparities between executive and worker rewards as well as values are now affecting workplace dynamics as well as labor relations.

Employers can help narrow gaps and build prosperity for all employees by filling health, wealth and career gaps. This includes providing access to well-being and risk protection for all. We expect that this also will extend into addressing inequities in supply chains as awareness regarding the impact of broader ecosystems to business disruption is better understood and appreciated.



Risk rating score

Talent, leadership and workforce practices risk rating scores for HR and Risk professionals combined

3

Disparities in executive and worker rewards and values

Dissatisfaction with the gap between executive and worker rewards, exacerbated by the cost-of-living crisis, pay transparency issues and misalignment in social views, impacting work dynamics and labor relations.

14

Natural disasters and extreme weather

Climate change and environmental degradation impacting health and availability/productivity of workforce on an ongoing basis (e.g., inability to work safely during period of heat or air pollution) or during a crisis (e.g., flood, fire).

16

Inadequate coverage for catastrophic personal life events

Loss of employee life, family member, home, or the ability to work due to disability or job loss, highlighting organizational gaps in employer-sponsored benefits protection measures leading to low morale or reputational issues.

19

Absence of HR in business decision-making

Business strategies and executional plans not considering workforce impact and change management needed leading to unmet business objectives and reputational damage.

24

Lack of diversity, equity and inclusion

Lack of inclusive and equitable workplace, benefits and opportunities resulting in lack of engagement, diverse thinking, as well as reputation risk amongst employees, customers and other stakeholders.



Real world situations

- The essential worker who has to crowdfund to pay her healthcare bills
- A rise in construction worker asthma attacks due to heat
- The assembly plant worker who dies without life insurance
- The downsizing announcement that was not reviewed by HR
- The unconscious bias impacting promotion decisions





Address climate risks as health risks

Hurricanes and flooding in Latin America, extreme heat in Europe, wildfires in Canada and numerous severe storms in the US had significant impacts on communities and businesses in 2023. And yet, natural disasters and extreme weather ranked as only the 14th highest global risk this year among our respondents.

We expect that this is partially driven by the relatively short (one- to two-year) horizon the survey asked about. Nonetheless, companies would do well to accelerate planning for the impact on employees' health of what is likely to be an increasing frequency and severity of such events.

While organizations typically consider climate-related impacts when assessing site vulnerabilities, many are yet to fully realize the effect on people risk for example, how to support employees through a disaster.

Regarding natural disasters and extreme weather, what are you concerned about in your role?



Figure 42: HR and Risk managers' top concerns about natural disasters and extreme weather

In focus: Acting on extreme heat

Heat waves introduce significant issues and duty of care considerations for health and productivity, especially in industries such as construction, transportation and agriculture. Organizations now need to take a short-, medium- and long-term approach to dealing with extreme heat, both from the operational and people risk standpoints.

An estimated 490 billion potential hours of labor were lost in 2022 due to heat exposure, according to the Lancet Countdown on Health and Climate Change. This was an increase of nearly 42% from 1991-2000.⁵⁴ High temperatures also increase the risk of workplace accidents and injuries.⁵⁵

As heatwaves become more common, people become more susceptible to dehydration and heat-related illnesses. Prolonged exposure to extreme heat can prove fatal, can aggravate autoimmune diseases and respiratory conditions, and be aggravated by pre-existing conditions, including diabetes.⁵⁶ The mental health and well-being of employees is also at stake; one study in the UK found that younger generations are particularly susceptible to climate-related anxiety.⁵⁷

⁵⁴ The Lancet. "Key findings of the 2023 report of the Lancet Countdown on health and climate change," 2023, available at <https://www.thelancet.com/pb-assets/Lancet/infographics/climate-countdown-2023/climate-countdown-2023.pdf>

⁵⁵ UCLA. "Temperature, workplace safety, and labor market inequality," 2021, available at: <https://ucla.app.box.com/s/14m6pj1algt7rwb8ihq4lyqjhm2ueejj>

⁵⁶ Kenny, G., Sigal, R., McGinn, R., "Body temperature regulation in diabetes," 2016, available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4861190/>

⁵⁷ Cardiff University. "Millennials and Gen-Z have higher rates of climate worry," 2023, available at: <https://www.cardiff.ac.uk/news/view/2730843-millennials-and-gen-z-have-higher-rates-of-climate-worry>

^{58,59} World Economic Forum. "Quantifying the Impact of Climate Change on Human Health" 2024. available at: <https://www.weforum.org/publications/quantifying-the-impact-of-climate-change-on-human-health/>

⁶⁰ CDC. "CDC's Heat & Health tracker," 2023, available at: https://www.cdc.gov/climateandhealth/effects/docs/332952-a_fs_heathealth-508.pdf



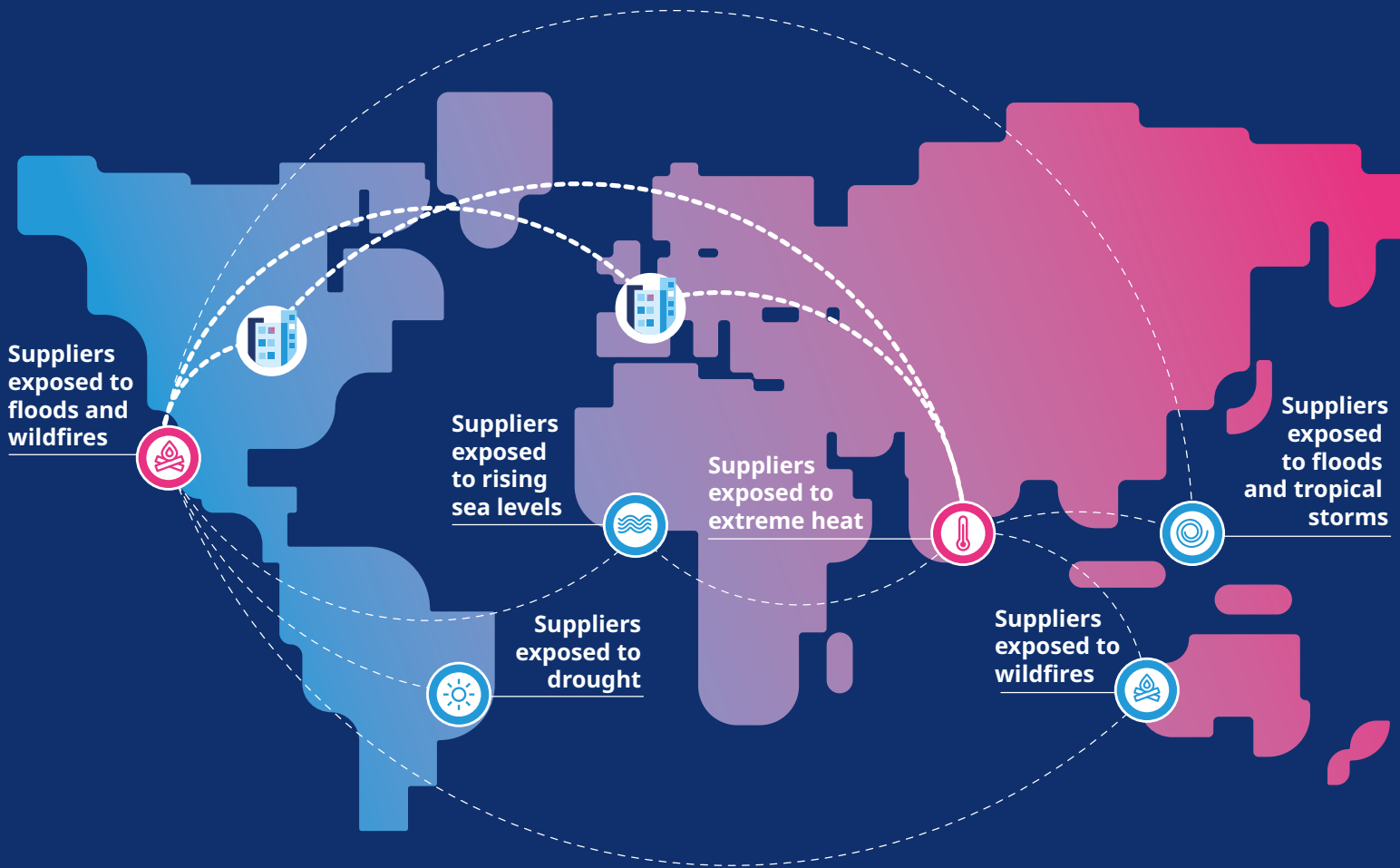
Record-breaking temperatures will be more frequent, intense and last longer⁵⁸

1.6 million projected deaths worldwide will be related to extreme heat by the year 2050⁵⁹

67,000 emergency department visits are due to heat per year in the US⁶⁰

Even for organizations with robust plans for managing natural disasters and extreme weather, supply chain remains a key risk issue. Assessing supplier preparedness, maintaining a supplier risk scorecard and understanding what additional support suppliers may need in vulnerable locations can help underpin business continuity.

Supply chain exposure and health impacts of climate events



Health impact:

Disruption and inadequate access to healthcare, medications and vaccinations

Financial devastation

Increases in infectious disease, including mosquito-borne illness

Elevated chances of dehydration, food insecurity, and malnutrition

Increased risk of heart attacks, strokes, heart failure

Aggravation of asthma and COPD

Heightened anxiety, stress, PTSD, depression

Increased risk of injuries and fatalities

Figure 43: Supply chain exposure and health impacts of climate events



HQ



Direct supplier



Indirect supplier



Getting ahead – benefits to help employees in a disaster

Aligning benefits strategy with the extreme weather agenda means approaching investments and policies through a climate lens. Technological innovation can help, for example, by monitoring the effectiveness of mitigation measures, and opening opportunities for digital platforms to support healthcare.

Thinking through the practicalities of what employees may need, both for their personal health and their wider caring responsibilities is an essential step. Recommendations include:

Prevention: provide access to vaccination for endemic diseases

Mental health support: review onsite, digital and community access to mental health support

Manager training: ensure managers are correctly trained and informed about the implications of extreme heat for employees' physical and mental well-being

Digital health/virtual care: determine whether wearables can be used to support safety in the event of extreme heat at the worksite. Identify digital health and virtual care providers if local systems are compromised

Financial support: support emergency savings plans, and personal and parametric insurance coverages, the latter of which can quickly fund employee disaster recovery allowances; provide access to financial planning tools to help employees prepare

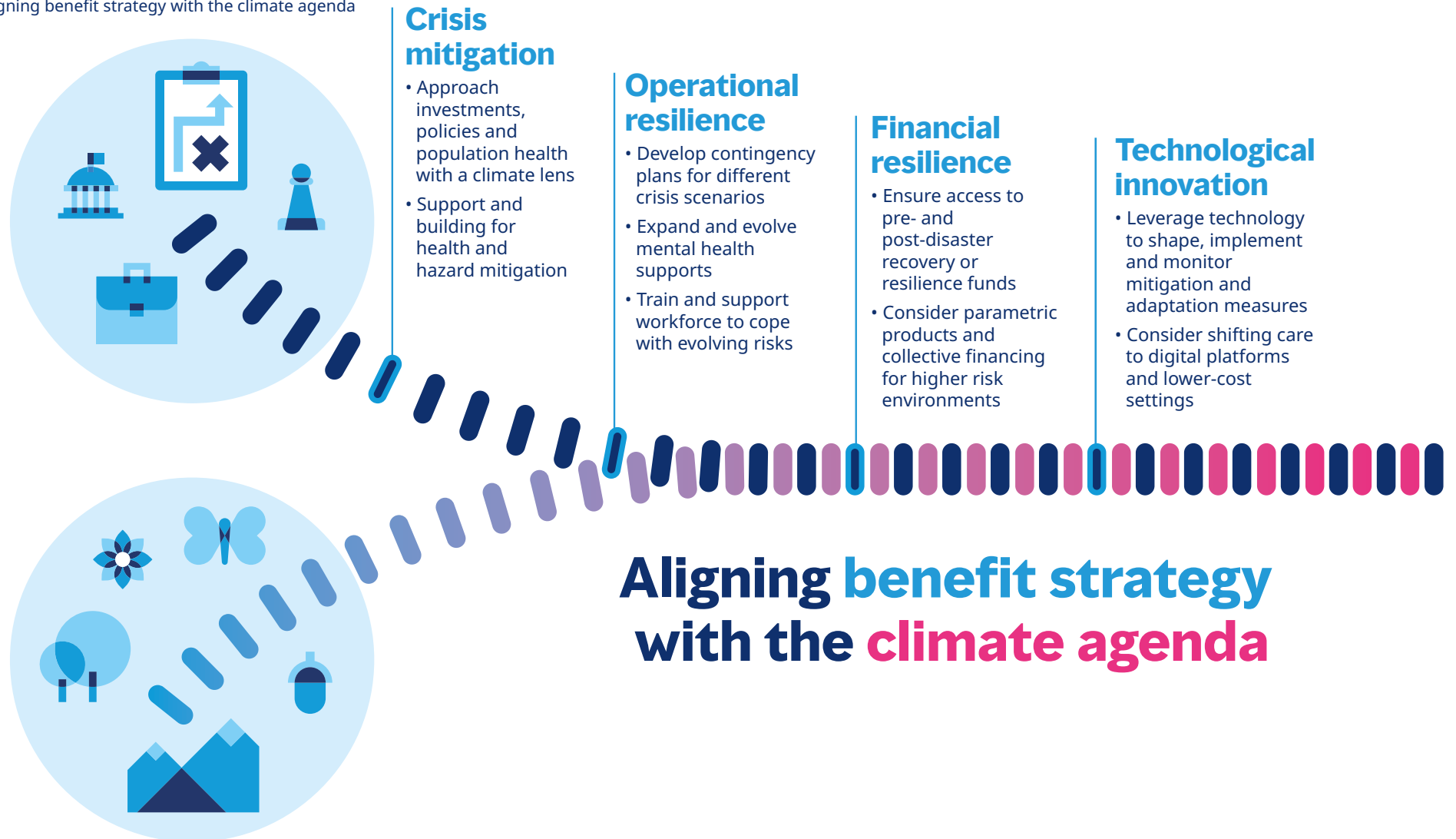
Vital sign tracking and facility design: deploy heat stress monitoring technology if facilities cannot be fitted with air conditioning or alternative cooling systems

Leave and work policies: if employees are unable to work or schools are unable to open, employers should have backup plans in place (e.g., paid/unpaid leave)

Caregiving responsibilities: ensure leave policies cover issues related to supporting others, like dependents or elderly family members

Gig/contract worker support: how will your organization support these individuals compared to permanent or full-time employees?

Figure 44: Aligning benefit strategy with the climate agenda



Minimize benefit disparities

The top environment, sustainability and protection risk in this year's ranking is disparities between executive and worker rewards and values. This is also ranked as the third-highest risk in the survey overall, highlighting the depth of concern over this issue. HR and Risk managers are aligned on the significant impact of this issue and more needs to be done to advance the Good Work Framework.⁶¹

World Economic Forum Good Work Framework



Figure 45: World Economic Forum Good Work Framework

Cost of living crises in many regions over the last 18 months have exacerbated gaps between executives and workers, with 48% of respondents saying that managing employee expectations around salary increases in a period of high inflation is a top concern.

The WEF Global Risks Report 2024 underlines the potency of the cost of living crisis, identifying it as one of the top five risks expected to present a material crisis on a global scale in 2024.⁶² It also identifies societal polarization as one of the top three risks over the

current and two-year time horizons.

Inequalities have driven disruptions to business continuity, with trade unions and other labor organizations reacting in countries such as France, the UK and the US. Widespread strikes across many

sectors including health, education and transport resulted in 3.9 million days being lost to strikes in the UK alone in the 12 months to May 2023, more than at any point since 1989.⁶³

⁶¹ World Economic Forum. "The Good Work Framework: A Template for Action," 2024, available at <https://initiatives.weforum.org/good-work-alliance/gwf>

⁶² World Economic Forum. "Global Risks Report 2024," 2024, available at <https://www.weforum.org/publications/global-risks-report-2024/in-full/global-risks-2024-at-a-turning-point/>

⁶³ Resolution Foundation. "Labor market outlook Q2 2023," 2023, available at <https://www.resolutionfoundation.org/publications/labour-market-outlook-q2-2023/>

Get creative with benefits support

Very few employers have been able to support employees with above-inflation salary increases; pay budgets are finite. Employee benefits offer an additional avenue to provide support to employees in a responsible way, through difficult times.

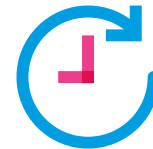
Benefits such as financial well-being and healthcare in particular can have a significant impact in addressing inequalities.

Financial well-being

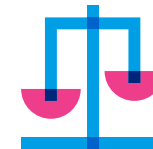
Executives' third-highest priority for their people agenda is to invest more in benefits related to retirement savings and financial well-being.⁶⁴ The Mercer CFA Institute Global Pensions Index ranks the pension systems in over 40 countries each year for adequacy, sustainability and trust. In regions where state-funded retirement benefits are minimal, this gives employers an opportunity to make a significant difference to employees' retirement planning.⁶⁵

Ensuring employees benefit from a level of contributions that is expected to provide an adequate retirement income is increasingly a focus. Companies should also consider introducing guidance and support in areas such as savings plans, financial education, debt relief, and discounts and create certainties such as guaranteed hours and paid time off for healthcare and illness, all of which support employees' financial well-being.

Financial strains are starting to show⁶⁶



6 work hours per month are lost due to money worries



43% of employees are at risk of burnout because of financial strain



4 in 10 employees want their employers to provide a living wage

^{64,66} Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

⁶⁵ Mercer. "Mercer CFA Institute Global Pension Index 2023," available at <https://www.mercer.com/insights/investments/market-outlook-and-trends/mercercfa-global-pension-index/>

Percent of employees who are not confident they can afford healthcare

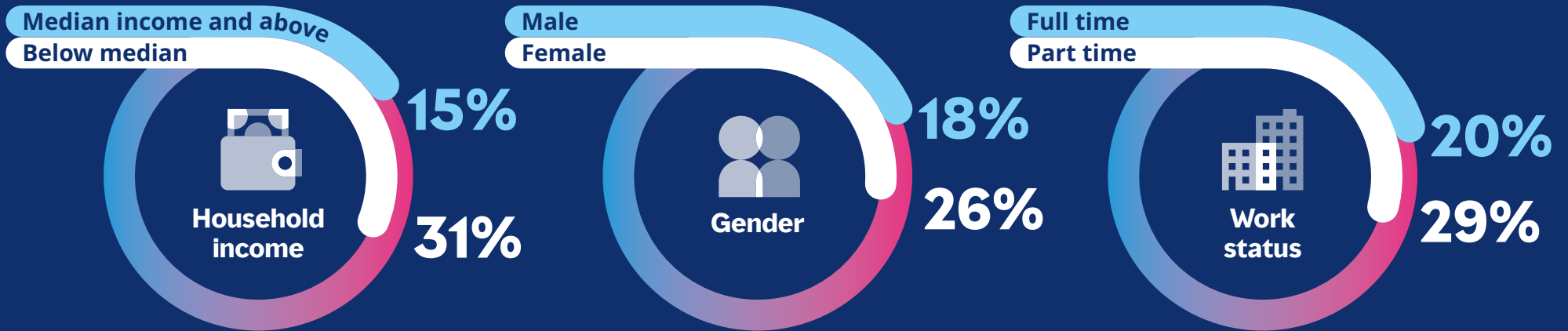


Figure 46: Health inequities are stark⁶⁷

Healthcare

Providing access to affordable healthcare is vital to ensure that employees are able to remain healthy and productive at work. Certain groups within the workforce, such as women, part-time employees, people with disabilities and those on lower income, are likely to be more vulnerable than others, both in terms of coverage of their health needs and access to company-sponsored

health cover. In our research 48% of employees say they want their employers to implement minimum health and well-being standards.⁶⁸

There are ways to open up access to health support, even for those in the work population who are ineligible for health cover. That could include providing eligibility

for onsite health services, opening well-being accounts that give employees a sum of money to spend on self-selected well-being services, or even flexible benefit plans to allow employees to buy cover that they want. Introducing new supports for the whole of the workforce can also help to address unmet needs.

⁶⁷ Mercer Marsh Benefits. "Health on Demand," 2023, available at <https://www.mercer.com/en-us/insights/total-rewards/employee-benefits-strategy/health-on-demand-2023-survey-report/>

⁶⁸ Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

Prioritizing healthy aging is foundational for the longevity economy as is tackling the rising incidence of age-related discrimination around the world uncovered in Mercer's 2024 Global Talent Trends study.⁶⁹ Enabling the whole workforce to maintain good health is fundamental to equality. The World Economic Forum's Longevity Economy Principles 2024 research identified five key criteria that impact individuals' health: having purpose, managing stress, physical activity, lifelong learning and interacting with others. Employee health strategies should be reviewed through the longevity lens.

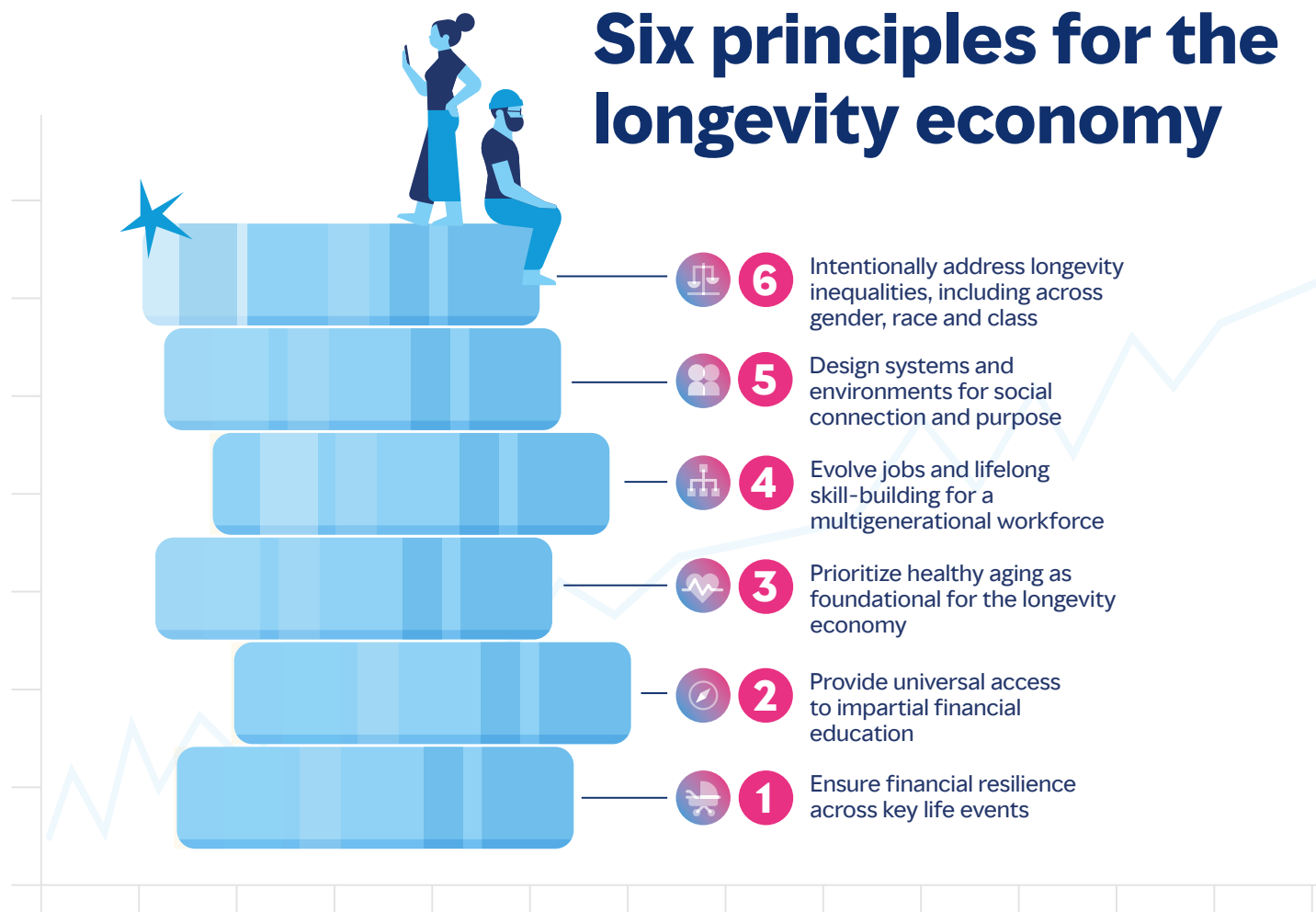


Figure 47: Six principles for the longevity economy.⁷⁰

⁶⁹ Mercer. "Global Talent Trends," 2024, available at <https://www.mercer.com/insights/people-strategy/future-of-work/global-talent-trends/>

⁷⁰ World Economic Forum. "Longevity Economy Principles: The Foundation for a Financially Resilient Future," available at: https://www3.weforum.org/docs/WEF_Longevity_Economy_Principles_2024.pdf

Are supply chain protection gaps hurting your business?

4.5 billion

Number of people worldwide who don't have coverage for essential healthcare⁷¹

Source: World Health Organization



Our footprint includes suppliers that don't have the health care access that's needed. And this shows up in terms of the ability of those suppliers to run their businesses effectively.

Alan May, Executive Vice President & Chief Integration Officer for Talent and Culture, Hewlett Packard Enterprise

Panel speaker at the World Economic Forum in Davos session in 2024 on 'Breaking barriers to health access bit by byte'⁷²



⁷¹ WHO. "Universal health coverage," 2023, available at [https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-\(uhc\)](https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-(uhc))

⁷² Mercer. "Breaking barriers to health access bit by byte," 2024, available at <https://www.mercer.com/insights/events/wef-2024-breaking-barriers-to-health-access-bit-by-byte/>

Flip the pyramid

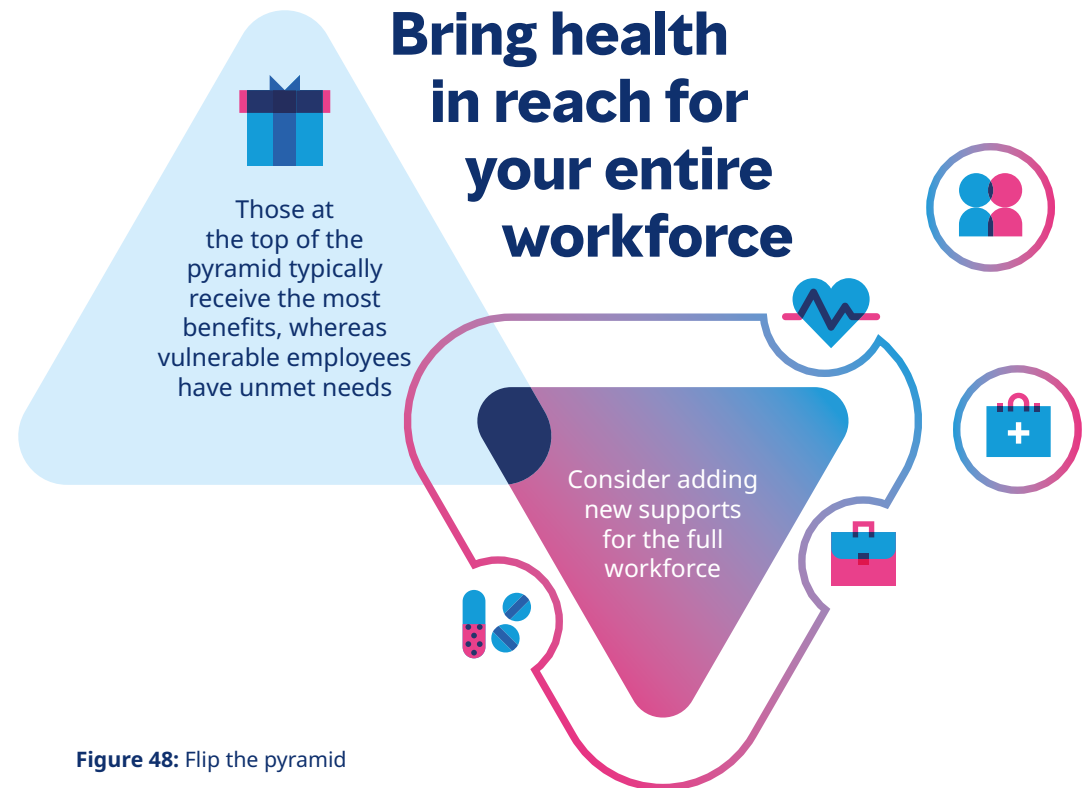


Figure 48: Flip the pyramid

Environment, sustainability and protection recommendations



Environment, sustainability and protection risks are now a reality for all businesses and will inevitably grow, from environmental impacts to the destabilizing effect of disparities in executive and worker reward, benefits and social perspectives

Proactively manage short-, medium- and long-term environmental risks such as extreme heat from a health perspective. Consider this for your key suppliers, in addition to your workforce

Align employee policies and benefits with conditions such as extreme heat or natural disasters to provide relevant protection

Use employee benefits to reduce reward disparities between executives and employees

Support suppliers that improve healthcare offerings to ensure business continuity

Collate relevant data to support decision-making in addressing health inequities

Look at ways you can extend savings, health, well-being and risk protection benefits to a larger portion of your workforce

Ensure employees can earn an adequate level of retirement benefits

Reducing short term disability (STD) costs and supporting safe work for a large international retailer



Challenges

- International retailer was facing a challenge in addressing accommodation risks in US under the Americans with Disabilities Act (ADA) but poor cross-border application for Canada population
- People leaders lacked knowledge and training to manage in-store solutions to meet employee needs
- Employees driven to STD plan due to long wait for intervention and support at work
- Lost time and disability trends at market average for industry and becoming worse
- Peripheral understanding of legislated duty to accommodate in Canada and impact on productivity
- Poor data collection/storage limited the ability to support employees in maintaining accommodations when role changes occurred



Actions

- Met with employer's US stakeholder groups to identify areas of potential organizational alignment
- Interviewed Canada stakeholders and current service provider to understand process and employee experience
- Focused on people risks and cost risk mitigation
- Developed rule-based threshold to support front-line managers' rapid decision-making
- Built program sequence, employee, leader and HR guides, tools, request forms and communication support
- Worked with client internal communication and marketing to deploy across organization
- Secured effective third-party provider (RFP) to handle confidential processes



Outcomes

- Legislative and governance compliant accommodation program was customized to meet local flexibility with standardized approaches for HR support
- Consistent and secure collection and storage of employee accommodation needs
- Flexible for use in stay-at-work as well as return-to-work efforts
- Provided coaching and training to HR, provider and key resources to align program and implement broadly
- Within 6 months of implementation, disability carrier shared impact of process because of significant (>20%) claims reduction in STD
- Client was awarded national (Benefits Canada) award for innovative attendance and employee support programs in 2023

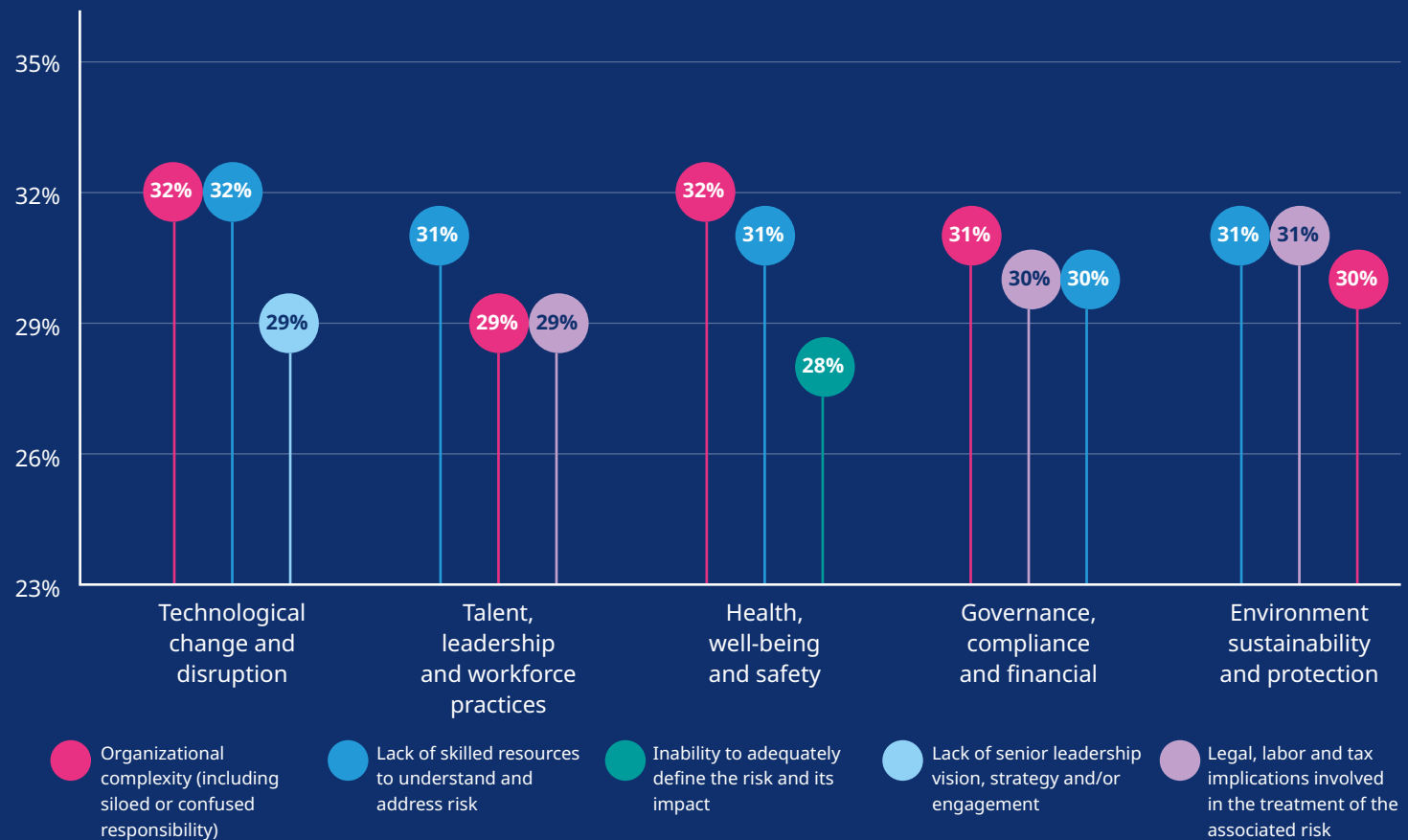
Conclusion

There are core actions that businesses can take to address people risk across all five pillars of risk.

Streamlining organizational complexity and creating clearer definitions of risk will support areas such as health, well-being and safety, as well as address governance issues.

From a people perspective, investing in appropriate skilled resources is a priority, but this needs to be a redesign of work, not just bringing in skills, in order to build a sustainable and resilient people model. A clearer focus on senior leadership vision, strategy and/or engagement is also vital, especially in relation to technological change and disruption.

Figure 50: Key barriers to addressing people risks



Key takeaways for each of the five pillars of risk



Technological change and disruption

Make cybersecurity and threat mitigation a whole-workforce issue through training, awareness and targeted plans to secure needed specialist talent. Implement systems and processes that support employees in protecting organizational data and limiting reputational damage.

Prioritize understanding the risks and opportunities presented by generative AI, taking a multi-stakeholder approach and staying ahead of emerging legislation.



Talent, leadership and workforce practices

Address labor shortages, for skilled and unskilled workers alike, through competitive approaches to attraction and retention, efforts to improve employability and a compelling employee experience to enhance productivity.

Strengthen organizational resilience through enterprise practices such as culture, leadership and control as well as supporting personal resilience for employees.



Health, well-being and safety

Take account of psychological safety as well as physical safety in work design to address mental health deterioration. Develop clearly articulated and well-executed mental health strategies.

Understand and act on the potential to improve and advance employee health and well-being offerings. That includes optimizing the benefits mix and embracing the potential of digital healthcare, as well as a focus on navigating to care effectively.



Governance, compliance and financial

Managing benefit costs into the future will require active plan management. Work with advisers to evaluate options and control costs over a long time horizon and consider alternative insurance placement and funding options.

Redesign governance frameworks to ensure that benefit plans are compliant, achieve the biggest impact for company spend and are relevant to the needs of the company and employees while being flexible to adapt as conditions change.

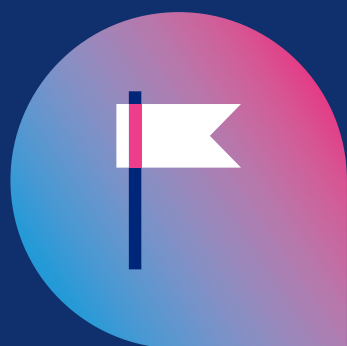


Environment, sustainability and protection

Look for the people risk angle in wider issues such as climate and natural disaster risk. Plan for employee health and well-being both over the short and long term. Ensure supports are there for employees when they need them.

Inequities in the workplace are becoming more entrenched as employees deal with cost-of-living issues, driving disengagement and labor disruptions. Think creatively about using benefits alongside pay to reduce gaps, particularly in areas such as financial well-being and health provision.

Take a proactive, predictive and disciplined approach to people risk management



Be proactive

- Tackle future challenges today using proactive techniques, such as scenario planning including broader supply chains.
- Set measurable goals and ensure that risk mitigation investments are built into business planning practices.
- Empower individuals across the organization to raise early-warning indicators.



Be predictive

- Embrace predictive analytics and modelling to support data-driven risk management.
- Identify and track measures that impact employee well-being and productivity, such as burnout risk.
- Provide HR insights that can enable better risk management and decision-making.



Be disciplined

- Continually improve governance through monitoring and audits to identify and address governance gaps.
- Reinforce accountability across the organization and in different disciplines, from cyber awareness to psychological safety.
- Be proactive regarding cost control and active management in areas such as healthcare benefits.

Appendix

Risk-ranking methodology

To establish the priority order of the 25 risks in this research:

- Survey respondents were asked to assess the impact (i.e., severity) and likelihood of each risk on their business if it were to occur in the next one to two years. This was done on a scale of one to five, where one represents no impact or not very likely and five is a catastrophic impact or very likely.
- Throughout the report, we calculate and rank the risks by RRS, which is a numeric score that captures the likelihood of the risk impacting the organization and severity of its impact on the business if the risk were to occur. It is calculated as the likelihood score multiplied by the severity score.
- Respondents who selected “Not sure or prefer not to say” were excluded from the calculation for each risk.
- When pillars are ranked in the report, the sum of the pillars’ risk likelihood scores and the sum of the pillars’ risk severity scores were used to calculate each pillar’s RRS.
- Global and regional results are unweighted averages of market results.

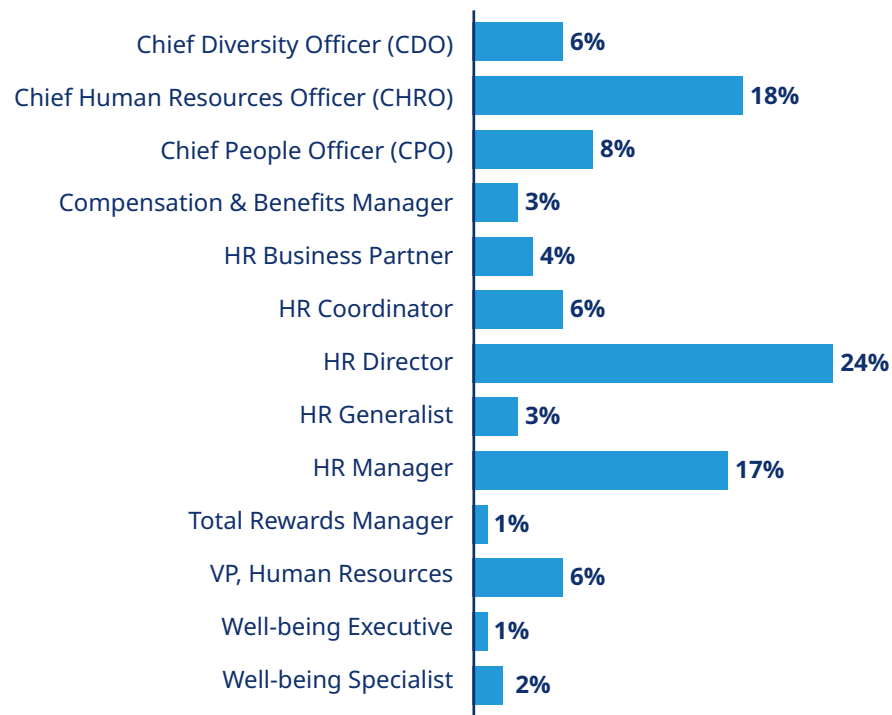
Global risk ranking by severity, likelihood and RRS

	Severity	Likelihood	Risk Rating Score
1	Ineffective leadership	Increasing health and benefit costs	Increasing health and benefit costs
2	Mental health deterioration	Disparities in executive/worker rewards	Labor shortages
3	Mishandling of data/IP	Changing legislation and scrutiny	Disparities in executive/worker rewards
4	Tech skills shortages	Labor shortages	Tech skills shortages
5	Pandemics	Uncompetitive talent strategies	Changing legislation and scrutiny
6	Misconduct	Lack of cybersecurity knowledge	Uncompetitive talent strategies
7	Labor shortages	Tech skills shortages	Ineffective leadership
8	Natural disasters and extreme weather	Disengaged workforce	Mental health deterioration
9	Weak benefits administration	Suboptimal HR technology	Lack of cybersecurity knowledge
10	Disengaged workforce	Improper rewards decision making	Disengaged workforce
11	Increasing health and benefit costs	Mismanagement of AI	Pandemics
12	Disparities in executive/worker rewards	Absence of HR in decision-making	Improper rewards decision making
13	Improper rewards decision making	Natural disasters and extreme weather	Mishandling of data/IP
14	Inadequate personal catastrophe coverage	Pandemics	Natural disasters and extreme weather
15	Healthcare system deterioration	Inadequate personal catastrophe coverage	Suboptimal HR technology
16	Uncompetitive talent strategies	Ineffective leadership	Inadequate personal catastrophe coverage
17	Lack of cybersecurity knowledge	Mental health deterioration	Misconduct
18	Poor management of benefit exposure	Poor management of benefit exposure	Mismanagement of AI
19	Absence of HR in decision-making	Unsafe working conditions	Absence of HR in decision-making
20	Changing legislation and scrutiny	Misconduct	Healthcare system deterioration
21	Mismanagement of AI	Healthcare system deterioration	Poor management of benefit exposure
22	Unsafe working conditions	Mishandling of data/IP	Unsafe working conditions
23	Suboptimal HR technology	Lack of DE&I	Weak benefits administration
24	Lack of DE&I	Chronic illness	Lack of DE&I
25	Chronic illness	Weak benefits administration	Chronic illness

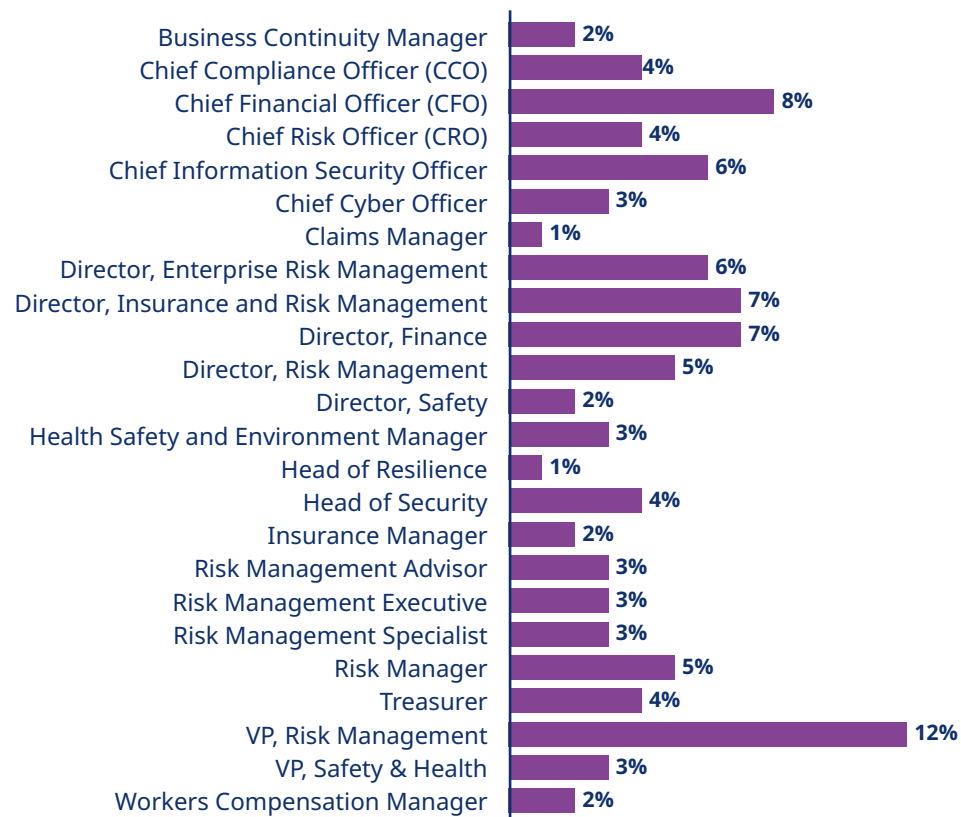
Our respondents

We surveyed HR and Risk professionals, who are either full-time or part-time employees (excluding freelancers or independent contractors), working for companies with 50+ employees (or 100+ for the US).

2,283 HR professionals globally



2,292 Risk professionals globally



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- Health and well-being, including mental health and longevity
- Global benefits
- Business continuity
- Enterprise risk management
- Business resiliency and crisis management
- Cybersecurity risk management
- Environmental, social and governance (ESG)
- Employee experience
- HR transformation
- Diversity, equity and inclusion
- Workforce communications
- Flexible working and work design
- Employee experience, listening and total rewards
- Living wage
- Retirement
- Investments

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