Mercer

welcome to brighter

Navigating the new world at work

A guide to US employees' most pressing needs and how your organization can meet them, based on Mercer's 2023 - 2024 Inside Employees' Minds© study.

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About this study

This study includes 4,505 full-time employees in the United States, working for organizations with more than 250 employees.

The study was fielded in Q3 2023.

Top industries with more than 500 employees

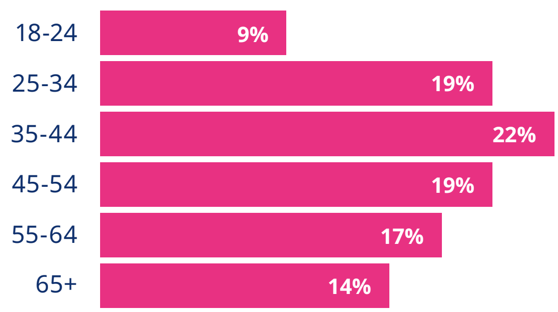
Technology
889 employees

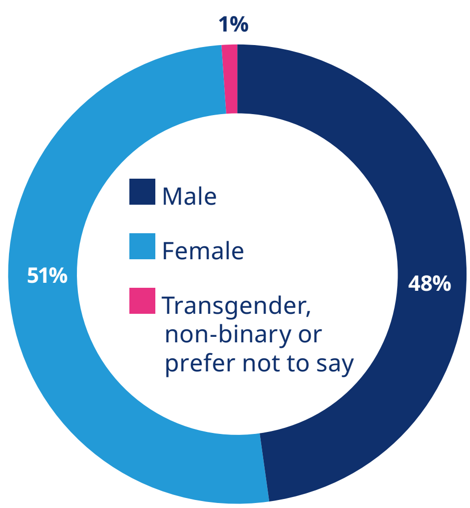
Retail and Hospitality
768 employees

Financial Services and Insurance
632 employees

Healthcare
624 employees

Age





44%
Hourly employees

56%
Salaried employees

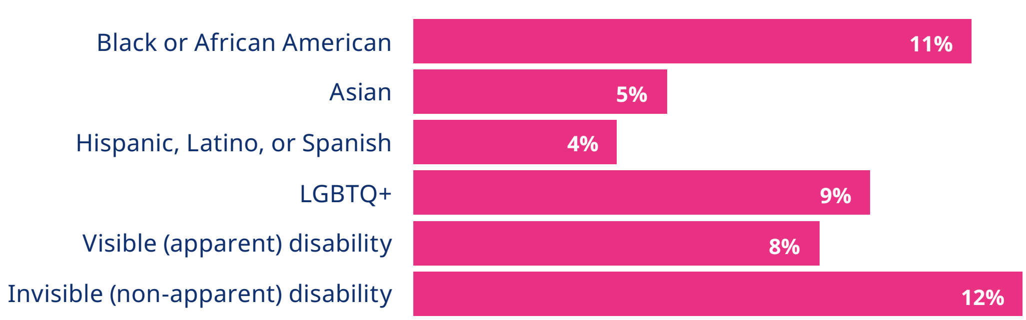
Working arrangement

16%
Full-time remote

30%
Hybrid

54%
Full-time on-site

Minority representation



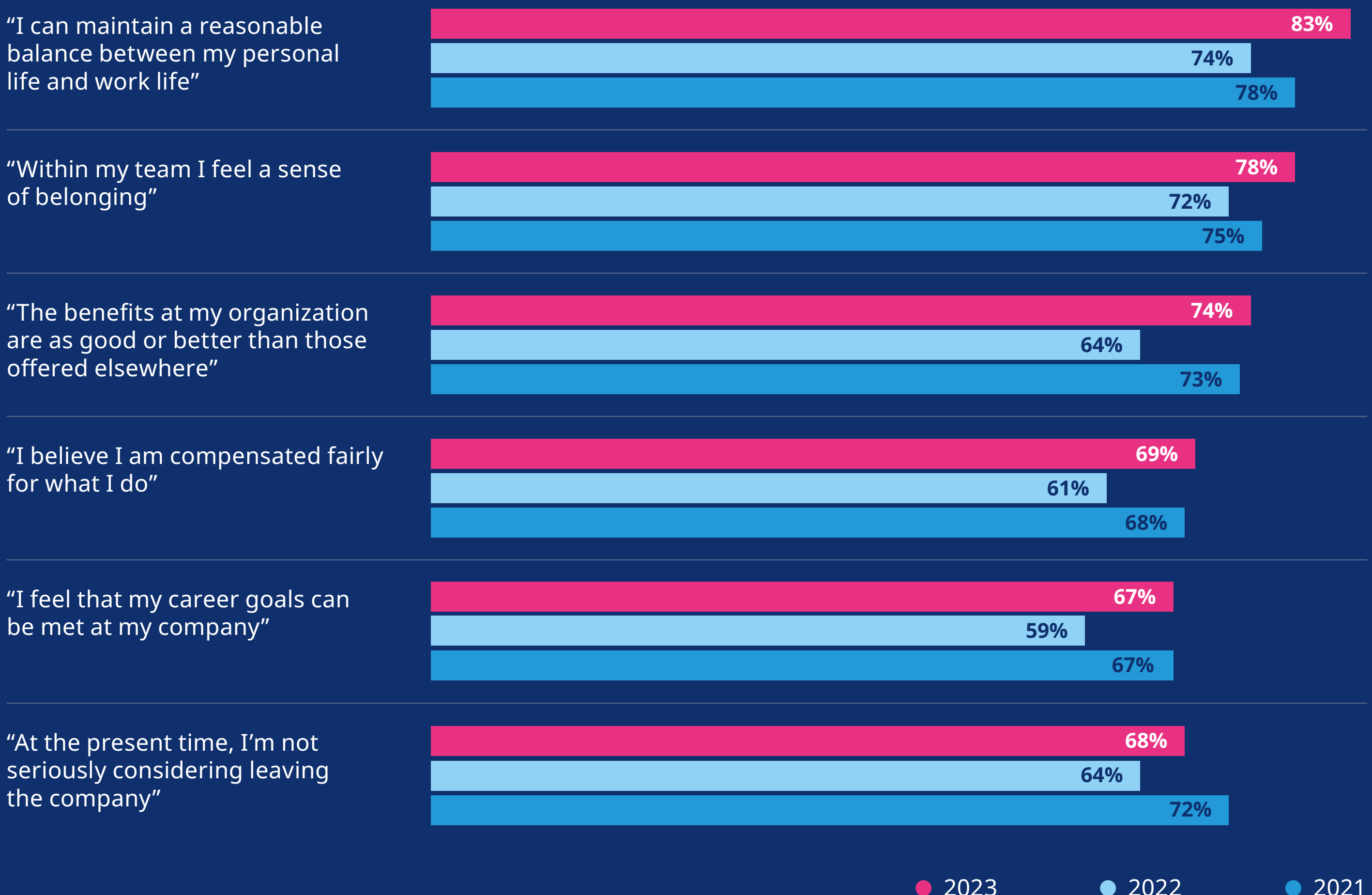
Executive summary

2023 brought a mixed sense of optimism to American employees.

Employees are feeling more positive overall than last year. With inflation cooling, employees are no longer experiencing the acute shock, and are better equipped to navigate it. Labor shortages have somewhat eased, making workloads more manageable. And many employees have moved to roles where they're more satisfied.

Employers have also made significant investments in their workforce, leading to happier employees. They delivered the largest pay increases since the 2008 financial crisis, while also making significant investments in Total Rewards — all of which increased employee engagement and commitment. This is evidenced by the end of the 'Great Resignation' and quit rates settling back to pre-pandemic levels. Keeping with this theme, even as return to the office mandates have swept the nation, office utilization remains at 50%, suggesting employers are sticking with hybrid work arrangements that better support employees.

Engagement is up across the board, and so is satisfaction. Since last year, employees have a greater sense of balance, belonging, and satisfaction with compensation, benefits, and career opportunities — and they are less likely to consider leaving their employers.



Source: Mercer 2023-2024 Inside Employees' Minds© Study

But things are not all rosy. One in three employees are still considering leaving their employer. While that's an improvement over last year, it's still worse than 2021's level of one in four. Financial stressors remain and many employees continue to struggle to make ends meet. Concerns over the economy have started to grow, and while the labor market started to shift more in favor of employers this year, Generative AI also exploded onto the scene. This has created new anxieties over job security for employees and new challenges for employers as they seek ways to rapidly leverage these technologies.

1 in 3 employees are still considering leaving their employer.

Source: Mercer 2023-2024 Inside Employees' Minds© Study; percentage of employees neutral to disagree to statement "At the present time, I'm not seriously considering leaving the company"

In addition, new generations are rapidly changing the workforce — millennials make up the largest share of the current US workforce and Gen Z is projected to make up a quarter of the workforce by 2025 — and employers need to understand their expectations and adapt to shifting needs and priorities.

This year's data indicate that we are coming down from a period of massive disruption and settling into a new world of work and life: one where people are more protective of their financial security as the economy feels volatile, where people prioritize well-being as the future is uncertain, and where there is an increasingly stark divide between lower-income employees and the rest of the workforce in terms of the ability to thrive.

To succeed in today's environment, employers must rethink long-held views of work: how we work, where we work, what we do, and what we share.

The five key findings from this year's Inside Employees' Minds© study reveal where employers should focus to adapt to changing employee expectations:

1 Focus on financial security.

Concerns over financial security continue to reign supreme, as employees struggle to recover from inflation stressors. Concerns are heightened amongst lower-income employees, especially related to everyday expenses, debt and healthcare costs.

2 Re-engineer work for wellness.

Mental health concerns persist despite significant employer investments. The employee experience is still overwhelming and exhausting for many — and employees say that rethinking work is the key to improve their well-being.

3 Build trust through transparency.

Employees are researching and discovering information about pay ranges and career opportunities, regardless of whether their employers share that information. But when employers do share, employees are more engaged and committed.

4 Unlock potential through AI.

Concerns over job security have increased, both in response to declining economic confidence and technological advances. But employees overall are optimistic about the ways technology could improve their experience of work, helping them be more efficient and effective.

5 Embrace values for impact.

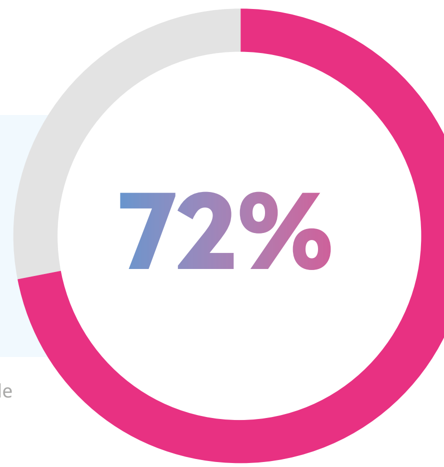
Employees increasingly say that ESG issues are important to them — and that they want their employer to support, not just through statements but actions. These shifting expectations are being shaped heavily by younger generations in the workforce.

01

Focus on financial security

Finances remain the number one concern of employees overall, year over year. Financial pressures have eased slightly as inflation has come down and people have readjusted their lifestyles — with high-income employees recovering more quickly — but employees are by no means out of the woods. 72% say that high inflation and market volatility has significantly increased their financial stress, down just slightly from 75% in 2022.

"High Inflation and market volatility has significantly increased my financial stress"

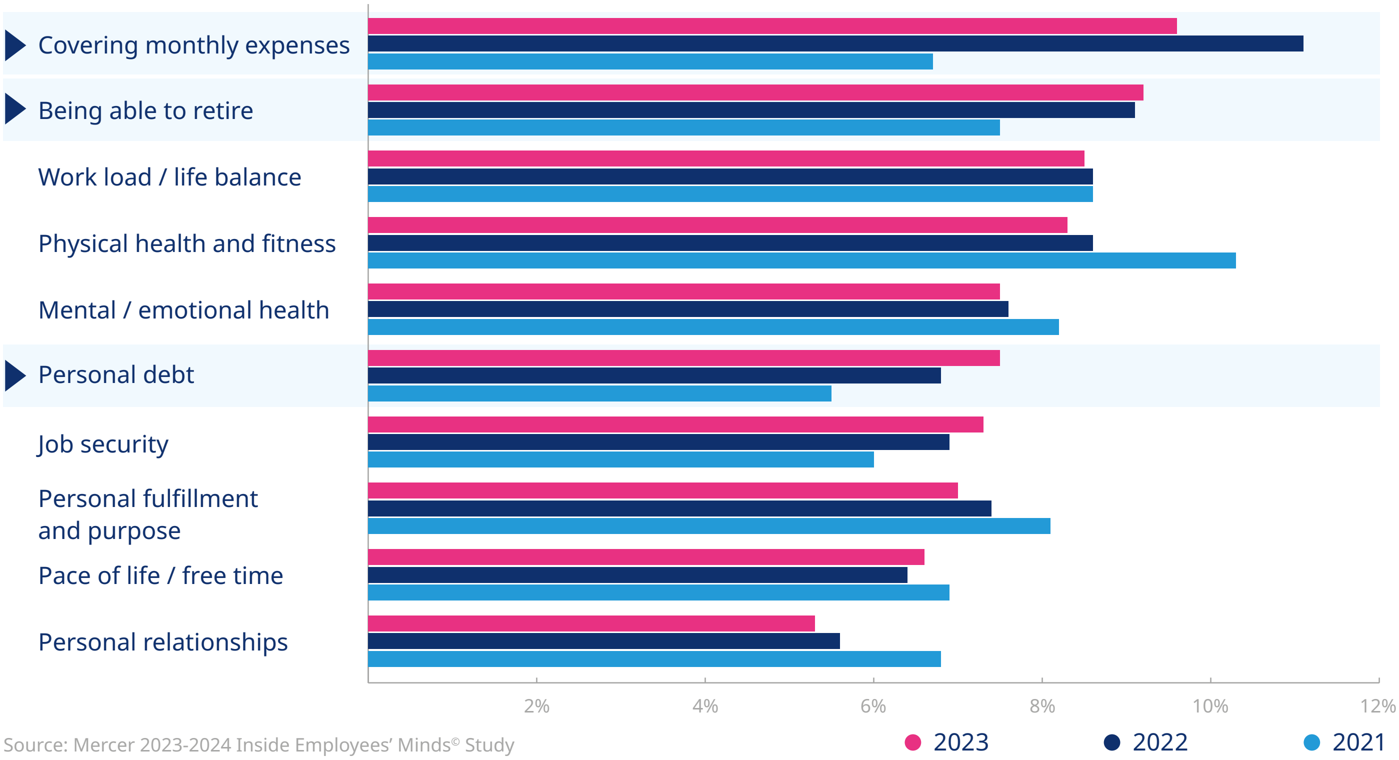


Source: Mercer 2023-2024 Inside Employees' Minds© Study

Concerns over short-term financial security, such as covering monthly expenses, remain the top concern of all employees, though concerns have declined from last year's peak. Long-term financial security, focused on the ability to retire, is a close second.

Employees top 10 unmet needs and how they've evolved

Financial concerns continue to top the list - and personal debt is rising steadily



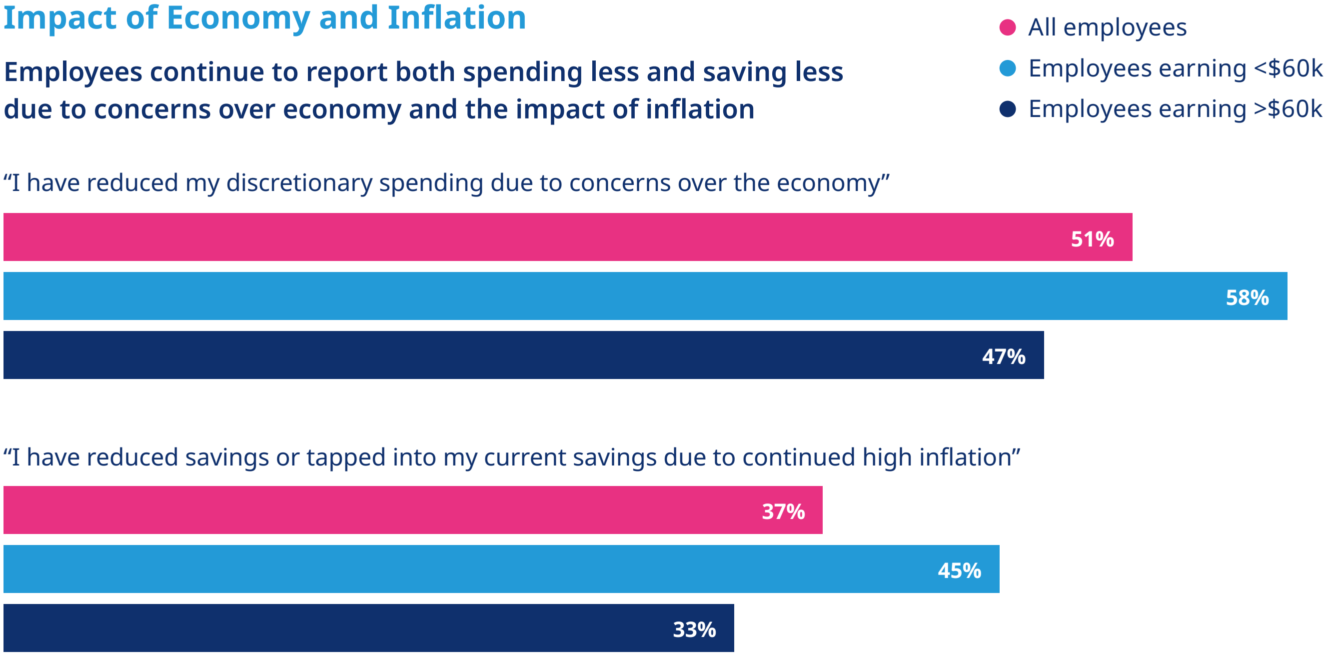
Source: Mercer 2023-2024 Inside Employees' Minds© Study

Concerns over personal debt are moving in the other direction, however, increasing steadily over the last three years. Employees are significantly more concerned about personal debt than they were in 2021, and it is the #2 concern of lower-income employees (defined in this report as those making less than $60k per year). According to Federal Reserve Bank of New York, credit card debt has been the key driver in debt increases — rising to a record $1 trillion in August 2023.

While more than half of employees report reducing their discretionary spending, and another 37% report they have reduced savings or tapped into their current savings, the rise in personal debt suggests a reduction in discretionary spending alone hasn't been sufficient to make ends meet.

Impact of Economy and Inflation

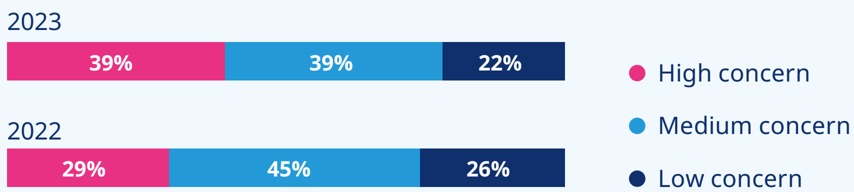
Employees continue to report both spending less and saving less due to concerns over economy and the impact of inflation



Source: Mercer 2023-2024 Inside Employees' Minds© Study

While employee concerns about financial well-being are moderating somewhat, employer concerns are rising. According to the 2023 EBRI Financial Well-Being Report, 39% of employers rate their employees' financial well-being as a high concern in 2023, compared to 29% last year.

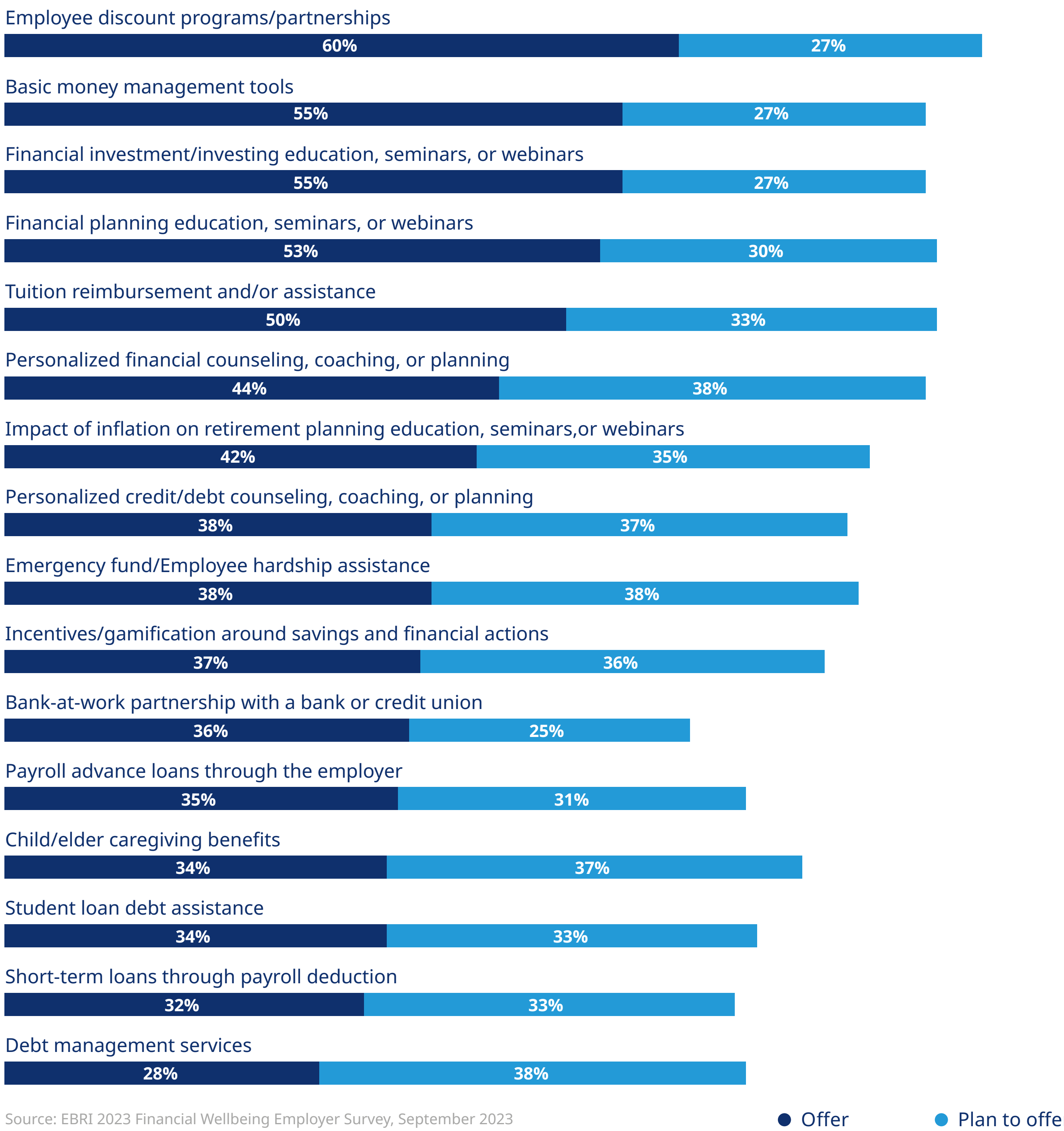
Employers' concerns regarding employee's financial well-being



Source: EBRI 2023 Financial Wellbeing Employer Survey, September 2023

Employers are increasingly recognizing the importance of financial well-being benefits for their employees and are expanding their offerings — employee discount programs, basic money management tools, and financial investment education are the most common benefits available. With SECURE 2.0 now in effect, employers have even more options at their fingertips, and offerings are likely to evolve as employers digest new potential options. The challenge for employers remains finding the right balance between the number of offerings to make available to meet employees' diverse needs, while also maintaining ability to be directive and personalized to drive employee action — and ultimately value.

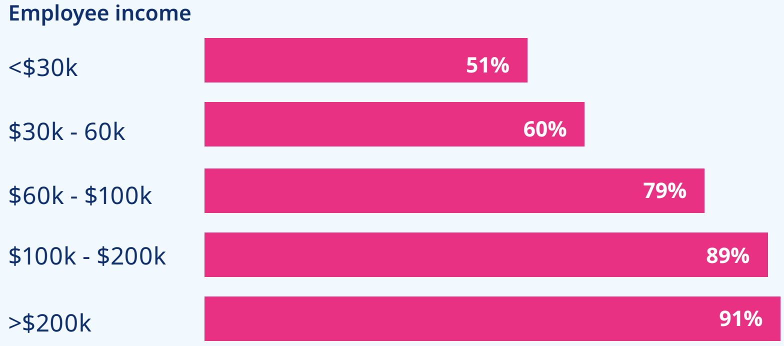
Financial well-being offerings are expanding



Source: EBRI 2023 Financial Wellbeing Employer Survey, September 2023

Another area that employers are acting on is healthcare affordability; in [Mercer's 2023 National Survey of Employer-Sponsored Health Plans], about two-thirds of large employers said that this will be an important focus of their health benefit strategy over the next few years. Employers have good reason to be concerned about employees' ability to afford healthcare: Only three-fourths of employees overall say they can afford the healthcare they need without financial hardship — and that drops to just half of employees at the lowest income levels.

"I am able to afford the healthcare my family and I need without financial hardship."

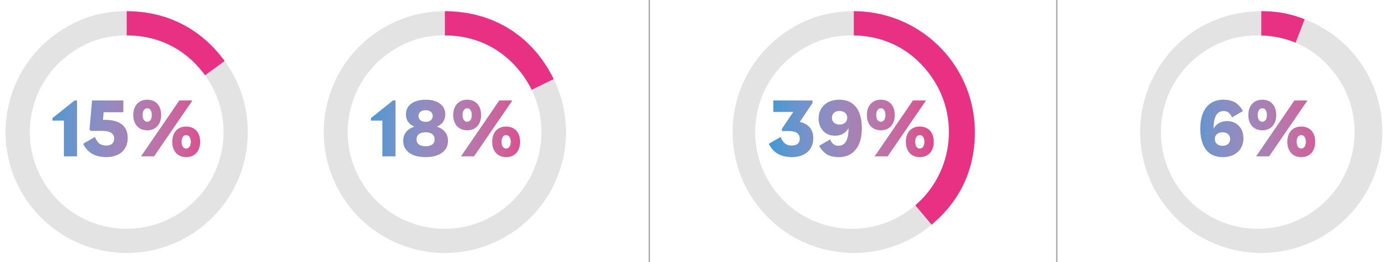


Source: Mercer 2023-2024 Inside Employees' Minds© Study

For the past few years, many large employers have avoided shifting additional financial responsibility for healthcare expenses to employees. For example, [average deductibles and out-of-pocket maximums have not grown since 2021 after rising steadily for over a decade]. Employers are also starting to explore other ways to boost healthcare affordability for lower-income employees and help them keep more of their paychecks — offering a medical plan with no (or low) deductibles; offering free employee-only coverage in at least one medical plan; implementing salary-based contributions; or making larger contributions to the health savings accounts of lower-earning employees.

Boosting affordability

Helping employees keep more of their paychecks | **Removing financial barriers to seek care** | **Providing cash to help pay for healthcare**



- 15%: Offer free employee-only coverage in at least one medical plan
- 18%: Use salary-based contributors
- 39%: Offer medical plan with no/low deductible (e.g., copay plan)
- 6%: Make larger HSA contributions to low-earners

Source: Mercer Health & Benefit Strategies for 2024 Survey Report

Actions you can take

- **Develop a holistic financial well-being strategy** by uncovering employees' unmet financial needs, optimizing your portfolio of offerings that best support those needs, and driving engagement in programs through personalized communication that motivates action.
- **Take advantage of Secure 2.0 provisions that can drive both short- and long-term financial security.** Matching contributions for paying down student loan debt, or for contributions to their HSA, can support employees with their short-term financial needs, while also building their retirement readiness over the long term.
- **Start with affordability to drive health equity.** Consider creative strategies to provide outsized support to lower income employees, and remove financial barriers to obtaining healthcare.

02

Re-engineer work for wellness

Concerns about well-being continue to top the list for employees. Workload and life balance remains the top concern for employees outside of short- and long-term financial security.

Despite significant investment by employers in mental health benefits, and some relief from pressures such as inflation and labor shortages, employees again ranked mental health among their top 5 concerns in this year's survey. Among young employees, LGBTQ+, Black women, people with disabilities, and the lowest earners, mental health concerns were more pronounced.

Who is most concerned about mental health?

Ranking of mental health, amongst other concerns

#2 **Below Age 45**
(drops below top 5 for age 45+)

#2 **LGBTQ+**
(versus #6 for non-LGBTQ+)

#2 **Black Women**
(versus #6 for non-Black Women)

#3 **Visible or Invisible Disabilities**
(versus #7 for non-disabled)

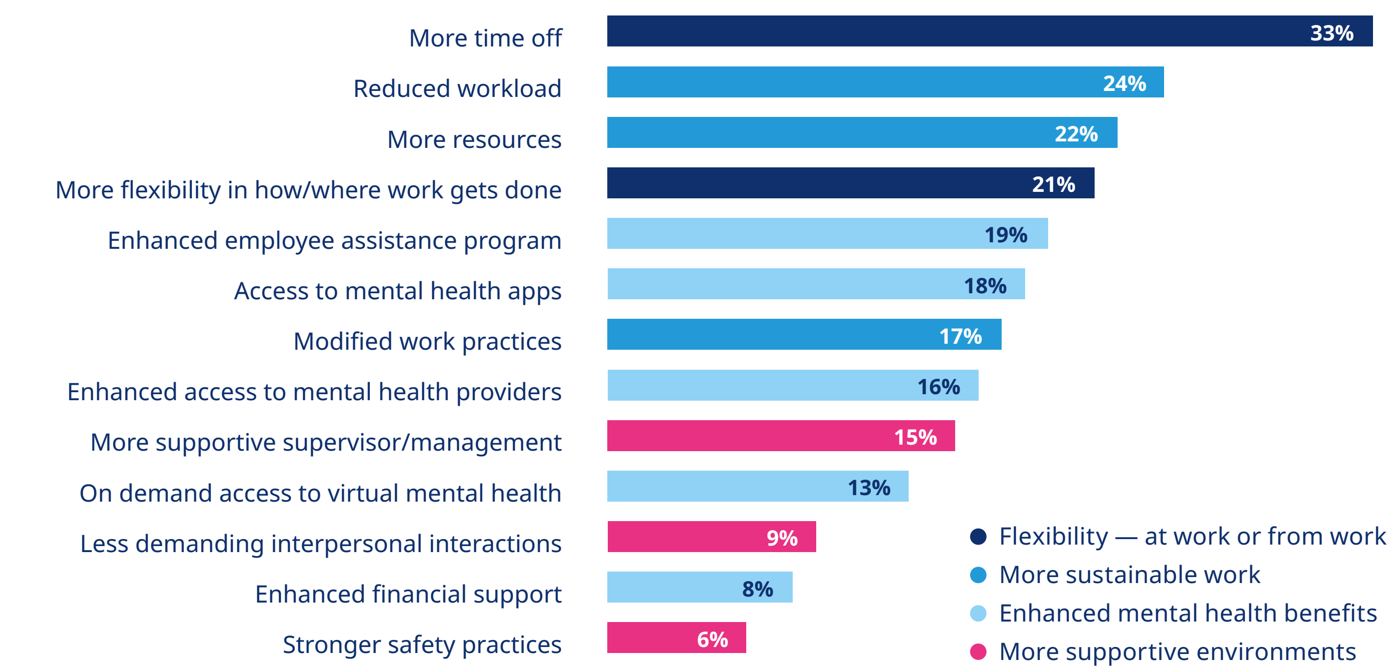
#3 **Income <$30k per year**
(drops below top 5 for employees earning $60k or more)

Source: Mercer 2023-2024 Inside Employees' Minds© Study

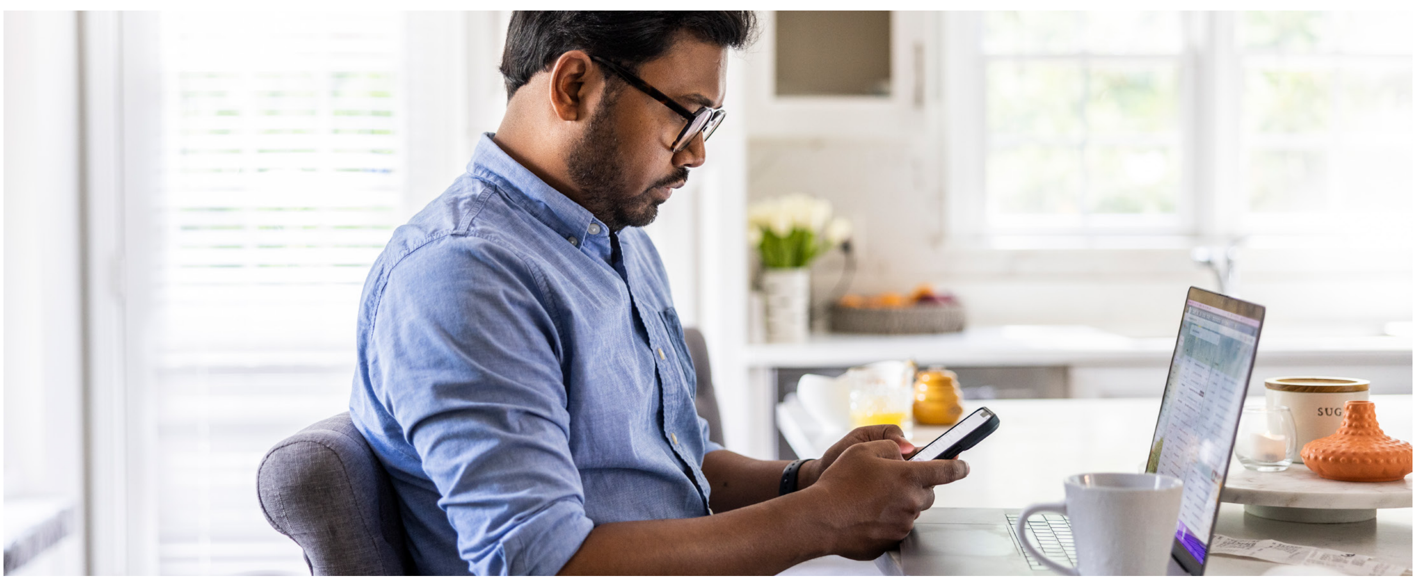
When you ask employees what type of support would most benefit their mental health and prevent burnout at work, they point to changes in work practices: More time off, reduced workloads, better resources, and more flexibility. Employers have made progress over the past few years in increasing access to mental health care providers — for example, nearly 70% have added or enhanced EAP services within the last three years. Many employees do value this type of support — nearly a fifth cited "enhanced EAP services" as one of the top three benefits or action that would be of help — but it's only one part of the equation. While it's clearly important to help employees manage mental health issues and burnout when they arise, survey results suggest that changing work practices might help prevent them.

Employees say more flexible and sustainable work will help the most

What are the top 3 benefits or actions that would most support your mental health and ease burnout?



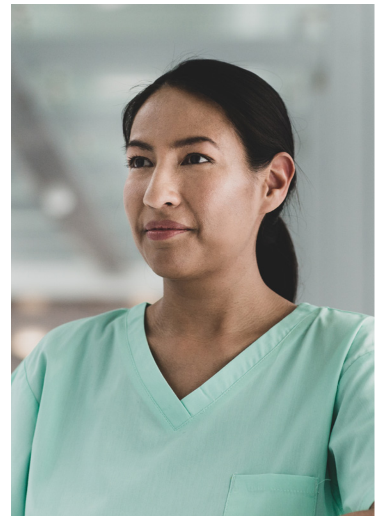
Source: Mercer 2023-2024 Inside Employees' Minds© Study; bars represent percentage of employees who selected the item in their top three.



While employers say that job-related stress is their top concern amongst behavioral health issues affecting the workplace, addressing it holistically has been a challenge for many employers.

On the one hand, the best parts about work have gotten even better in 2023, with nearly three in four employees feeling valued, empowered, and connected, on a typical day at work — having increased on average 10 percentage points relative to 2022.

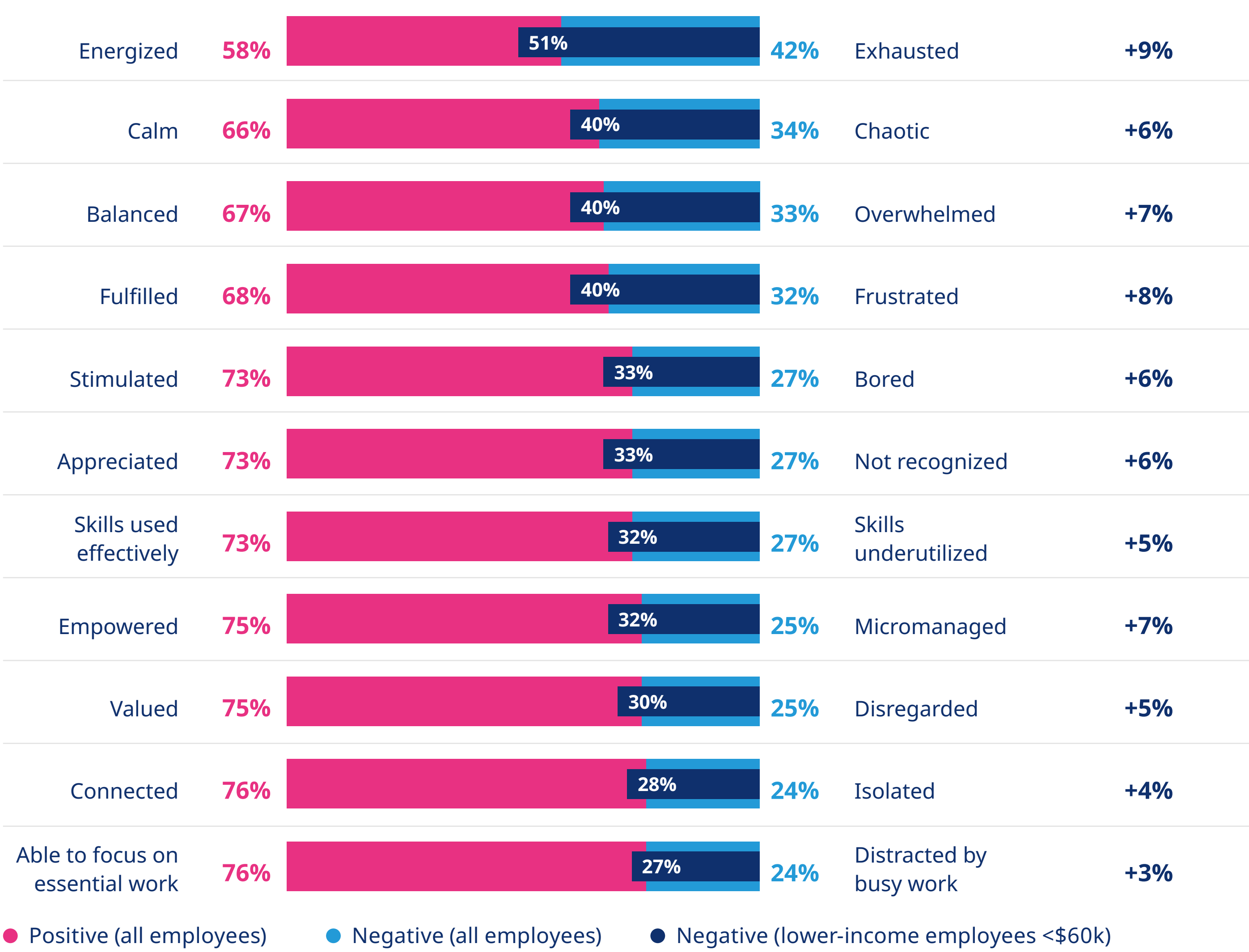
But the worst parts about work are still a pain point: approximately one in three employees feel overwhelmed, frustrated, and that the work day is chaotic. 42% of employees overall feel exhausted. But the data is clear: these job-related stressors are most acute for lower-income employees and those in front-line sectors, such as retail, and healthcare — even as labor shortages and other pandemic related stressors have eased.



While improved relative to last year, work remains chaotic, overwhelming, exhausting and frustrating for many — especially lower-income employees

"On a typical day at work, I feel:"

Additional percentage for lower-income employees



Source: Mercer 2023-2024 Inside Employees' Minds© Study

In some instances, employers are providing flexible work — which can mean flexibility *at* work (e.g., location or time-based flexibility), or flexibility *from* work (e.g., the ability to take time off to restore or address family or life issues). However, these types of programs tend to provide greater benefit to higher-income office-based employees — versus those who are struggling the most.

But many employees are taking the reins of their work lives and structuring their weeks in a way that works for them, with or without employer support. Due to the many existential crises that employees have faced over the last several years, employees today are saying their well-being can't wait — and they are acting now to address it.

This is evidenced by studies that have found that Americans are working fewer hours in a post-pandemic world by choice — and that this was as much or more of a contributor to the labor shortage than the reduced numbers of employees. This is a major risk for industries such as professional services or finance who rely on resourcing models built on long working hours. And assessing the impact is generally a blind spot for employers, as only one in five employers say they even track how much their salaried workforce is working.

Four-day work weeks are creating debate

Four-day work weeks have been a hot topic of discussion amidst overwhelmingly successful pilots in the UK. However, to date, few employers have embraced the practice in the U.S. Only 22% of employers currently offer a 4-day work week or other consolidated schedule — often with small segments of their workforce being eligible. Only about 15% of employers say they are considering offering 4-day workweeks in the future.

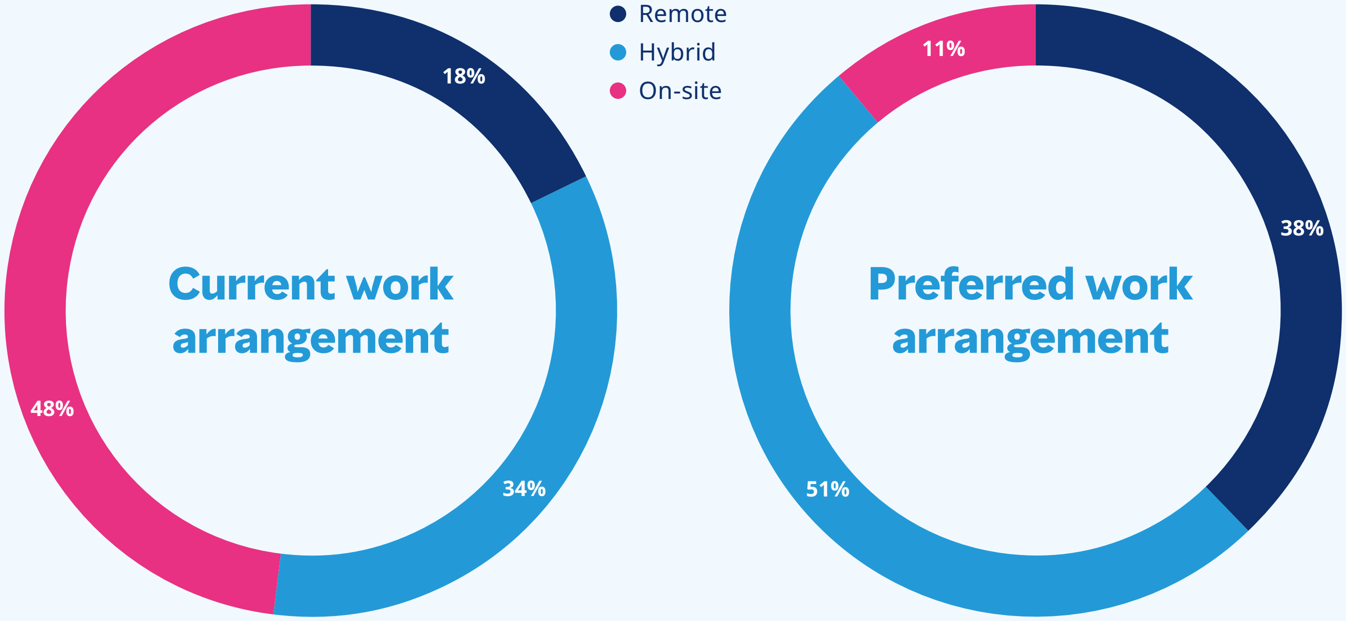
Despite that, 41% of employees say they have the flexibility to work a compressed work week (such as four 10-hour days) if they meet their required hours. College-educated young men (ages 18-24) appear to be taking the most advantage, as 58% say they can work a compressed workweek. So, while employers may not be officially offering shorter work weeks, the practice appears to be emerging informally — creating potential downstream issues related to equity, productivity, and more.

Hybrid work pays off

A high number of employees (38%) still prefer to work fully remote, though that's slightly fewer than last year's 42% — suggesting some employees may see the benefits of hybrid work.

Employees aren't *really* getting what they want

Significant gap between current and preferred working arrangements



Source: Mercer 2023-2024 Inside Employees' Minds© Study

*Excludes employees who say they work in a job that cannot be done remotely

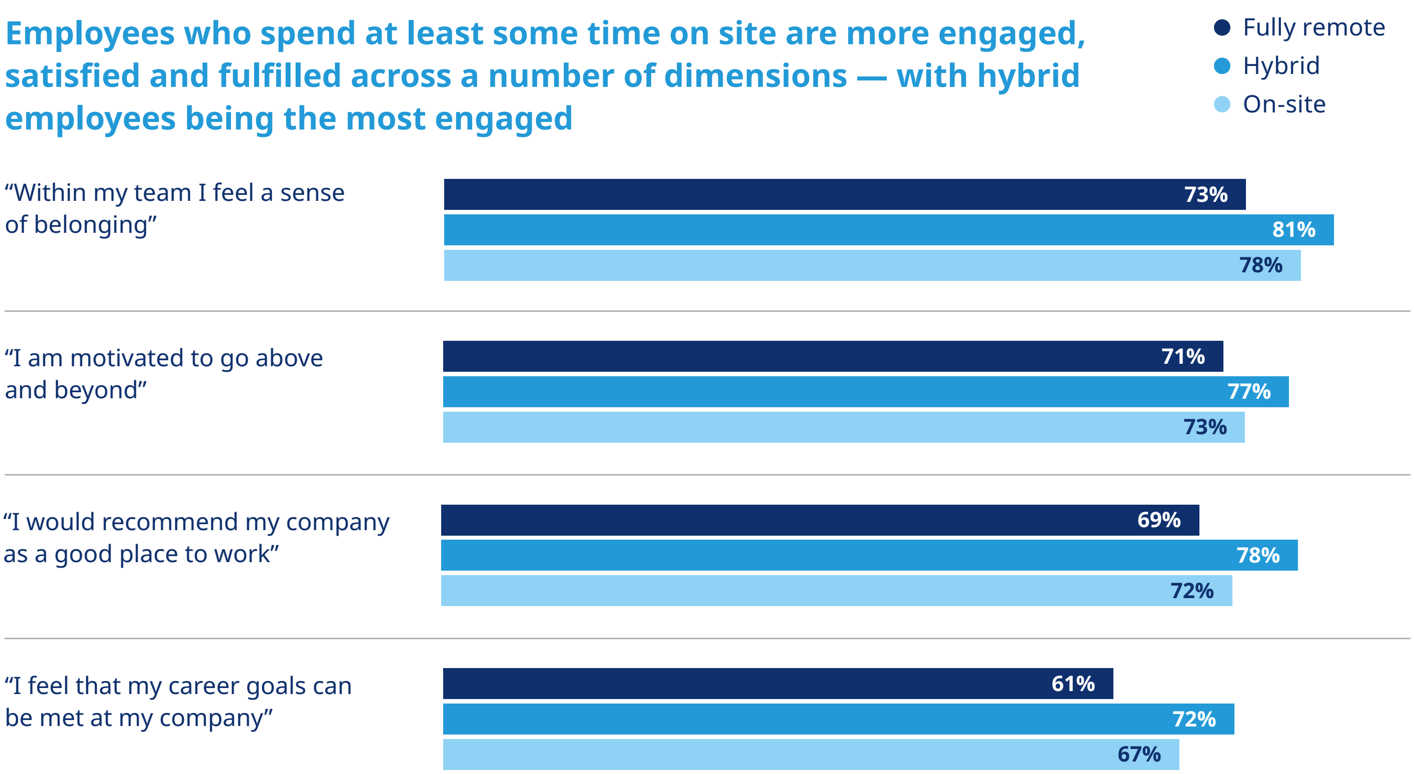
Organizations, on the other hand, clearly prefer hybrid work, and 92% of them have adopted it. 73% of employers still say that they offer full-time remote work — but employers say that on average, only 22% of their workforce are able to work in fully remote roles. Further, hiring for remote work has slowed significantly, down to 9% of job postings — though those postings are receiving an outsized share of applicants, at 44%.

And despite far more employees reporting a desire to work fully remote than they have opportunities, most employees (79%) say they are satisfied with employer's flexible and hybrid working arrangements. Satisfaction is highest amongst employees who work remotely at 95% - followed by hybrid employees at 88%, and drops to 68% for those working fully on-site.

Employers preference for hybrid work is paying off, as the benefits of hybrid work are clear. Employees who spend at least some time on site are more engaged, satisfied and fulfilled across a number of dimensions – with hybrid employees being the most engaged. Counter to employees' strong preference for fully remote work, those who worked onsite four days a week reported the most positive experiences of any group. This group feels more energized, fulfilled, and appreciated, and less exhausted, frustrated, and under-utilized than any other work arrangement group. In-person work is good for both employers and employees, and it's possible to achieve those benefits while balancing employees' desire for flexibility and remote work.

Employees who worked onsite four days a week reported the most positive experiences of any group. This group feels more energized, fulfilled, and appreciated, and less exhausted, frustrated, and under-utilized than any other work arrangement group.

Employees who spend at least some time on site are more engaged, satisfied and fulfilled across a number of dimensions — with hybrid employees being the most engaged



Source: Mercer 2023-2024 Inside Employees' Minds© Study

But not everyone cares about remote work equally. Remote work is of higher importance to women; 37% of women say they would choose to work remotely full-time, compared to 30% of men — and women were nearly twice as likely to report working in fully remote roles. Women also rank flexibility in the top three reasons they stay with their employers, behind only pay and healthcare benefits. This presents a risk to employers' DEI programs and the advancement of women into leadership roles, if employees in remote roles remain less likely to be promoted — as they were pre-pandemic.

Flexibility for hourly employees is an opportunity

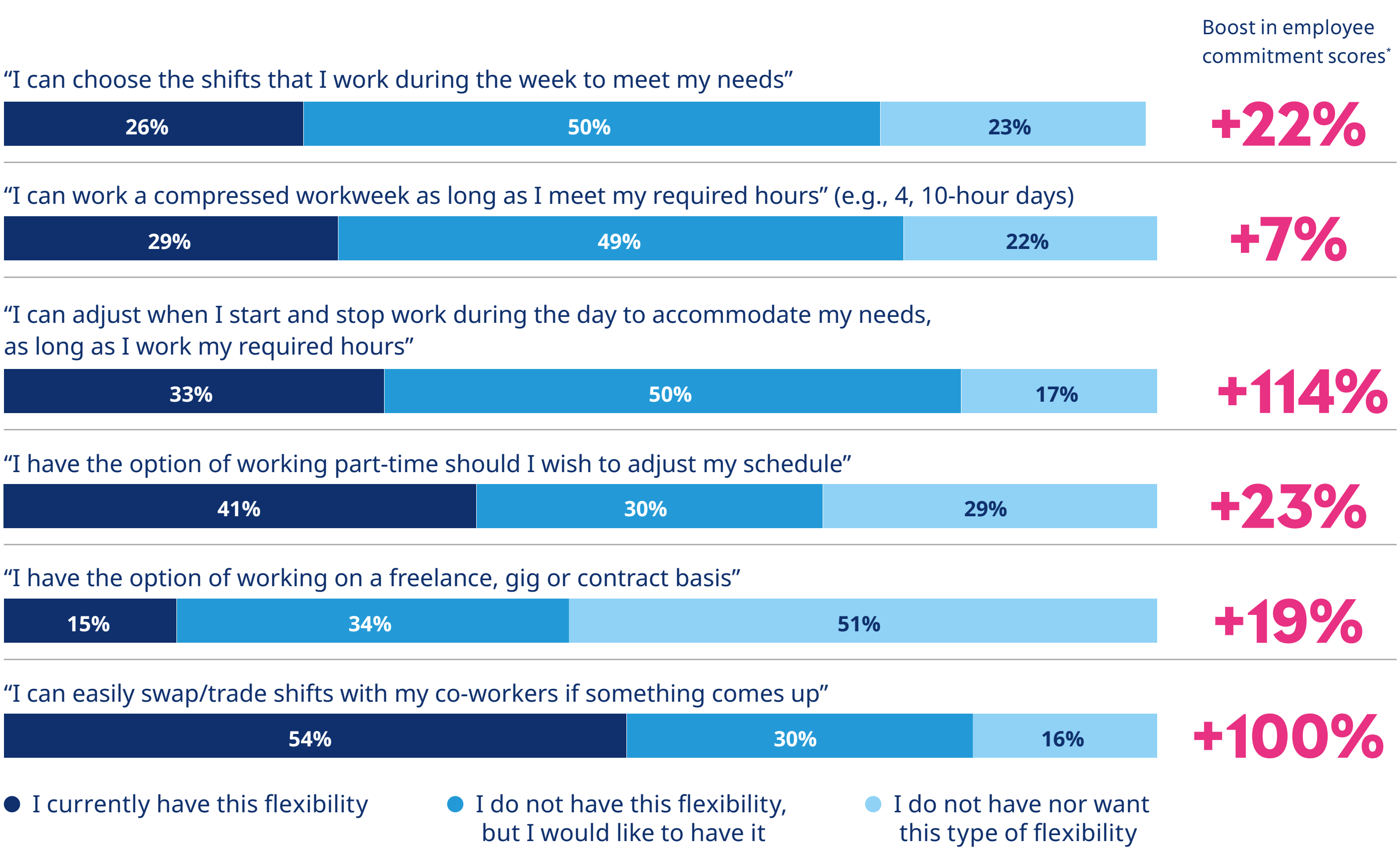
Hourly and front-line employees may not necessarily be able to participate in remote work, but they want flexibility too. Many would like to choose the shifts they work or rearrange their hours for a compressed work week.

Employees who have time-based flexibility report significantly higher levels of commitment. Those who can adjust when they start and stop work during the day, and can easily trade shifts if something comes up, are twice as committed to their employers.

Employers can offer these different types of flexibility for employees who can't work remote, yet only 30% of employers are considering doing so, according to Mercer's flexible working survey. There's a major opportunity for employers to drive engagement and retention of this workforce, where labor shortages are most extreme.

Time-based flexibility is highly desired amongst hourly employees

Yet only 30% of employers are considering expanding flexibility for employees who can't work remote



*Percent change in employee commitment for those who say they have this flexibility, versus those who say they would like it

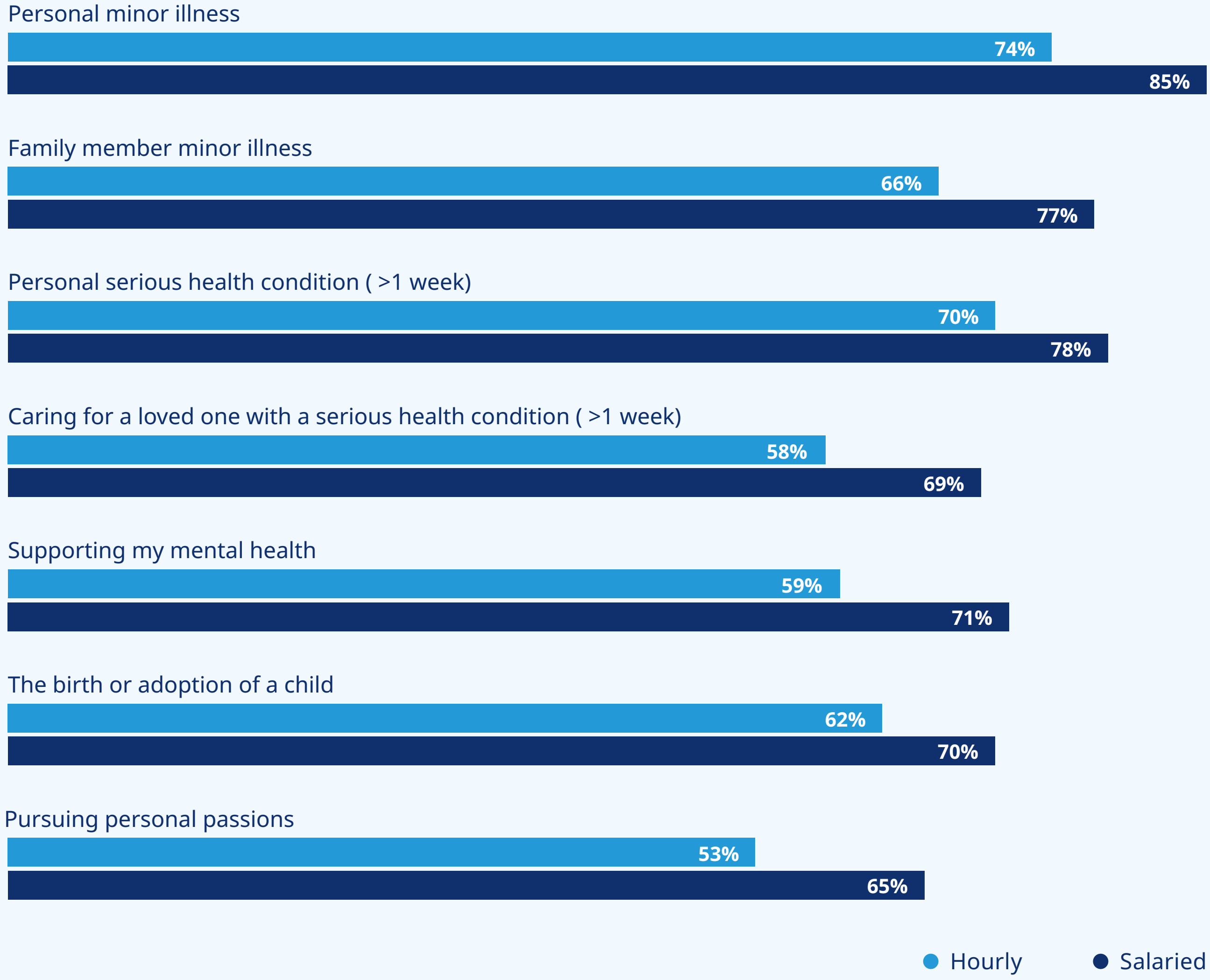
Source: Mercer 2023-2024 Inside Employees' Minds© Study

Paid time off is critical

Employees want to rebalance their work and personal lives, and they see paid time off as a critical way to do that — and survey results suggest it's the top way employees can support their mental health and ease burnout. As with flexibility, hourly employees have seen fewer gains in this area. Hourly employees often have less paid time off than salaried employees, and they are less likely to feel that their time off is adequate — though it's in the top three reasons they will choose to stay with their organization.

Many hourly employees feel their time off is inadequate, relative to their salaried peers

"Is the amount of paid-time off provided, and/or your ability to take unpaid time off, adequate to meet your needs in the following situations?"



Source: Mercer 2023-2024 Inside Employees' Minds© Study

While paid sick leave is still not offered universally, it is now provided by a large majority of employers. But while employees overall largely feel that their paid time off is adequate for personal illness, significant numbers of hourly employees don't feel that it's adequate to support their mental health or allow them to care for loved ones.

Paid time off for personal illness

Paid sick days

84%

% of employers offer / will offer in 2024

7

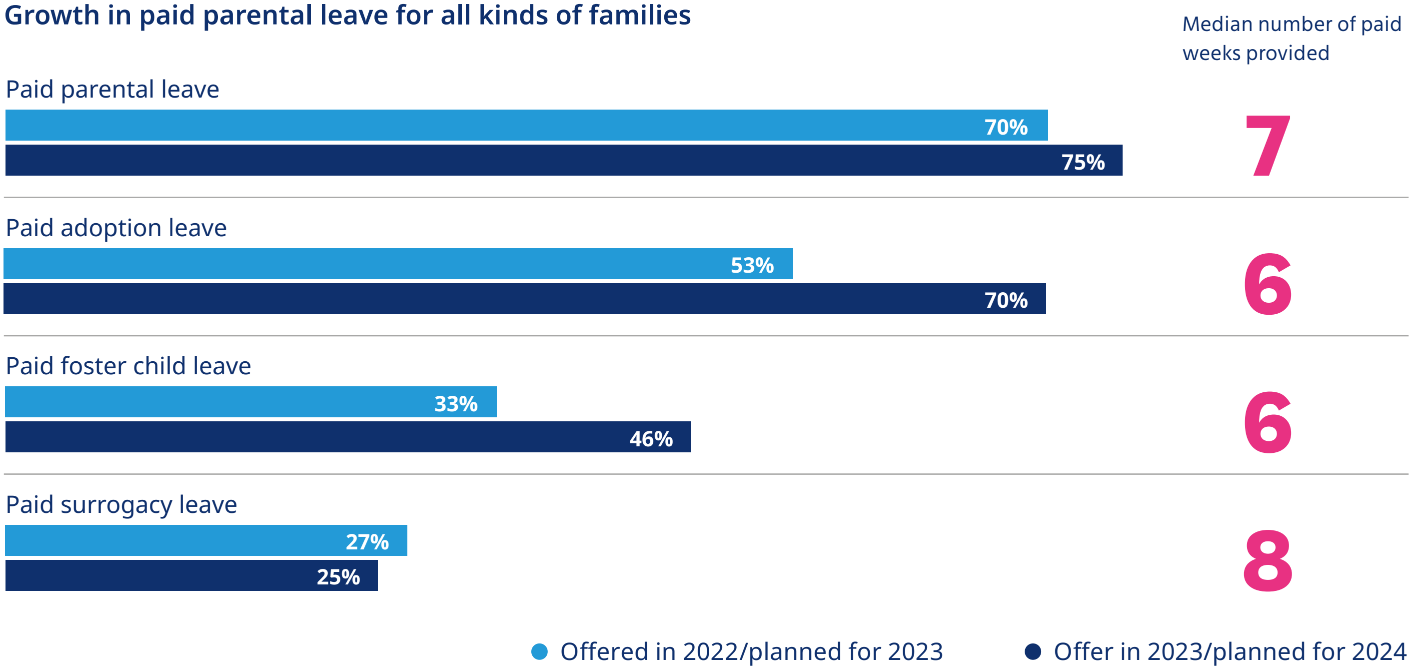
Median number of paid days provided

Source: Mercer Health and Benefit Strategies for 2024 Survey Report

Paid parental leave, once a differentiator, has become a mainstream benefit. Three-fourths of employers now offer paid parental leave, or plan to in 2024. Employers have been rapidly expanding paid parental leave policies, creating more inclusive policies that provide paid leave for parents welcoming an adopted or foster child, as well as paid surrogacy leave.

Paid time off policies are becoming more inclusive

Growth in paid parental leave for all kinds of families



Source: Mercer Health and Benefit Strategies for 2024 Survey Report

Actions you can take

- **Assess employees' behavioral health needs.** Today, few employers use data to assess mental health needs, and those who do focus largely on claims analysis. Surveys and focus groups, health assessments, and depression and anxiety screenings can help you understand where issues lie and provide direction on the support that will be most effective.
- **Reengineer work for wellness.** Identify areas in your organization where current working models are not sustainable due to shifting employee expectations or high job-related stress and burnout. Identify sources of wasted time in these areas and redesign the work to create more efficient and flexible work systems.
- **Assess the true impact of remote and hybrid work on productivity and collaboration.** Ensure that the business case for adjusting remote and hybrid work policies is rooted in real data that show the impact these work models have on business outcomes — and dig deep into the underlying cause of issues. This will not only help you maximize business performance, but it is critical when justifying changes to employees who place high value on remote and hybrid work.
- **Find ways to offer flexibility to hourly employees.** Labor markets are still tight in this demographic, and flexibility can create a competitive advantage for attraction — and boost retention. Listen to employees about the type of flexibility that would most benefit them and explore time-based flexible working arrangements to address their concerns.
- **Evaluate and expand your paid leave program.** Paid leave has a potential impact on recruitment, retention, and productivity — and employer practices are evolving rapidly. Evaluate opportunities to create greater consistency in paid leave policies between hourly and salaried employees.

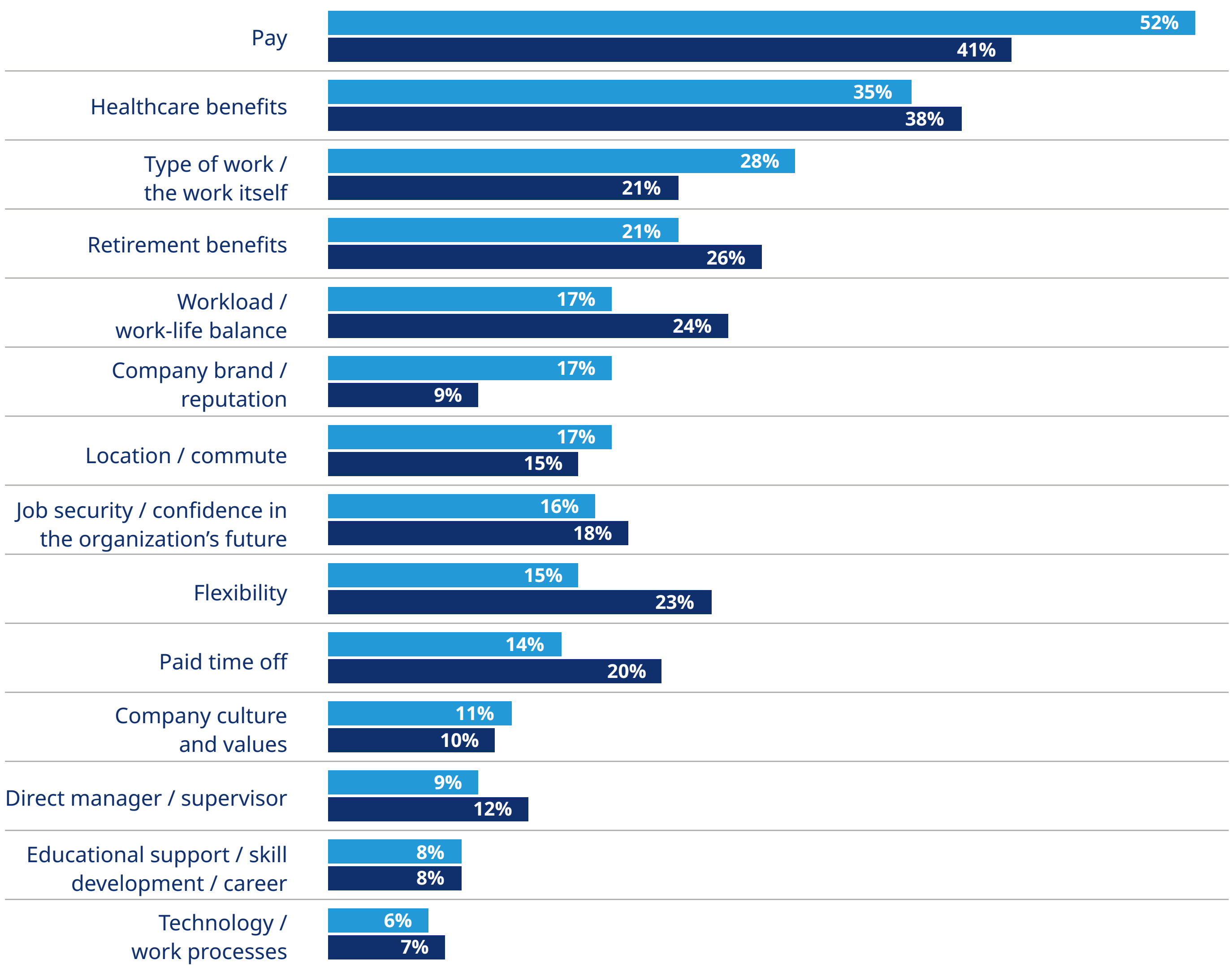
03

Build trust through transparency

Pay continues to be the top reason employees are attracted to the organization — and the top reason they stay — and the good news for employers is that satisfaction with pay this year has rebounded after last year's sharp decline. Cooling inflation and higher wage increases have boosted pay satisfaction to 69%, up from 61% in 2022. However, pay satisfaction remains low for lower-income employees at 54%.

Why do employees join — and why do they stay?

- **Attract:** Top 3 items found most attractive *initially*?
- **Retain:** Top 3 Items that are most attractive *today*?



Source: Mercer 2023-2024 Inside Employees' Minds© Study

Bars represent the percentage of employees ranking the item in their top 3

Pay transparency goes mainstream

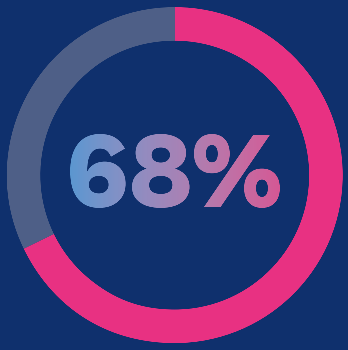
Over the last year, employees gained significant visibility into pay data, as pay transparency legislation became effective in large markets such as California and New York, requiring employers to publicly disclose pay ranges on job postings. Despite the ever-expanding legislation, many employers are hesitant to share more on pay. The most common approach taken by half of employers is to be transparent where required only — and not communicate more holistically with employees. However, an increasing number of employers (30%) are considering expanding transparency to share pay ranges both internally and externally in a more standardized approach — and 16% are already doing so.

But in the absence of data from their employer, employees are forming their own stories around compensation — and becoming increasingly savvy about gathering intel to do so. Despite few employers openly communicating pay ranges, the majority of employees say they know their pay range.

And while job posting requirements are limited to select states, the majority of employees are taking advantage of what's available — saying they have researched compensation information on their employer's job postings. Furthermore, Gen Z is bucking norms and talking about pay at work. Nearly 3 in 5 of employees age 18-24 say they've openly discussed pay with their colleagues.

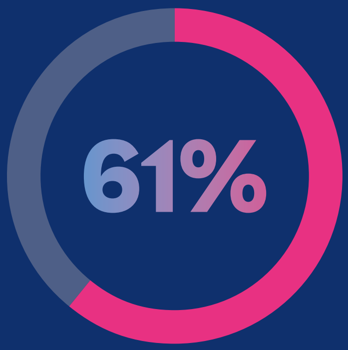
So whether or not an employer shares, employees are forming their own narratives about compensation. However, the story that's being formed is based on imperfect and incomplete sets of data that employees are piecing together — without the broader context of the organization's pay philosophy.

Employees are forming their own story around compensation



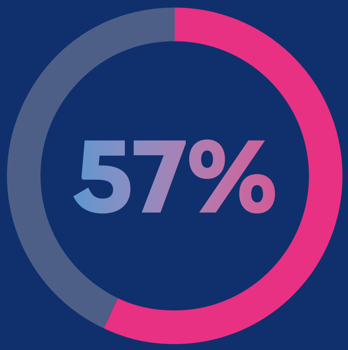
68% of employees say they know their pay range.

Despite only 1 in 4 employers openly communicating pay ranges



61% of employees say they have researched their employer's pay ranges through job postings.

Rising to 71% for employees below age 45.



57% of employees age 18-24 say they openly share compensation information with colleagues.

Compared to 25% of employees over age 55.

Today, only 3 in 10 employers say they've embedded transparency into their talent philosophies. This is a missed opportunity for many employers, as without it, employees are likely to remain dissatisfied with their pay.

Employees who say they are paid fairly are twice as likely to say they understand how their employer determines their compensation, and that their manager or employer provided them with their pay range. Further, employees who are paid fairly are 85% more engaged, and 62% more committed to their organization, as compared to employees who believe they are paid unfairly.

Employees who say they are paid fairly are...

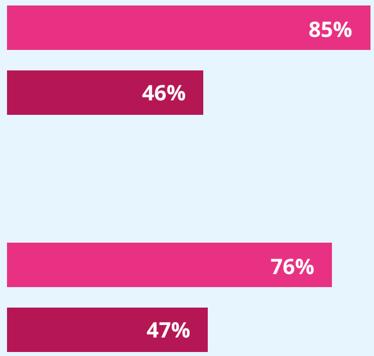
2x
More likely to say

"I understand how my employer determines my compensation"

"My manager/employer provides me with the pay range for my job"

85%
more engaged

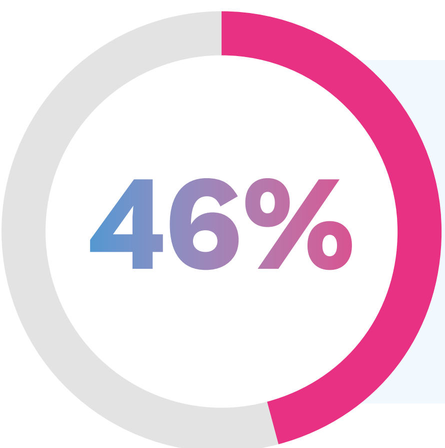
62%
more committed



- Employees who say they are paid fairly
- Employees who say they are paid unfairly

Source: Mercer 2023-2024 Inside Employees' Minds© Study

But pay transparency is not only critical to engagement and retention, it also impacts the ability to attract new employees. Nearly half of employees say they are unlikely to apply to a job if compensation information is not available in the job posting. So employers who don't share this information may be cutting their candidate pool in half.



Nearly **half of employees** say they are unlikely to apply if compensation information is not available in the job posting

Source: Mercer 2023-2024 Inside Employees' Minds© Study

Move beyond pay transparency to career transparency

Transparency shouldn't be about pay only, but rather complemented with career transparency. This allows employers to create a more compelling story around pay — which is that beyond the pay in their current role, employees can grow their pay by growing their career.

For many employees, they lack confidence that they can meet their career goals at their organization. This is especially pronounced amongst hourly employees — but new employees (tenure less than 3 years), employees with nonapparent disabilities, and LGBTQ+ employees are also less likely to feel like their career goals can be met.

Many employees are not confident they can meet their career goals at their organization

1 out of 3 employees don't feel their career goals can be met at their organization

...dropping to 1 out of 2 for hourly employees

Source: Mercer 2023-2024 Inside Employees' Minds© Study

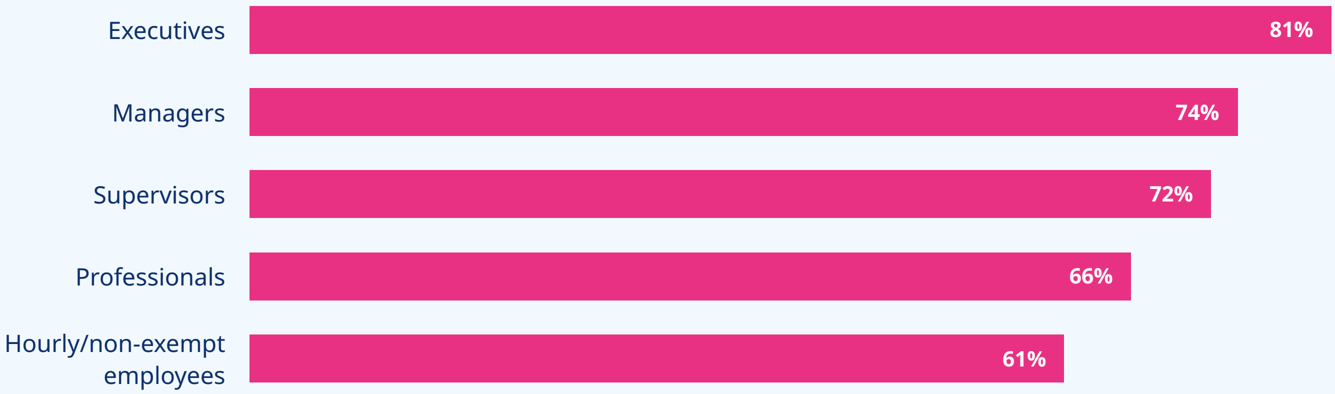
2x Employees who feel they can meet their career goals are twice as committed to their employer than those who don't

Improving career transparency starts with skills-based talent models. These models create transparency around careers by providing employees with information on the skills they need to succeed in their current and future roles. When designed well, these models can also link employees with the resources they need to gain new skills and advance their careers.

Today, the majority of employees (70%) say their organization or manager provides them with information on the skills they need to advance in their organization. However, the lower the employee is in the career hierarchy — where skill development is needed most — the less likely they are to say they are provided with the skills they need. Further, only half of employees (53%) feel they are rewarded for the attainment of new skills — dropping to 37% for hourly employees. Expanding transparency to focus on both pay, skills and career can help bridge that gap.

Employers, however, have an opportunity to advance their skills-based talent models. According to Mercer's 2023 Skills Snapshot survey, only 1 in 4 US employers say they are very confident about knowing the skills that are critical for their organization. And while 2 out of 3 employers say they've linked relevant and required skills to their jobs, only 29% have done this organization-wide (versus for select job functions/families, or critical teams/jobs).

"My organization/manager provides me with information on the skills I need to advance in my organization"



Source: Mercer 2023-2024 Inside Employees' Minds© Study

Employees who report that their organization or manager provides them with the skills they need to succeed are 50% more committed to their employer

Actions you can take

- **Embed transparency into your talent philosophy** for both pay and careers, to maximize employee satisfaction, engagement, and commitment.
- **Assess readiness for pay transparency,** considering things like the strength of your job architecture and the competitiveness of pay ranges.
- **Build the business case for expanding pay transparency** beyond legislative requirements — and get leaders and managers on board.
- **Define your narrative around compensation,** because if you don't tell the story, someone else will — and it may be incomplete or inaccurate.
- **Educate, educate, educate.** Most managers and employees don't understand current compensation practices, creating more confusion. Start now to bridge the gap and build awareness around your organization's compensation programs.
- **Empower career navigation through skills.** Identify the skills you need and activate skills-based talent models to drive greater engagement and commitment.

The journey towards greater transparency

Access your readiness

Review your compensation foundation, considering pay competitiveness, structures, equity and communication.

Set your destination

Address key questions around where you're headed, such as what you will share, and with whom.

Plan for the journey

Address gaps and risks in your current environment, by building an action plan around changes needed to get ready.

Share your story

Go live! Deploy internally and externally through a comprehensive communication and change campaign.

Measure the impact

Assess success through data and insights regarding employee satisfaction and talent acquisition.

04

Unlock potential through AI

Generative AI (GenAI) exploded this year with the launch of Open AI's GPT-3 generative AI model. Unlike previous iterations of automation that largely impacted repetitive, rules-based work, GenAI will also affect low-volume, highly variable work, leading to what some have termed the "democratization of creativity."

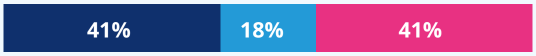
With this explosion, nearly all employers are looking for ways to increase productivity and efficiency of their workforce with GenAI. However, few employers feel prepared to succeed in the human-machine teaming era, as only 11% of North American employers say they are at least moderately prepared.

While the true strength of AI is augmenting — rather than replacing — employees, employees' feelings are mixed. Overall, employees are more optimistic than pessimistic about new technologies. 51% of employees say that new technologies will help them do their jobs more efficiently and effectively, while only 35% say these technologies will make their jobs more frustrating or difficult.

"How do you feel that new technology will impact your job in the future?"

"New technologies, automation, artificial intelligence (including tools like ChatGPT), or robotics, will help me do my job more efficiently and effectively."

"I am concerned that new technologies, such as automation, artificial intelligence (including tools like Chat GPT), or robotics, will impact by job security in the near term."



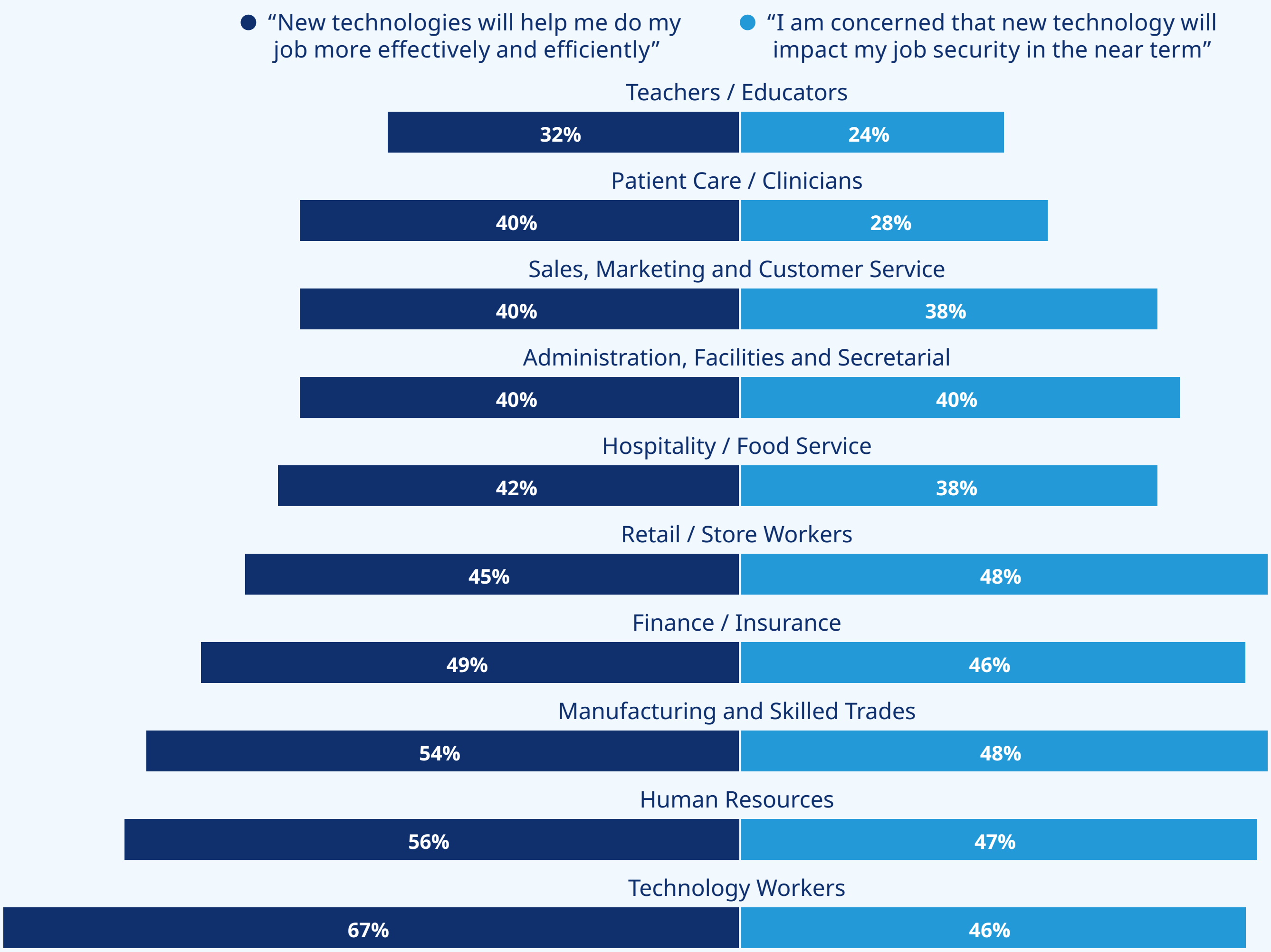
● Agree ● Neutral ● Disagree

Source: Mercer 2023-2024 Inside Employees' Minds© Study

On average, employees are tied in their concern about new technology's impact on job security: 41% of employees think their job security will be impacted, 41% don't. There's a divide in concerns by age — nearly half of employees below age 45 (48%) say they are concerned that new technologies will impact their job security — however, this group is also more likely to feel that technology will help them be more efficient and effective (62%). On the other hand, employees age 45 and older are both less concerned about near-term job security (34%) and also far less likely to say that technology will help them do their job more efficiently and effectively (39%).

Front-line employees working in jobs such as patient care and clinicians, store workers, hospitality and food service workers, and teachers and educators are notably less concerned about job security and least optimistic about the possibility that technology will help them do their jobs better. This is a challenge for employers in these sectors, as these employees are struggling most with negative experiences at work. Employers have real opportunities to improve efficiency and reduce these employees' workloads through technology, engaging employees in the process of making work better and taking a receptive approach to employees' good ideas.

Front-line employees are less likely to say technology will help — and also less concerned about job security



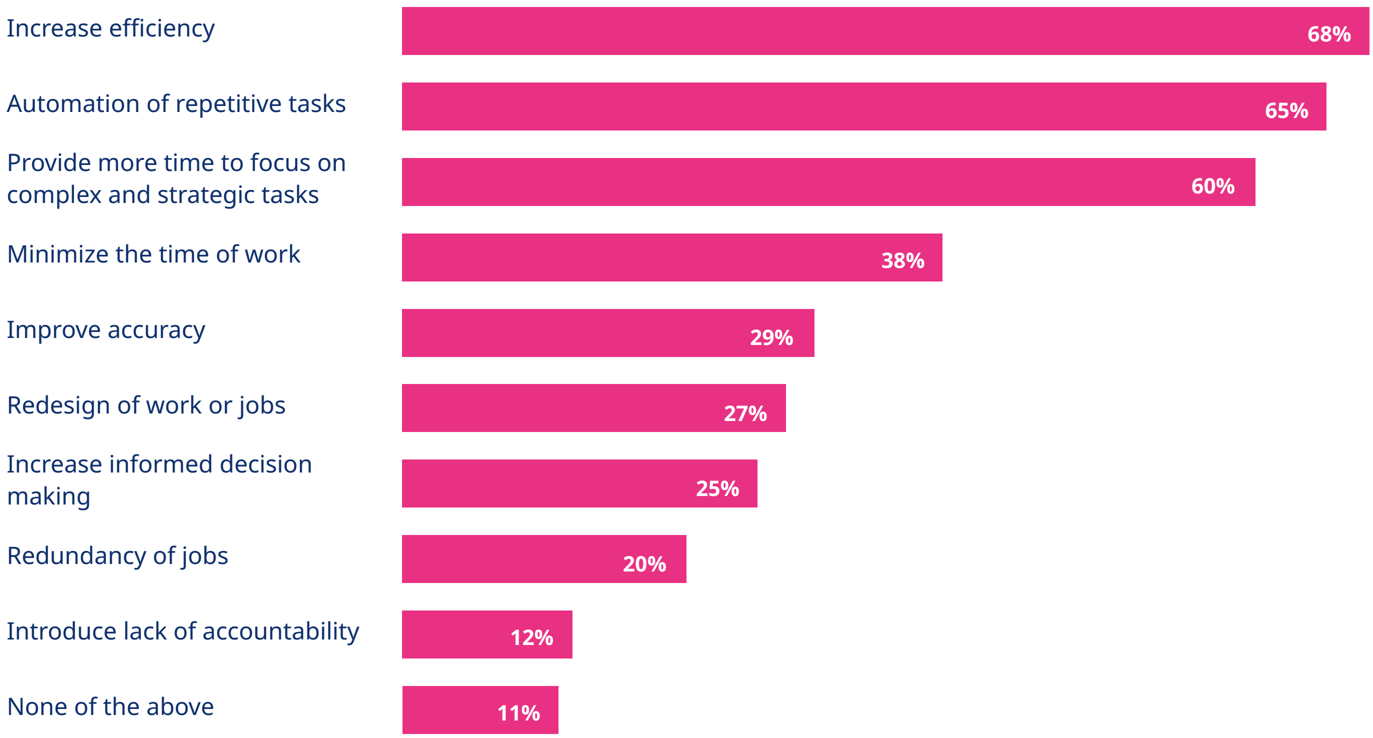
Source: Mercer 2023-2024 Inside Employees' Minds© Study

While employers have been utilizing technology and AI to reinvent work for years, generative AI unlocks new types of work that can be automated - moving from repetitive, rules-based work to include highly variable and more creative work. Employers are optimistic that GenAI will create more efficient and sustainable work.

To be successful in this, employers will need to break down jobs into the tasks and skills required to be done, and then determine areas for optimization — whether that be automation, centers of excellence, non-traditional talent models (gig/contract workers, talent marketplaces). Most employers (52%) say they have yet to get started, though 34% say they have for select job functions/critical roles, and 14% say organization-wide.

In prioritizing areas to get started, employers should consider critical talent areas where they are struggling to attract and retain employees — which is likely to include front-line workforces where employees are struggling the most. For example, given the extreme shortage of nurses, some healthcare providers are redefining the role of a nurse — looking at which tasks truly require a credentialed nurse, which tasks can be made more efficient and/or completed by technology, and other tasks that can be shifted to lower-skilled employees that aren't certified nurses.

How might the emergence of Gen AI impact the workforce and operations?



Source: Mercer Real-time Insights Survey: Shaping the Future of Work, US & Canada

Actions you can take

- **Be transparent in change management,** recognizing and addressing employees' fears and sharing your vision about how technology will shape the future of work.
- **Engage employees in the process of redesigning work.** Ensure employees have a voice in how AI is introduced into their work so you can optimize its impact, while upskilling and reskilling so people can engage in new productive work.
- **Reimagine ways of working** and explore ways technology can make work more efficient, interesting, fulfilling, and flexible. Keep in mind that the nature of work was the #3 reason employees overall are attracted to a new employer.
- **Deconstruct critical and hard to fill roles,** by breaking the jobs into the tasks and skills required. Then, identify ways to optimize talent for the future.

Embrace values for impact

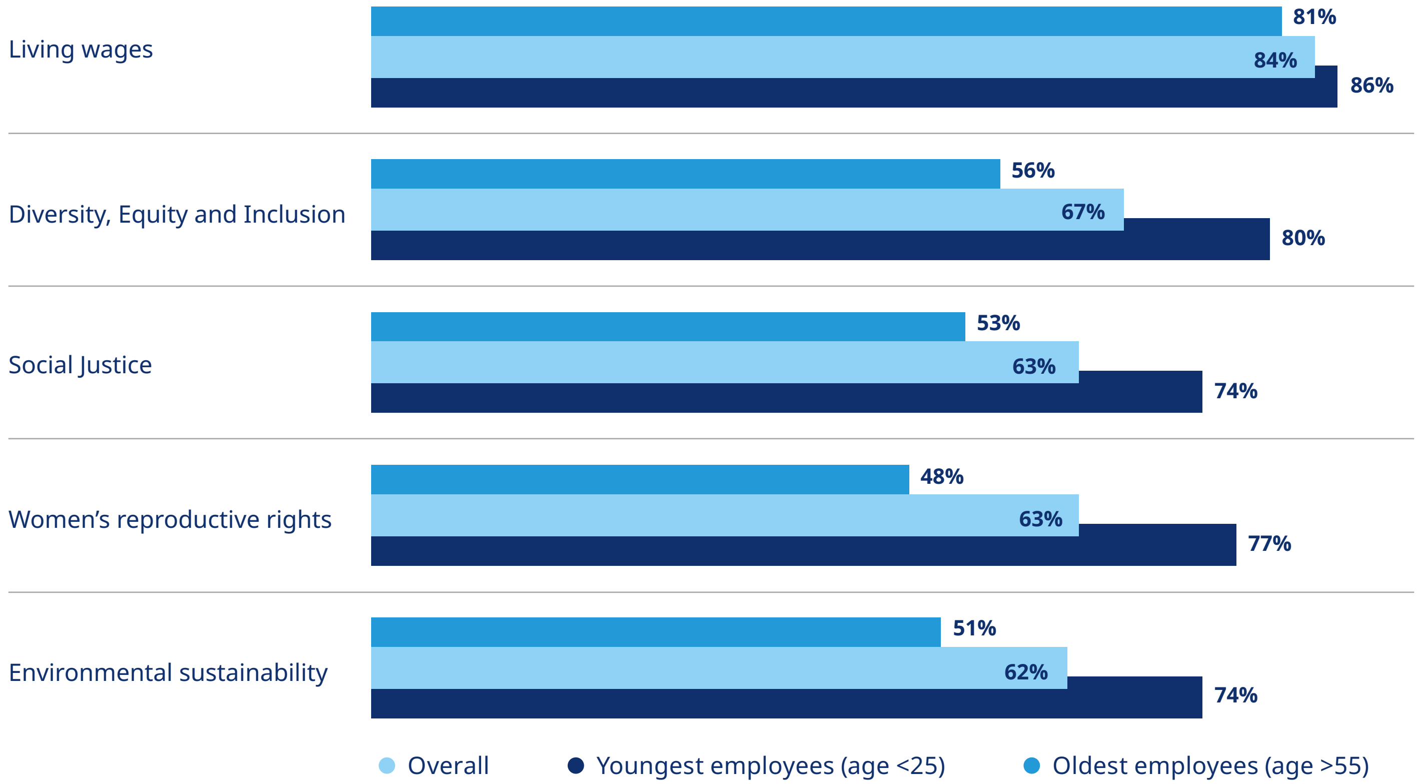
05

Employees are thinking about environmental social, and governance (ESG) issues — because it really matters to them. The majority of employees said that that it was important their employer clearly support each of the following:

- Living wages
- Diversity, equity and inclusion (DEI)
- Social justice
- Environmental sustainability
- Women's reproductive rights

The strongest support, which was evident across demographic groups based on age, ethnicity, gender, and income was for living wages (84%). Today, 51% of US employers said that their organizations strongly support living wages with demonstrated internal or external statements, reporting, or tangible actions—but only 21% of US employers have aligned their compensation strategies to living wages.

Across all other matters of ESG, the importance varied by age, with younger employees (age 18-24) the most invested, as compared to older employees.

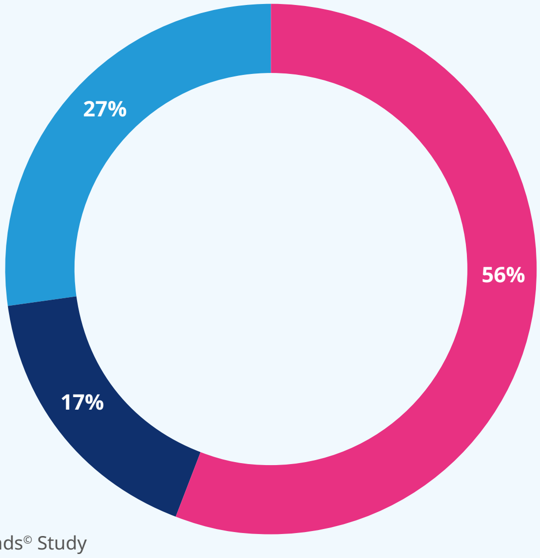


Source: Mercer 2023-2024 Inside Employees' Minds© Study

The majority of employees (56%) also said it was important to them to have sustainable investment options for their defined contribution retirement plans, allowing them to choose funds that are focused on investing in ESG companies. This was again of higher importance to younger employees, as support increased to 65% for those below age 45. But support rose to above 70% for certain employee groups, such as those with visible disabilities, Black and African American employees and executives.

"How important is it to you that your company's defined contribution plan allow you to choose funds that are focused on investing in ESG companies?"

- Important
- Neutral
- Not important



Which employees say this is most important?

82% Visible disabilities

72% Black/African Americans

71% Executives

65% Younger employees age <45

Source: Mercer 2023-2024 Inside Employees' Minds© Study

The ways in which climate change can negatively impact employee health is becoming increasingly clear. Events such as major hurricanes, wildfire disasters and extreme heat are becoming increasingly common. Already, the majority of employees (62%) say they are concerned about the impact of climate change on their health — or that they or their family member have already been impacted. While only 18% of employees overall say their health or their family member's health has already been impacted, this jumps to more than half of employees with visible disabilities (51%) and 37% of those who are caregivers for disabled individuals. The youngest employees (age 18-24) are also significantly more likely to say their health has been impacted (29% vs. 18% overall). While 60% of US employers surveyed believe they are at least moderately prepared to manage the impacts of climate change their workforce, only 17% believe they are very prepared.

Actions you can take

- **Lead with your values.** Employees want to know what the organization stands for, so find your voice and use your voice for good — stepping up as an ally in human rights and reflecting the values of all their stakeholders.
- **Prepare your health program for the impact of climate change.** Assess response plans for various scenarios, align benefit support needs and resources, and proactively communicate to employees with health and safety recommendations.
- **Support living wages by embracing new hourly pay strategies.** Incorporate cost of living as a component in hourly pay strategies, and create and communicate career paths that show how employees can advance their pay — and their careers.
- **Provide sustainable investment options.** Employees increasingly seeking these options in their defined contribution plans, and expanding offerings can increase satisfaction with retirement options.

Reinvent ways of working

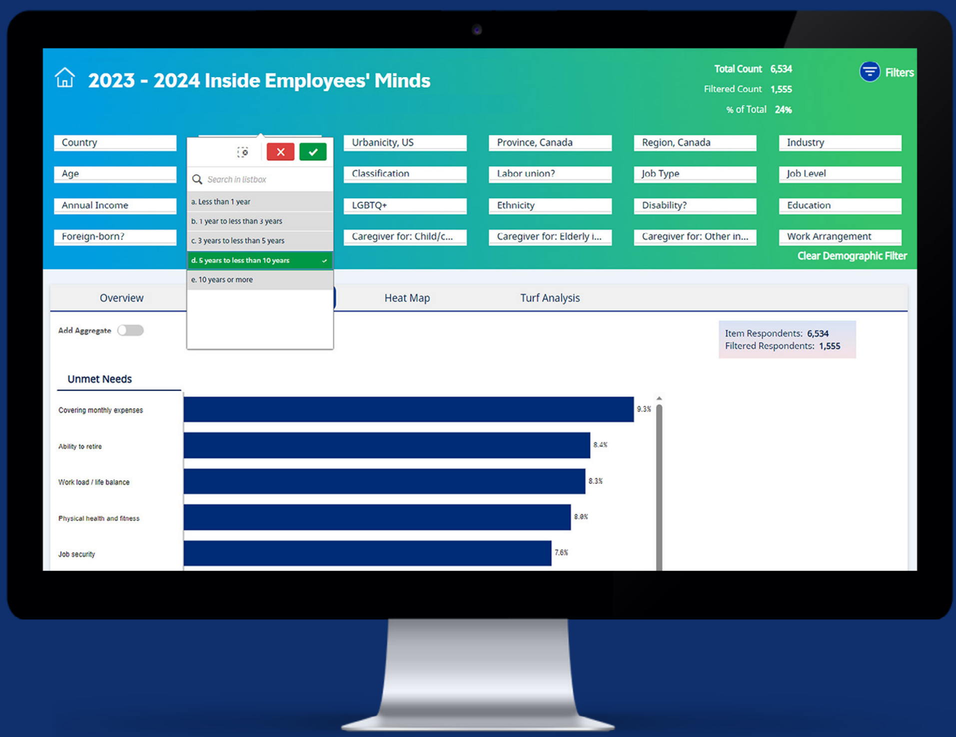
We are living in a new reality.

While engagement and commitment are up, American employees are struggling with multiple important areas of their well-being in 2023: mental, emotional, physical, and financial — and they're continuing to seek to reclaim their well-being and rebalance work and life. Employers have an opportunity to buck long-held norms to build new ways of working that align with employees' values and needs.

Many strategies from the past no longer resonate with today's workforce, and employees continue to be more vocal and take collective action around experiences that don't align — such as strict mandates on office time. Employers should be mindful of mitigating the elements that cause employees the most pain — while balancing the need to build their culture and reach business goals.

While employers have slightly more bargaining power in this economy compared to last year's, the job market is still tight. Employees are looking for an employer who understands their priorities and meets their needs — especially lower-income employees who are under the most strain and work in sectors with the greatest labor shortages.

Companies that embrace the full humanity of the people working at the organization — and use new technologies to honor that humanity, and create more compelling work experiences — will become an employer of choice today and in the future.



Interested in gaining access to all aggregated data from this year's study? Visit our 2023-2024 Inside Employees' Minds Interactive Dashboard on **Mercer's Products and Solutions Shop** to learn more.

Whether you need support understanding the needs and experiences of your own employees, or taking action to improve the health, wealth and careers of your workforce, Mercer has an expert who can help.

Contact us or speak with your local Mercer consultant.