



BUSINESS, PEOPLE AND MORE IN 2024



On 28th September 2023, CRF and Mercer co-hosted senior HR leaders for a half-day event focusing on the main factors that will impact people solutions over the coming year. Chaired by CRF Director John Whelan MBE, key topics discussed during the event included: the economic outlook for 2024, the trends that will shape HR and the business landscape in the 2020s, the importance of creating a productive, agile and skills-based workforce, and the impact of AI and technology.

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KEY TAKEAWAYS

1. **Economic growth in the developed world is likely to be weak in the coming years**, with soft growth expected in the UK and US.
2. **Tightness in labour markets is likely to ease through 2024**, though wage growth will likely remain high. HR will have a key role to play in wage cost management.
3. **Over the coming decade as the working population ages and shrinks, organisations will need to prepare for talent shortages and develop flexible talent practices.**
4. **Our perma-crisis world requires new and more agile ways of working.** In particular, work will become more skills, rather than job, based. Organisations will also expect more from leaders; HR will therefore need to support leaders as much as possible.
5. **With the shift to carbon net zero, HRDs will need to increasingly play a role in creating sustainability strategies**, and consider how these will impact their ability to attract and retain talent.
6. **HR will need to become more digital.** This should involve truly embodying a digital mindset, rather than just 'doing' technology projects. HR will also need to up its game in terms of redesigning work and jobs and how humans work alongside AI.

THE ECONOMY, INFLATION AND COST OF LIVING

HOW TO FACTOR THESE INTO YOUR PEOPLE PLANS



RUPERT WATSON is Chief Economist at Mercer. He is responsible for the asset allocation strategy of Mercer's discretionary mandates, both in terms of dynamic and strategic asset allocation. He manages clients' Growth Portfolios as well as the Mercer Diversified Growth Fund. Prior to joining Mercer, Rupert was Head of Asset Allocation at Skandia Investment Group and previously worked as a fund manager at Black River Asset Management, Goldman Sachs Asset Management, Investec Asset Management and Merrill Lynch Investment Management.



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SLIDES

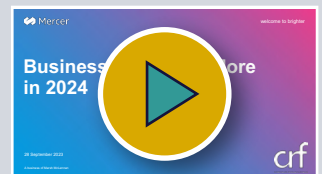
Rupert discussed the outlook for the global economy with a particular focus on GDP, economic capacity and inflation. The global economy has overheated and is slowing down, though there is plenty divergence between countries. In particular, both the US and the UK are currently operating over their supply capacity. Economic growth in the developed world is likely to be weak as central banks set interest rates at elevated levels to ensure weak economic growth. This will allow the economy to rebalance, ease pressure in labour markets and thus lower inflation. In particular, the UK and US economies will experience slow growth over the next couple of years, though we should expect a 'soft landing' rather than a crash back to long term norms.

The wheel of inflation is currently in operation; higher wages chase higher prices, inflating company costs and leading to price increases. While the tightness in labour markets is likely to ease as we move through 2024, wage growth may remain high as wages are often only adjusted once a year and therefore tend to lag behind the economic cycle. In this scenario, HR will have a key role to play in wage cost management. Inflation should fall, although it will take some time before central banks will be able to declare victory and lower interest rates. In the UK, we can expect interest rates to remain elevated well into 2025.



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HOW CAN HR LEADERS PREPARE FOR FUTURE CHANGES AND CHALLENGES?



GILLIAN PILLANS is Research Director at CRF and the author of over 30 CRF research reports on a wide range of strategic HR topics including HR and business strategy, leadership development, talent management, organisation development and learning. Gillian has worked as a senior HR practitioner and OD specialist for several organisations including Swiss Re, Vodafone and BAA. Prior to her HR career, she was a management consultant with Deloitte Consulting and is also a qualified solicitor.



Gillian outlined five key trends that will shape the business and HR landscape over the 2020s. These are:

- 1 The ageing population:** across all major markets of the world, the working population is ageing and shrinking in an unprecedented fashion. Organisations will need to prepare for talent shortages and develop flexible talent practices that promote a sustainable workforce.
- 2 Changing economic and political landscape:** the increased political and economic volatility which characterised the last few years is set to continue, and we need to work out how to survive and thrive in a low-growth world. The Edelman Trust Barometer indicates that trust in government, the media and institutions is declining and people will look to businesses to fill the gap.
- 3 The shift to carbon net zero:** the hard work of preparing our organisations has barely begun. HRDs will increasingly play a central role in developing and implementing sustainability strategies, and will particularly need to consider how sustainability strategies will affect the ability to attract and retain scarce talent.
- 4 Impact of technology and AI:** the fallout of technology will go far beyond considering how we can harness technology to improve productivity. HR will need to up its game in terms of redesigning work and jobs, designing policies around how humans work alongside AI and considering the ethical implications of emerging technologies.

- 5 The changing social context:** employees' expectations of employers and business leaders are shifting, and leaders need to be prepared to handle issues of social justice and deal with increased scrutiny of their actions and decisions. Technology-driven job displacement could lead to collective action such as we are seeing in Hollywood, and a more turbulent employee relations climate.

Gillian explored the impact of these trends in two specific areas. First, the implications for leaders who will need to be increasingly externally oriented and skilled in building adaptability into their organisations. The CRF new Leadership Paradigm model indicates that we expect a lot from our leaders on top of their day job, meaning that HR will need to 'lean in' and give as much support as possible. Second, HR will need to develop new skills, including being more data oriented, digitally enabled and strategic in partnering the business.

ADAPTABILITY AND RESILIENCE

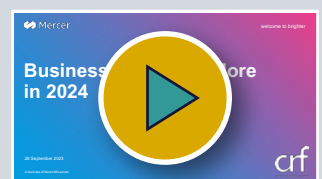
During the session, attendees outlined the actions their own organisations are taking to increase the adaptability and resilience of their workforce:

- Key actions include Strategic Workforce Planning, hiring people for skills rather than into jobs, and utilising technology to support efficiencies.
- Respondents noted that the need to increase adaptability and resilience will affect different industries and businesses differently. For example, some faster paced industries may already have adaptability built in organisationally, though are yet to embrace upskilling and change at a team level.
- Challenges remain in defining the long-term future and deciding what skills are needed in a context of high uncertainty.
- Wellbeing can help ensure resilience and is therefore a key factor in upskilling and reskilling. Communication is another important factor, as it helps to shape internal perceptions of upcoming changes that can help build resilience.



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HOW TO CREATE A MORE PRODUCTIVE AND AGILE WORKFORCE



RAVIN JESUTHASAN is the global leader of Mercer's Transformation Services business. He is a recognised global thought leader, futurist and author on the future of work and workforce transformation. He has led multiple research efforts on the global workforce, the emerging digital economy, the rise of artificial intelligence and the transformation of work, for the World Economic Forum and is a member of the forum's Steering Committee on Work and Employment. He is the author of the books *Transformative HR*, *Lead The Work: Navigating a World Beyond Employment* and *Reinventing Jobs: A 4-Step Approach to Applying Automation to Work*. Ravin has authored over 150 articles including 14 for the *Harvard Business Review* and the *Sloan Management Review*.



Ravin outlined how, for the last 10 years, we have been on an inexorable journey towards making skills the currency of work. We are in a perma-crisis or poly crisis world, driven by growing geopolitical tensions, the climate crisis, the rise of AI and the democratisation of work. All of these factors require new ways of working, greater agility and a step change in productivity; the analogue solutions of yesterday are no longer sufficient in today's digital world.

In particular, the idea of a 'job' and workers as 'job-holding employees' has defined work for 140 years. However, the volatility of our external environment, the velocity of change and the fluidity of modern work all mean that this job-based model is no longer adequate for the types of work that we do today. Instead, skills will become the new currency and organisations – previously designed like machines – will need to behave more like organisms and flex to meet fast-paced change. Overall, future working structures will need to support more agile, flexible and resilient enterprise.

A SKILLS-BASED ORGANISATION

During the session, one participant additionally shared the following takeaways from their own experiences of creating a skills-based organisation:

1. Focusing on skills addresses both the business need for productivity and the personal need for development.
2. In order to have a common language and understand the skills passports of the workforce, a level of investment and architecture around skills first needs to be in place.
3. Organisations will need to work together in a cross-functional way to ensure skills-powered organisations work.

Q What would you suggest to help us implement a skills-based culture within our organisations?

A Many organisations spend too much time on the technology. It is important to recognise the need to address the mindset, skillset and the toolset associated with becoming a skills-based organization. This includes changing the rules of leadership. For example... For example, one company created a policy where 10% of all new work, and 10% of all team capacity, must be available in the Talent marketplace.

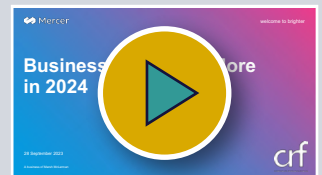
Q With skills as the future currency, how do you maintain the skills list going forward?

A The skills list will become obsolete as soon as it's created! If you can, get to 'good enough' and then make sure you have a method in place for continuous updates. It's also important the business owns the list of technical skills required of the workforce. Technology can help here.



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To find out more about **Mercer's Skills Masterclass**, contact Marcus Downing



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WHAT IMPACT DOES AI AND TECHNOLOGY HAVE ON THE FUTURE OF WORK?



JASON AVERBOOK is a Senior Partner and Global Leader of Digital HR Strategy with Mercer | Leapgen. From January 2018 to March of 2023, he was Co-founder and CEO of Leapgen, a digital transformation company helping organisations shape their future workplace. Now he continues broadening executive mindsets to rethink how to better design and deliver employee services and drive the shift from doing technology projects to being a digital function. With the new partnership of Mercer | Leapgen, he expands the resources and reach to a global market. Prior to this, Jason served as the CEO of The Marcus Buckingham Company (TMBC). He has also held senior leadership roles at PeopleSoft and Ceridian Corporation. Jason has been recognised globally as one of the top three thought leaders around HR technology and the future of work.

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In this session, Jason outlined the importance of having a digital HR and people strategy in place. Digital is not the same as technology; digital is the ability to deliver personalised, meaningful services at scale. Therefore rather than just focusing on 'doing' technology projects, practitioners need to instead truly embody a digital mindset in their functions. A strategic digital perspective can change organisations forever through innovation, automation and empathy.

The session included:

- 1 An overview of the benefits of creating and deploying a digital HR strategy and how it can facilitate and drive the balance between empathy and economics. Key benefits include responding to a changing talent and skills landscape, building resilience to future disruptions and preparing for rapid technological advances.
- 2 An interaction discussion where audience members could create examples of a digital vision aligned with organisational objectives.
- 3 An exploration of emerging technologies such as Generative AI, and their transformative impact on HR practices.

To find out more about **Mercer's AI Masterclass**, contact Marcus Downing

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The key components of a digital HR strategy include:

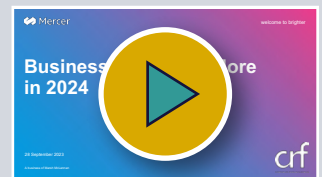
- 1 A Vision Map for Digital HR, including guiding principles for selecting and designing technology and measures of success.
- 2 Good vs. great priorities
- 3 Target solution and experience architecture
- 4 A multi-year strategic roadmap
- 5 A 6-12 month action plan
- 6 A digital HR operating model

THE FOLLOWING KEY TAKEAWAYS EMERGED FROM THE SESSION:

- 1 HR needs to rapidly educate itself on technology, with a particular focus on AI. The time to learn and experiment is now.
- 2 When implementing technology, it's important to take your people on a journey that appeals to their feelings, rather than applying a process which is alien and frustrating for them.
- 3 Organisations should focus on their overall 'changefulness', rather than applying standard change processes to technology implementation.

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FURTHER READING

CRF. 2023. *HRD Briefing 2024: Navigating Change in an Uncertain World*. Briefing Paper. Corporate Research Forum. <https://www.crforum.co.uk/research-and-resources/hrds-briefing-navigating-change-in-an-uncertain-world>

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