

Skills as the new currency of work

How skills-based career frameworks make companies successful





Tectonic shifts are happening in the world of work:

- Half of CEOs and CFOs believe their current talent models will not be able to meet the projected demand for their organisations' products or services in the future.
- Over 60% of organisations globally (and two-thirds in UK) already have difficulty hiring the right talent at the right time and at the right price to meet their business needs.
- Where organisations are able to hire in-demand talent, pay premiums are significant.

The **focus on talent is broadening**. Old strategies that have predominantly focused on the attraction of talent are now seen as unsustainable. Companies are therefore pivoting towards creating career development opportunities internally. They are choosing to build the skills they need in order to drive competitive advantage and ensure sustainable growth. Career frameworks are at the heart of this change.

The global context in which these changes are taking place is one of economic uncertainty and broader shifts in the capabilities that organisations require. For example, the OECD reports 1.1 billion jobs are liable to be radically transformed by technology in the next decade.

What is a career framework?

Career frameworks reflect and enable an organisation's career philosophy by setting out the principles on which careers are based and the structure and governance within which they are managed. A career framework provides:

- Visibility to career opportunities and expectations through an overview of available work (jobs or roles) and the required capabilities, skills and pathways within the organisation
- Clear definitions of the nature of the work, including work defined by fixed jobs, flexible roles, or defined via deployed capabilities where talent flows to work
- The supporting structures that enable careers, including the classification and hierarchy of work (via a job architecture), the required skills and success profiles (via a skills framework) and the tools that enable individuals to navigate their career choices and opportunities (including talent marketplaces)

Challenges — not new, but more pressing than ever

Addressing this workforce talent challenge is an imperative across all sectors. There are many reasons for this:

- Despite the economic challenges involved, some industries continue to operate with a significant number of front-line and highly skilled roles unfilled.
- Employees now want work that provides flexibility, secure pay and development opportunities.
- Employees are looking for opportunities to ensure their skills remain relevant for the future.
- Leaders are struggling to deal with the pace of change.

The overall challenge is clear: the pace of change in the world of work, and the skills gaps that have opened up, have created widespread problems that they cannot be solved with recruitment alone.

Solutions must reduce the gap between business needs and talent development and planning. They must also build on the appetite of employees to learn new skills. It is clear that a more nuanced and integrated approach will deliver more effective outcomes that will help both employers and employees thrive.



The opportunities of shifting to a skills-based approach to careers

To harness the opportunities of a more integrated approach, change in both organisational infrastructure and mindsets is required. Work must be reconfigured to reflect the new talent supply and demand equation.

Many leading businesses have already reimagined how careers can be built, both within and outside an organisation. This has led them to start looking more purposefully at skill acquisition, development and movement, and how this can be focused to get work done more effectively.

There has led to a meaningful transition away from linear career paths based on acquiring the skills required by job/role (demand), to more experiential career journeys. This new approach is based on both developing the skills required for work (demand), while simultaneously reflecting and meeting the skills and interests of individuals (supply).

Organisations that get this shift right are presented with opportunities to unlock significant returns on their investments. These benefits include:

- Filling vacancies more quickly
- Enjoying greater talent visibility
- Having improved insight into the changes required to make work “work”
- Increased productivity
- Enhanced speed and agility¹

Experience has shown that, in order to achieve these advantages, a visible, skills-based career framework is required. This should be linked to the needs of the organisation. It should allow the voice of current and potential employees to be heard loudly.



¹ Jesuthasan and Boudreau. “Work Without Jobs”. Sloan Management Review (January 2021). Available at <https://sloanreview.mit.edu/article/work-without-jobs/>

Setting the stage: defining your career framework vision

By providing an overview of available work (jobs or roles), required competencies, skills and career paths within an organisation, career frameworks create a strategic backbone on which people processes and policies can be built.

Career frameworks address the need for more transparency and provide a robust source of data that can be used for planning and development. They help deliver a seamless user experience that engages leaders and employees — one that allows all stakeholders to understand the work and capabilities needed for organisational and individual development.

In many organisations some components of a career framework are in place. However, in general, much greater focus is needed. This is particularly true for the critical skills required to fully deliver the opportunities that a career framework offers. For example, whilst 70% of global organisations report that they have a job architecture,² nearly three quarters have no means to ensure its effective, continuous maintenance.

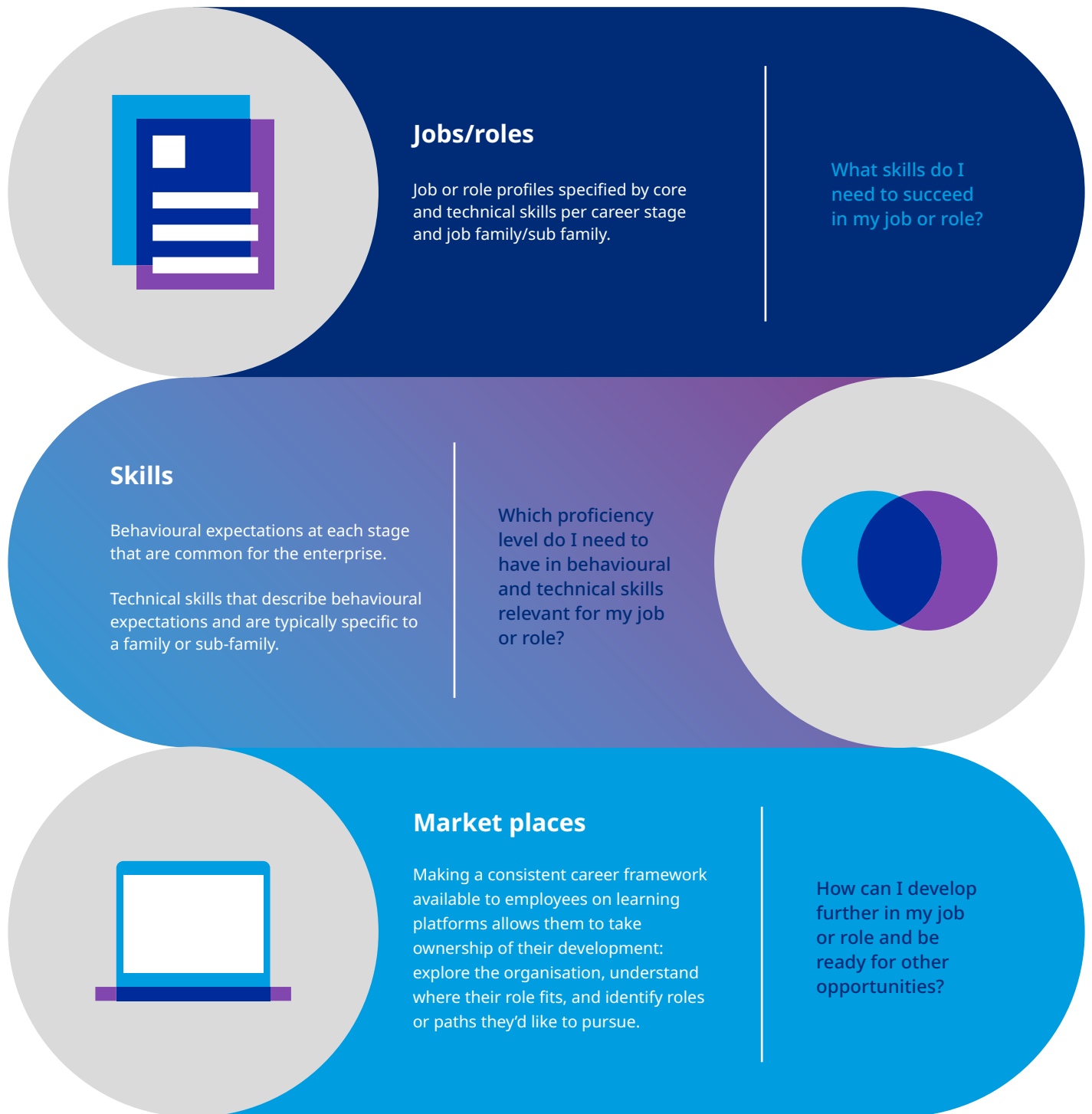
A future-focused approach is required. One that:

- Integrates strategic workforce planning with the management of work
- Ensures that an organisation's career framework evolves in line with changes in its requirements
- Prioritises actions based on strategic importance



² Mercer Global Job Architecture Survey (2022)

Career framework — key components



The link to reward

A career framework should be a foundational component of any reward decision making (including decisions about compensation and career-stage appropriate benefits). When this is the case, organisations can:

- Further accelerate their skills-based talent strategies
- Build a platform for skills-based rewards that can be more effectively targeted to mirror business needs
- Support “rebalance build” versus “buy talent” strategies to support the retention of critical internal skills

The career framework approach is helping drive stronger organisational outcomes in many leading companies. It is also helping companies to reinforce their re-skilling and up-skilling activities via:

- More strategically aligned reward segmentation
- The explicit adoption of a pay-for-skills approach

Segmentation in reward involves the adaptation or positioning of reward structures to meet differences in market contexts, business needs or talent requirements.

Pay for Skills

Mercer's Pay for Skills survey shows that more companies are prioritising skills over education. The survey shows that leadership in half of all the organisations questioned view skills-based pay as an important or very important way to ensure that compensation plans are optimised. In addition, 52% see skills-based pay as a strategic necessity for revamping key technical skills sets.

Looking to the future, the career framework is rapidly becoming the key link between strategy, workforce alignment, organisational development and, in particular, HR development. In other words, is becoming the guarantor of strategy implementation.



Building the case for change

Making change work requires an approach that:

- Captures needs across stakeholder groups
- Ensures that all organisational benefits are clearly communicated to leaders and employees

Delivering such an effective approach requires clear upfront planning. An effective change plan should be developed that focuses on the end-goal, whilst establishing realistic expectations for the pace of change. This will provide the foundations for success, and will ultimately help unlock the long-term benefits of implementation.

Based on Mercer's experience, we have identified three important areas for focus, when building the case for change:

1. Understand and quantify talent challenges

Mercer's Global Talent Trends research suggests that less than half of the organisations surveyed understand the workforce skills they currently have. This is despite the fact that 79% of CEOs predicted that future growth in their organisations will be significantly slowed down by skills gaps.

To resolve this problem, internal and external data should be used to provide evidence on the current skills within your organisation. External data should be gathered to highlight the availability of key skills in the market. This information can help to quantify the size of your skills-gap challenge. It will allow you to start to identify upskilling and reskilling opportunities, and help your organisation to design innovative approaches to close the skills gap.

2. Listen to your employees

The same research shows that over half of the employees surveyed intend to leave their current place of work because they believe there are better opportunities elsewhere. This is despite the fact that they are satisfied with their current employer. Conversely, 94% of employees indicate that they would stay longer in a company if it invested in their training and development.

It is therefore important to understand the ways in which different employee groups want to access development opportunities. This will help you ensure that your career framework is relevant and that it can be personalised for the different segments of your organisation.

3. Align and engage your stakeholders

To deliver the best results, it is important for your people team to act as the lead solution architect. Your team should be given the support they need to set out your organisation's vision and roadmap for change. Creating a career framework underpinned by skills requires a new way of thinking:

- The way in which skills are utilised across an organisation should not be bound by functional silos.
- There should be a change in the mind-set and alignment of leaders and the people function.
- There should be new thinking about learning and development, mobility, talent acquisition and beyond — these are termed "use cases" (see box).

The time for prescriptive approaches to careers is long gone. Instead organisations should enhance the visibility of opportunities, expectations and development support. This can be done effectively through a talent marketplace, which can act as an effective front-end to a career framework. Such an approach represents a significant differentiator in the overall employment landscape. It can help re-steer how your employees think about their careers.

In a world threatened by multiple short- and long-term risks, it's imperative that business and governmental decision-making be centered on human values as there is no future for all without people-first businesses and cities.

Defining the use case: workshops and approach

Use cases show how skills will be used to help enable an organisation to overcome the challenges it faces and to achieve its aims. The opportunities for using skills are broad — from skills-based talent acquisition to career and talent development, talent mobility and beyond.

Prioritise those skills-based approaches that are going to deliver the biggest impact. Identifying such exemplar use cases can be a powerful mechanism to drive progress during the transformation process.

Design and implementation challenges



Despite the advantages offered by career frameworks, our studies show that only one in every two companies have one in place. To ensure that your framework is successful you should consider the following issues.

The one-size-fits-all approach no longer works: An understanding of the needs of different employee groups is vital and a career framework must reflect these differences across all workforce segments. A framework must highlight opportunities to craft a career that is right for the individual. It should allow them to determine where, when and how they work. It should also make it clear what career development and advancement options an individual has.

Cultural change is key: For success, a career framework must be developed and implemented in an open and transparent manner. This means moving away from silo thinking, addressing envy factors and dealing with ownership claims by decision-makers and employees. It means moving towards personal responsibility, flexibility and trust. The introduction of a framework will need a lot of cultural development work with all stakeholders in the company — if this groundwork is not done, the framework is likely to not have any real impact.

Career conversations are a critical enabler: The success of a career framework will be boosted if people managers are trained and enabled to play their part in the framework's roll out. They should conduct frequent conversations with staff, covering key issues such as possible career moves. They should also work to develop a strategy for building employees' skills.

Skills terminology

If all employees and managers understand skills terminology this will help them to use a common language when discussing this important topic. This will facilitate a better understanding of where gaps may exist or arise. It will also empower employees to make career-defining decisions.

Conclusion

The race to reskill is becoming increasingly competitive. Those companies that proactively address the skills challenge, and which create compelling career opportunities will be significantly more attractive to employees. In this context, skills-based career frameworks serve as a vital platform for performance management and reward strategies. They also increasingly function as an important active component of holistic employment value propositions. They are an important part of the response that companies must make to the major shifts taking place in the world of work.

Contact



Maura Jarvis,
Partner – Transformation Lead, UK
Email: maura.jarvis@mercer.com
Tel: +44 (0)7385 412342



Mark McGowan,
Senior Principal – Reward & Talent, UK
Email: mark.mcgowan@mercer.com



