Mercer

What's next for HR technology vendors

Insights from *Global Talent Trends*

There are many ways to measure wind direction. The Dutch are credited with "inventing" the original approach — lick your index finger and raise it in the air. Accurate? Fairly. But are precise modern measuring instruments better? Of course.

Welcome to the HR technology market in 2024. Climactic conditions are varied and many: recession and inflation concerns, geopolitical tensions, major elections in multiple economies, cost containment and workforce productivity pressures, and AI commanding mindshare but not (yet) share of wallet. These prevailing winds determine the direction of the market's change and the speed of its development.

Other elements in play include:

• How executives plan to grow and sustain their businesses

• The scope and speed of the response executives expect from the HR function (to support necessary outcomes)

• The availability and sentiment of talent

• How the workforce and technology work together

The need for change drives the evolution of technology. In turn, the adoption of new technology requires companies to be open to change. So HR agility is required if businesses are to capitalize on current technological changes — and achieve their macro strategic goals in a sustainable manner.

Mercer's *Global Talent Trends Study* reports on market, business, HR and workforce conditions. It provides the precise information decision makers need, so employers can better manage the direction and speed of any strategic changes they make.

Based on the Global Talent Trends research, this executive summary looks in detail at how **HR technology providers** should capitalize on the opportunities they have to deliver value.

In 2024, HR technology vendors need to prepare for a radically different HR landscape — one characterized by a range of fast-developing challenges:

- **Strategic alignment is fading fast**, with executives consumed by the need to respond to near-term risks and fearful of missing out on the competitive advantage promised by AI.

- HR is facing a range of disordered, functionally disparate challenges, including rising labor costs, skills shortages and the management of remote workforces. As a result, HR leaders are stretched thin.

- Many HR teams are severely behind in preparing the workforce — and the business — for new ways of working and for the impact of AI.

- HR is under pressure to build **digital agility**, but budgets are flat or fussy. HR leaders are therefore forced to be selective about where and how they invest in technology to close value gaps.

- Given the current business environment and market conditions, HR technology spend is expected to be incremental — and all spend will need to be well justified and focused on driving verified business outcomes.

- Regardless of whether HR is investing in or deploying new technology, they need to **optimize and retrofit current solutions** to produce new outcomes and deliver new workforce capabilities.

- HR aims to create **more sustainable talent models**. These will require stronger insights and predictions, along with better skill assessments and career pathways.

- Work needs to be redesigned for human–machine teaming to maximize productivity, which will require new job architectures and new ways of approaching goals and performance.

Drive human-centric productivity

- Most executives expect productivity gains of at least 20% to 30% from AI, with 56% betting on AI to lower employees' workloads.

- One in three HR leaders worries that in 2024 there will be insufficient productivity gains for their businesses as a result of investments in AI, automation and work redesign.

Anchor to trust and equity

- 65% of employees trust their employers to provide them with the latest technology, such as Generative AI.

- 47% of HR leaders say implementing continuous listening and feedback programs is part of their organizations' approach to maintaining a winning employee experience.
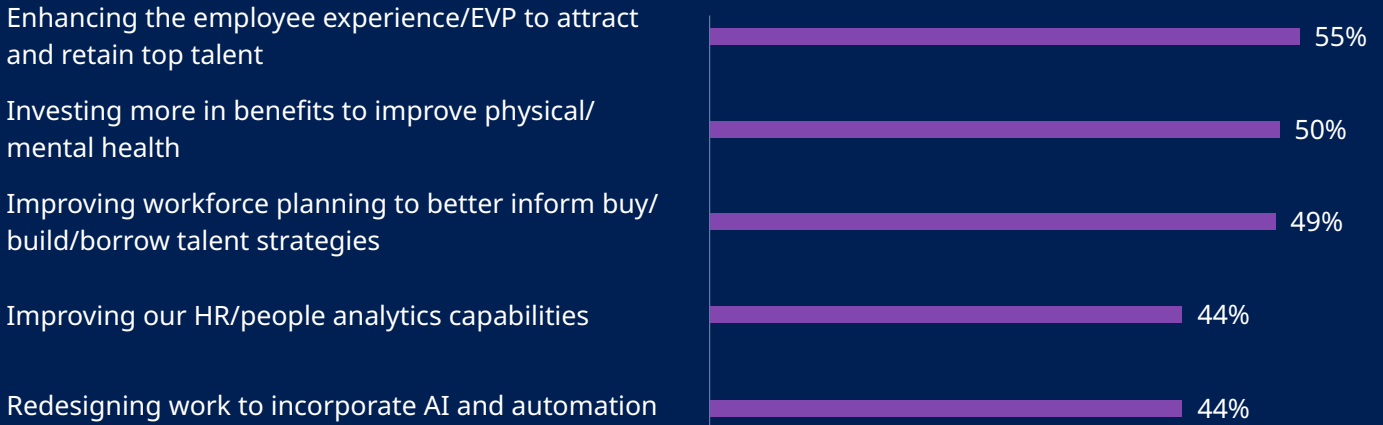
Boost the corporate immune system

- 94% of executives have invested or plan to invest in technologies to improve employee health and well-being.

- AI can bolster employee well-being, with 81% of HR teams currently using or planning to use AI to address physical health (81%), mental and emotional well-being (79%), financial well-being (77%) and employee burnout (78%) issues.

Cultivate a digital-first culture

- 42% of HR leaders say implementing or upgrading new HR technologies is the biggest challenge to their operating models.

- Two in three employees say their organizations aren't good at communicating how recent technology (including AI and automation) will improve the way they work.

What's shaping HR's priorities in 2024?

Enhancing the employee experience/EVP to attract and retain top talent — 55%

Investing more in benefits to improve physical/mental health — 50%

Improving workforce planning to better inform buy/build/borrow talent strategies — 49%

Improving our HR/people analytics capabilities — 44%

Redesigning work to incorporate AI and automation — 44%

What are the focus areas for executives, investors and HR in 2024?

1 in 3 executives feels they have the talent model to capture growth.

85% of investors are urging companies to make people management a priority.

54% of the C-suite plan to invest in AI-driven insights relating to talent decisions and strategic workforce planning.

1 in 2 CHROs cites rising labor costs, new work models and skill shortages as their top challenges.

53% of executives say their HR budgets will remain flat, with another 22% planning to decrease HR budgets.
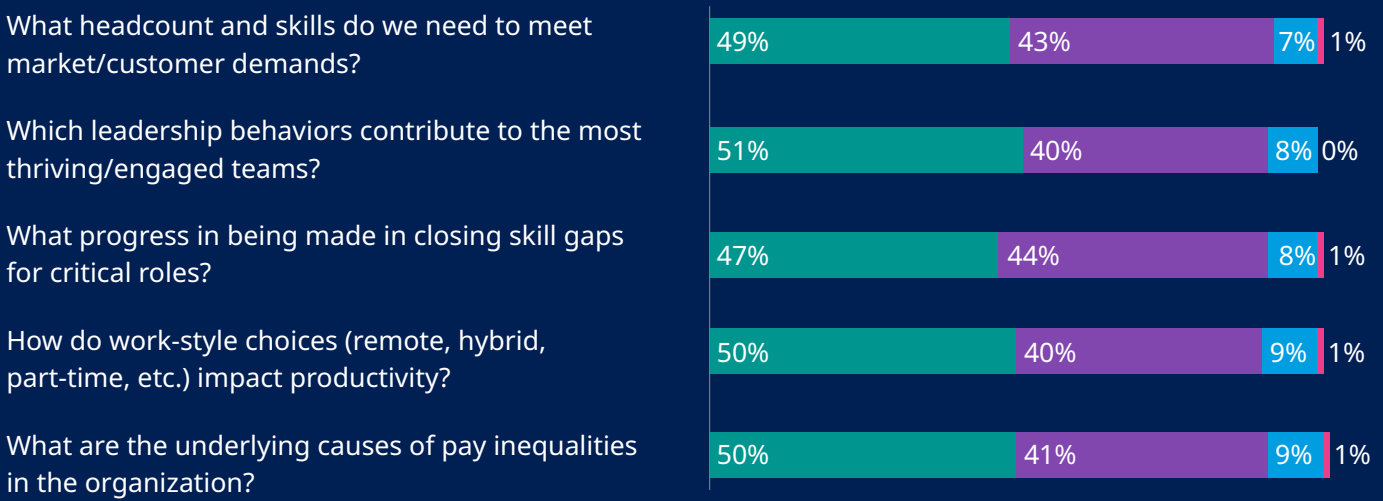
This is a pass/fail moment for HR leaders, who are being called to fill strategic gaps for their organizations. However, many feel overwhelmed and underprepared for this challenge. They need fit-for-purpose solutions and real guidance from HR technology providers. In particular, they need assistance and expertise to improve the delivery of both services and value to the workforce. They also need guidance on how to develop and deliver solutions that have a tangible business impact.

What issues do C-suite executives think will expose their organizations to considerable risk if they are not addressed?

Issue	%
Investing in AI tools and adoption	52%
Improving sustainability accountability, metrics and reporting	46%
Rolling out new HR tech or optimizing existing platforms	44%
Redesigning work to incorporate AI and automation	40%
Delivering on Good Work standards	38%

The HR data driving decision-making

Question	Have today	Will offer in 2024	Not using today but plan to beyond 2024	We don't offer these insights and do not plan to
What headcount and skills do we need to meet market/customer demands?	49%	43%	7%	1%
Which leadership behaviors contribute to the most thriving/engaged teams?	51%	40%	8%	0%
What progress in being made in closing skill gaps for critical roles?	47%	44%	8%	1%
How do work-style choices (remote, hybrid, part-time, etc.) impact productivity?	50%	40%	9%	1%
What are the underlying causes of pay inequalities in the organization?	50%	41%	9%	1%

● Have today   ● Will offer in 2024   ● Not using today but plan to beyond 2024   ● We don't offer these insights and do not plan to

80%
of today's jobs are likely to be affected by Generative AI, with nearly all jobs seeing their core tasks change significantly.

44%
of HR leaders say redesigning work to incorporate AI and automation is a priority for 2024.

HR technology providers will be primary partners to deliver impact in 2024

Help HR become the AI hero

HR teams are still in the early stages of AI adoption, with very few organizations providing them with the resources they need for AI initiatives. In addition, **only one-third of HR executives have a high level of confidence in their digital and HR agility**. HR leaders therefore need to catch up fast to prove themselves. As a result, CHROs have an opportunity to take a leading role in demonstrating the impact of AI on the HR function, on people and on all the ways in which work gets done.

Enter the HR technology vendor, who will need to work in partnership with the CHRO to:

- Meet the HR team wherever they are on their digital maturity curve to help them advance their AI capabilities.

- Help HR navigate how to resource and budget for AI.

- Analyze and forecast AI's impact on workers and jobs.

- Show where to leverage AI for knowledge management, technology deployments or other viable use cases.

Unlock HR agility through data

Nearly all HR leaders are already leveraging or planning to use data-driven insights for:

- Measuring productivity

- Evaluating pay equity

- Workforce planning

However, nearly **one in four says HR analytics and data for decision-making is their biggest HR operating model challenge**.

HR leaders and teams therefore need more than just data and dashboards. They need the ability to unlock agility by acting on meaningful, actionable insights. These insights need to

be delivered by true partners who speak the language of the business.

If HR technology vendors are to champion HR leaders and drive the delivery of positive outcomes, they need to build HR's data fitness. They also need to deliver HR technology that:

- Deploys a range of appropriate, strategic and operational capabilities for the workforce

- Helps HR understand what's happening now and in the future

This type of data fitness will allow HR to prescribe remedies and strategies with confidence.

Technology is valuable when it is relevant

HR technology providers should understand that:

- The technology you offer doesn't have to be cutting edge or provide every possible feature to bring value to HR leaders.

- Your ships will pass in the night if your marketing and messages are not finely tuned to the current needs and sentiments of the buyer and the market.

Given the pace of change, the crowded overall market, and the competing priorities that exist across both HR and the C-suite, HR technology vendors need to **refine for relevance**. Vendors will capture mindshare and trust when they:

- Demonstrate acute awareness of current challenges

- Establish differentiated value

- Confidently articulate a real and relevant value proposition

It is important for vendors to recognize that even technology applications that seem obvious — such as workforce planning, people analytics or skills development — are not easily connected to business needs. This is especially true in circumstances where requirements are changing rapidly.

Prepare HR for transformation

As companies pursue greater sustainability, 2024 will usher in a shift from merely implementing new technology to using it to drive transformational change. However, the C-suite and HR agree that **inadequate** technology deployments are

one of the biggest barriers to transformation.

In addition, **two out of three executives admit that they do not implement any true transformation in the way work is done** when they adopt a new technology solution.

Partner-oriented HR technology providers therefore need to prove their solutions can go beyond merely replacing another system. They need to show that their technology can truly transform the way work gets done while supporting greater business sustainability.

Help HR build a digital-first culture

Being digital is about more than technology alone — it's about cultivating an adaptive, digitally fluent organization. However, **58% of executives are concerned that they are not doing enough to inspire workers to adopt new technologies** and that

this is putting them at risk of falling behind.

HR technology vendors will need to:

- Help HR leaders foster a stronger digital mindset inside their organizations — whether through direct enablement or partnerships

- Prepare employees for the transformative impact of technology

- Offer communication, marketing and change enablement to foster healthy digital habits around changefulness, data fitness and radical simplicity.

About Global Talent Trends

As we look to 2024, the world of work is in full metamorphosis, forever changed by the seismic shifts of the past few years. Societal dynamics are reshaping work structures, technology is advancing at breakneck speed, and we're navigating the aftermath and recovery of a post-pandemic world. Our clients are undoubtedly feeling these influences, and we want to understand what actions they're taking to stay ahead.

The voices of more than 12,200 business executives, HR leaders, employees and investors from around the world contributed to this year's *Global Talent Trends Study*.

Contact your Mercer Luminate consultant to talk about:

- Strategic product and roadmap advisory based on our work with HR technology buyers

- Go-to-market strategy and execution, such as messaging and identifying key buyer profiles

- HR technology thought leadership and influencer marketing, through white papers, events and content

- Analysis and research services, including market insights and product reviews

Are you ready to ramp up to Workforce 2.0 and unlock human potential in a machine-augmented world?

Learn how by downloading the *Global Talent Trends* report.

At Mercer, we believe in
building better futures.

Together, we're redefining
the world of work, reshaping
retirement and investment
outcomes, and unlocking real
health and well-being. We do this
by meeting the needs of today
and tomorrow. By understanding
the data and applying it with
a human touch. And by turning
ideas into action to spark
positive change.

For over 75 years, we've been
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solutions to build healthier
and more sustainable futures
for our clients, colleagues
and communities.

Welcome to a world where
economics and empathy make
a difference in people's lives.

Welcome to brighter.

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