Mercer

2023/2024 Skills Snapshot Survey Report – Asia

Skills-powered practices,
future pay and effectiveness

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Executive Summary

The 2023/2024 Asia Skills Snapshot Survey provides Asia-specific insights drawn from the global Skills Snapshot Survey conducted by Mercer. We explore the skills-based talent and reward practices being adopted by market leaders in Asia to prepare their organizations for the future. With a keen eye on improving employee retention, enhancing workforce agility and increasing flexibility to meet evolving market demands, we offer recommendations for implementing skills-based talent approaches, such as building a skills foundation, aligning key performance indicators and defining success metrics to skills. We also provide an overview of the challenges facing those that have started on their journeys to becoming a skills-powered organization.

The Skills Snapshot Survey report is a call to action for companies to move toward becoming skills-powered organizations — and provides the crucial steps to help you get started.

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On the HR agenda: Progressing talent strategies

As companies in Asia evolve their talent strategies, skills have become a common theme. The quest to identify, use, validate, develop and reward skills as part of core people practices is an established trend that's gaining momentum. Mercer's fourth annual Skills Snapshot Survey reveals encouraging progress in Asia, especially in hot talent markets like China, India, Singapore and Australia, with many organizations embracing platforms and data to implement skills-based strategies.

Drawing on responses from talent, rewards and HR team leaders from nearly 400 organizations across 15 countries in Asia-Pacific, our 2023 survey highlights a positive shift toward skills-based transformation. In fact, roughly seven in 10 employers now report integrating skills into their approaches to career development, talent acquisition and performance management.

To support increased adoption of skills-based practices, 49% of respondents in Asia use some form of skills library within their organizations, and over 70% of respondents monitor the market demand and availability of skills, either formally or informally. Further, 15% of Asia respondents (up from 8% last year) have established formal processes for tracking skill trends, such as leveraging technology and data to make strategic decisions. These findings indicate organizations in Asia are making tangible progress on their skills transformation journeys.

Skills as the currency of the future

Similar to the global trend, leaders in Asia feel most confident in identifying and applying skills within specific jobs or departments rather than assessing the skills landscapes across their entire companies. For instance, more than half of respondents are highly confident about recognizing critical skills for specific roles (65%) and departments (58%). However, this confidence diminishes to just 36% when considering the skills needed for the company as a whole.

Amy Baxendale, Global Capability and Workforce Readiness Director at Arcadis, cites "transforming access for our people to enable much more diverse career-pathing" as a primary reason to advance skills-based practices at Arcadis.

Learn more about Arcadis's skills journey and its Skills Powered Organization ambition on the Arcadis website.
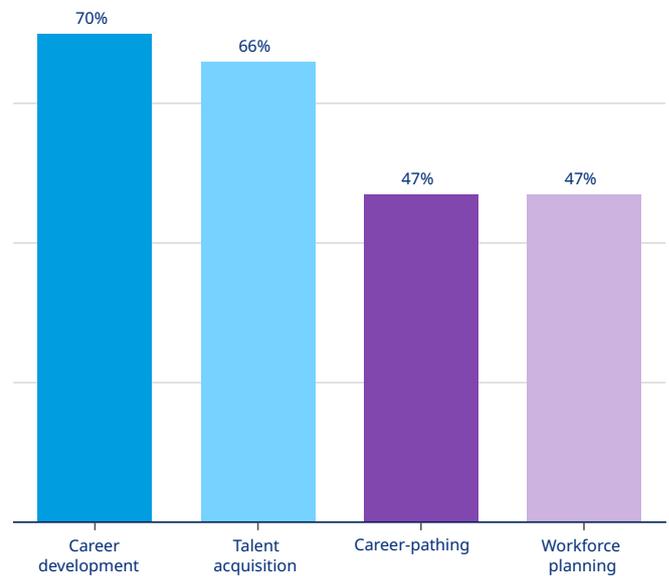
Move From Jobs to Skills With Skills-Based Talent Management (mercer.com)

Making Work 'Work,' Episode 5 (mercer.com)

To harness the complete value of skills capabilities, organizations increasingly recognize the need to use skills as the common currency across all people systems and processes. Starting small, with a razor-sharp focus on a few key systems, organizations in Asia are increasingly establishing skills as the unifying force for effectively delivering employee experiences.

Building a foundational skills taxonomy is becoming a cornerstone of constructing comprehensive career frameworks for organizations in Asia. In Mercer's *2024 Global Talent Trends* report, HR leaders cite establishing skills-based practices as one of their top 10 priorities.

Like their global counterparts, organizations in Asia are applying skills to the following talent management practices:

Category	Percentage
Career development	70%
Talent acquisition	66%
Career-pathing	47%
Workforce planning	47%

Although it may be premature to say that organizations in Asia are leading the global trend on skills, the data show that they are ahead of the global average in applying skills-based talent practices, specifically in areas of:

	Asia	Globally
Performance management	67%	64%
Learning	62%	59%
Rewards	58%	49%
Succession management	50%	48%
Projects and gigs	30%	23%
Work design	27%	22%

■ Asia   ■ Globally

Organizations committed to developing skills-powered people practices exhibit an agile approach to deploying skills — starting in areas such as learning, talent acquisition, projects, gigs and succession management. Introducing skills-based practices in these areas is less disruptive and offers substantial positive benefits for the future. For example, increasing projects and gigs requires changing how talent flows to work; work design changes what and how work is performed and by whom; and workforce planning has far-reaching downstream impacts on talent assessment, development and flexible talent pools. Accordingly, skills-based practices related to employee attraction, development and retention are increasingly becoming the norm for organizations embarking on the skills-powered journey.

Key focus areas for skills-based practices

1 Employee development/opportunity

2 Attraction and retention of critical skills

3 Workforce productivity

4 Workforce agility/flexibility

5 Workforce agility/flexibility

6 Workforce agility/flexibility

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The skills foundation

Linking a role to the specific skills that enable an individual to deliver on the expectations of that role lies at the heart of any successful skills-based transformation. The starting point of this linkage is a list of skills, which becomes a taxonomy of skills for the organization (that is, a library or catalog) when it's properly organized. For organizations in Asia already on their skills journeys, our survey sample shows more than half (52%) have mapped skills to jobs or have a job architecture for their organizations — ahead of the global sample rate of 47%.

A skills taxonomy serves as the cornerstone for career-pathing, upskilling and reskilling initiatives. Our research indicates that 49% of companies in Asia have a skills taxonomy in place (compared to 45% globally) that covers a portion or all of their organizations. Of those respondents, a majority use a single skills catalog for all groups and levels in their organizations.

Differing skills lists/classifications across different departments/business groups compound the challenge of building a unified skills foundation, hindering upskilling and reskilling initiatives. To promote lateral and diagonal movements within the organization, we see organizations in Asia promoting consistency in their skills frameworks and governance as areas of future focus — so that all stakeholders benefit from using the same skills taxonomy for all employees.

Lay the groundwork for skills-based decisions

A career framework defines an organization's job architecture mapped to a skills taxonomy for workforce planning, capability development, performance management and cost optimization. It delivers the information and insights needed for effective workforce analytics, selection and retention, succession management, rewards, and career management and development.

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Scaling up: Skill maps for organizations

Our study shows that companies in Asia have made notable strides in identifying the skills required for specific jobs (with a median of 70% defining their job architecture by skills). Organizations in Asia are also ahead of their global counterparts in the crucial task of mapping those skills to individual employees (41% in Asia compared to 28% globally). Interestingly, among those that have successfully mapped skills to jobs, more than half have completed skills mapping for all job families and job levels. Thirty-four percent (notably higher than the 29% reported globally) have prioritized technical functions — for example, IT, data science and engineering — for skill mapping over other functions, suggesting a focus on critical roles and specialized skill sets within a company.

As expected with an agile approach to organizational alignment with skills, fewer than half (43%) of Asian organizations have so far established the ideal number of skills associated with each job in their organization. Hearteningly, this percentage is higher than the global sample of just 37% of organizations that say they have done so. This reflects the evolving maturity of skills-focused approaches to talent management. For Asia, the study notes a median of 75% of employees for whom skills have been identified (slightly ahead of the global median of 70%). This finding supports the earlier insight in the report regarding organizations first implementing skills adaption in less disruptive processes (such as talent acquisition and learning and development), thus paving the way for skills adoption in other talent processes. Doing so allows organizations to sharpen their skills focus through practical application of skills data so they can begin the transformation without being crippled by complexity.

Our study reveals that among companies in Asia that have standardized their ideal number of skills, 17% (versus 15% globally) believe that one to five skills per job is sufficient, and 15% (the same percentage reported globally) say six to 10 skills per job is right for them. The appropriate number of skills varies from one organization to another and depends on the unique context and requirements of each. However, in our experience, the average number of skills for a job typically hovers around 20. Structuring according to a metric such as frequency or importance helps organizations prioritize and organize skills.

Manager identification ranks as the most widely used method in mapping skills to individuals in Asia (72% compared to 65% globally). The other widely used method for mapping skills to individuals in Asia is employee self-reporting (51% of organizations report using this method, higher than the global sample at 44%). Employee-declared and manager-validated is another combination of skill mapping reported by some organizations in Asia. Presently, 9% of respondents are using artificial intelligence (AI) to establish skill mapping to individual employees in Asia, slightly higher than the 8% of respondents in our global sample.

Our study shows that organizations in Asia lead (at 70%) the global trend (64%) in monitoring the market demand and availability of skills. Whereas about half of organizations in Asia carry out annual updates or refreshes of their skills data — and only one in five does so on a continuous basis.

Continuously refreshing skills data is a less common practice, which implies that the technology-enabled solutions equipped to facilitate real-time skill updates are not yet widely adopted.

The most up-to-date data on skills at the employee level exist in human resource management systems (51%), followed by employee resumes (30%).

What to focus on

Companies leading the transformation to a skills-focused talent strategy address the following questions:

- What skills do we need, and how will we incorporate a skills taxonomy into our job architecture?

- What skill level do we expect for each role?

- How do we assess the skills that will drive our business forward?

- How will we reward for top skills?

- How will we operationalize our skill-based strategy?

Determining the frequency of skills assessment

Our survey finds a range of opinions on the frequency of skills assessment among organizations in Asia, with 36% of respondents (versus 33% in the global sample) favoring an annual assessment, 23% believing continuous assessment is needed (versus 20% in the global sample) and 11% suggesting biannual assessments. Only 6% of respondents (compared with 12% globally) don't perform any assessments at all. About one in five organizations in our study — both globally and in Asia — reports carrying out assessments only as needed. Most companies that do assess use employee self-assessment supported by manager validation (70%). These findings are consistent with prior years. Exclusive assessment by managers is only half as popular in Asia as it is globally.

More than one in four organizations in Asia use formal proficiency assessment tools for assessing employee skills. Leading employers are opting for a segmented assessment strategy that prioritizes different assessment methods based on multiple factors, including the use case for skills (will it directly impact selection, development, rewards, etc.?); type and criticality of skill; and the maturity of skills-based practices. Assessment vendors are increasingly incorporating the latest technology to support a positive employee and candidate experience through greater simplicity and accessibility.

Embracing transparency

The unique transparency that skills-based practices provide in talent management has been a key driver in prompting organizations to make investments in a skills-based approach and in empowering employees to propel their careers. Interestingly, our study reveals that, similar to the global trend, 61% of Asia respondents currently make employee skill profiles visible only to HR, leadership and line managers, whereas 26% make their employee skills profiles visible to all. Just 12% make their employee skills profiles visible only to employees. This speaks to the evolving maturity of organizations' talent management practices, where the primary focus on skills profiles is driving internal alignment and compatibility with critical HR systems — designed to run on job-based rather than skills-based parameters — before sharing skills profiles more broadly within the organization. We expect transparency to expand as the market for skills-based practices matures.

As their systems mature over time, companies will do well to expand this line of sight to enable better career-pathing, upskilling and reskilling — and to enhance the visibility of each employee's unique skills across the organization and promote inward mobility.

Navigating skill proficiency dispersions

For any organization that has established a skills taxonomy/classification, the natural next step is to create proficiency frameworks to differentiate based on levels of competency or expertise for any given skill. Our study reveals that organizations in Asia are ahead of the global trend (60% versus 50%) in defining and managing skills proficiencies. Of the 60% of companies that currently define and manage skill proficiency levels in Asia, 24% manage them centrally, while 36% have proficiencies locally managed by business departments or teams. Given the variety of technical and nontechnical skills that make up the framework for organizations, the proficiency scale varies by skill or job family for 48% of Asia respondents. Among companies with established proficiency levels, a scale of either three or five proficiency levels is more prevalent in Asia than in other countries.

Proficiency frameworks tend to be unique to each organization, typically based on a company's organizational structure and business model, making it difficult to propose a market-predominant structure.

An encouraging trend revealed by our study: Organizations are applying proficiencies to a wide range of talent practices, suggesting broader adoption of talent processes that benefit from the application of a skills-based approach.

Top five talent practices using proficiency scales

Career development
73%

Talent acquisition
69%

Performance management
65%

Learning
52%

Succession management
51%

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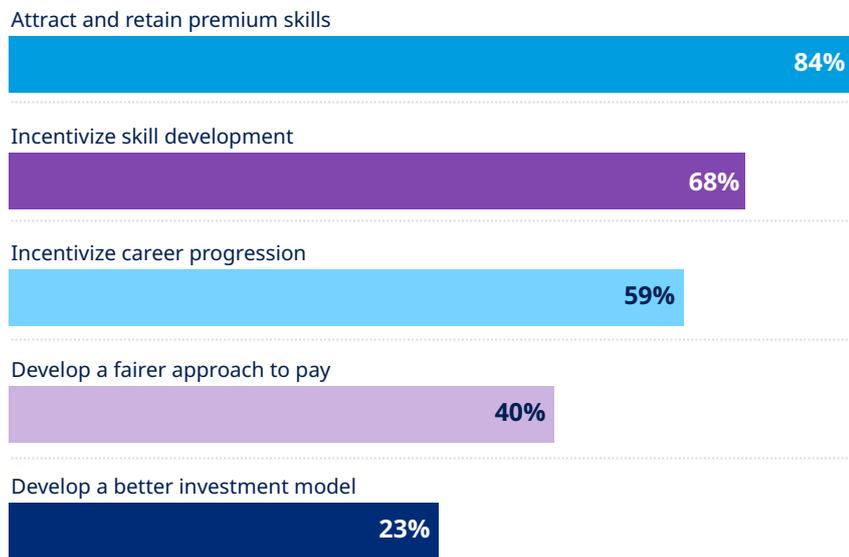
Mercer Skills Library includes recommended proficiency ranges based on a five-level scale.

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Skills-based rewards: A promising trend

Almost twice as many organizations in Asia (28%) report having skills-based rewards programs compared to globally (17%). This trend suggests skills-based pay approaches are gaining more traction in Asia yet are still shy of rapid adoption, with 72% of companies yet to implement skills-based pay programs. That said, survey respondents are clearly optimistic about opportunities in this area, with many linking rewards to skills to:

Attract and retain premium skills
84%

Incentivize skill development
68%

Incentivize career progression
59%

Develop a fairer approach to pay
40%

Develop a better investment model
23%

Anshul Sheopuri, Vice President and Chief Technology Officer, Data and AI at IBM explains why the opportunity to link pay to skills is so great:

"For any company of our size, compensation spend is such a huge portion of our expense that even if we spend our money 1% better in terms of efficiency, as well as improved outcomes in terms of retention of key skills, the payback is huge."

To learn more about how IBM incorporates skills into its rewards program, view an interview series with Mercer at Skills Edge interview series**.**

Our study reveals that technical or hard skills are most commonly linked to rewards (75%), followed by qualifications and certifications (45%) and behavioral or soft skills (40%). The direct impact of skills on pay in Asia is evident in yearly salary increases (41%), new hire salaries (34%) and retention bonuses (32%), compared with annual bonuses (28%) and sign-on bonuses (21%).

Our research reveals that skills are making their way into year-end merit processes but are not yet replacing traditional practices. In tune with the global trend, 38% of respondents in Asia envisage that in the next three years, critical skills may open access to higher pay levels; however, performance is still the primary driver of success. A further 27% say salary reviews would be driven equally by skills-based and traditional inputs. We anticipate that skills will be increasingly emphasized in the year-end merit process over time. However, it would be premature to imagine a full replacement of well-established inputs such as base pay competitiveness, career potential and individual employee performance in the near term.

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Determine which skills are most valuable to your organization.

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Overcoming barriers to progress

Our survey research points to steady progress in adopting and experimenting with skills-based approaches globally and in Asia — but not without some very real challenges that are creating resistance to moving toward a talent strategy with a stronger skills orientation. Our Asia respondents — similar to our global respondents — identify HR capability or capacity as the top barrier (42%), followed by a perceived risk of increased costs related to the adoption of skills-based systems (38%). Close to one in five Asia respondents (20%) say they have yet to fully crystallize their approaches to a skills program, which could suggest either a future adoption opportunity or resistance to change. We hope to be able to shed more definitive light on this question in future editions of the study.

Most companies (64%) are not yet using technology to enable skills identification and mapping, a trend in keeping with our 2022 findings. One in six (15%) respondents is using technology provided by a vendor.

Establishing a skills-based talent strategy

To get started on a skills-first journey without becoming too overwhelmed, Mercer recommends the following five steps:

1   Make your future-business-growth plan your starting point

Your organization's business plan for future growth can provide the starting point for a clear and in-depth understanding of the strategic workforce plan (SWP) that your organization must deliver on to meet your business growth targets.

2   Inform and guide your talent strategy with a forward-looking SWP

A future-focused SWP provides an overview of the total skill set your workforce must possess to deliver the expected business results. This list of skills becomes the yardstick to map your current employees against — it defines your organization's skills needs that must be met through talent acquisition (external) and talent development (internal). Skills-based role appointments increase career progression for employees and actively bridge the skills gaps for organizations. Quantifying the impact on productivity and substantial cost savings through upskilling provides necessary support from key stakeholders.

3   Align key performance indicators (KPIs)

Engage major stakeholders (including HR, leadership and line managers) to align on KPIs that will measure the success of your skills-based talent strategy in the near, medium and long term to ensure a shared understanding of the strategic objectives and enable smoother implementation.

4   Outline a clear path

A clear road map of the steps required to achieve the objectives in the near, medium and long term is imperative to reach the required milestones. Start small — test and fine-tune your approach by beginning with a pilot project in a specific area or department. Initially, focus on mapping skills to employees based on their job roles using a combination of manager validation and employee self-reported validation. As the initiative matures and stakeholder confidence grows, consider material investments — such as using AI to enhance the accuracy and efficiency of skills mapping.

5   Support change management and communications

There is no such thing as overcommunication when it comes to organizational awareness and buy-in for a skills-based approach to talent management. Success is guaranteed when every individual understands that the approach is a business need and not a nice-to-have HR-led initiative. Ensuring all employees, managers and stakeholders are well informed about the purpose, benefits and expected outcomes through extensive and continuous communication, training and resources is key to helping them embrace and understand this new skills-based approach to talent management — and, most importantly, to reap the desired benefits.

For an organization to unlock the full potential of a skills-based approach, it must be the bedrock of every talent system and process. However, all systems should not be targeted simultaneously. Critical talent processes like talent acquisition or learning and development that carry huge future impact provide ripe opportunities to test, tweak and establish the skills-based approach that's best suited for your organization before targeting other systems and processes. Learnings from the primary iteration of the approach for a process, department or location can help sharpen the effectiveness of future interventions — without risk of derailing the skills agenda for the broader organization.

"There will be lots of people on the journey who start at different places — and none of them are right, and none of them are wrong. As long as you start with what's important to your business and will help your business to solve some of the real challenges you've got right now, that's the right place to start for you."

Amy Baxendale

Global Capability and Workforce Readiness Director, Arcadis

Contributors

Asia report

Disha Kaushal
Regional Industries Director and Skills Champion

Global report

Brian Fisher
Career and Skills Frameworks Solution Leader

Melba Gant
Skills-Edge Product Manager

Vasilis Hatzopoulos
Skills-Edge Lead Data Scientist

Katie Jenkins
Skills-Edge Product Director

Heather Ryan
Global Product Leader

Peter Stevenson
Skills-Edge Go-to-Market Leader

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