MercerMarsh Benefits

Australia

The five pillars of people risk

New global research, **The Five Pillars of People Risk: Managing risks for workforce and business resilience**, examines the greatest people threats facing employers today. It will help organisations understand which people risks will have the most severe impacts and the barriers that are preventing **firms from mitigating them.**

Designed to serve as a checklist to help organisations identify and prioritise the threats that are most pertinent to them and take the appropriate action.

25 People Risks

People Risks

Health and Safety
1. Workforce exhaustion
2. Deteriorating mental health
3. Communicable health conditions
4. Work-related illness or injury
5. Non-communicable health conditions

Environmental and Social
1. Environment
2. Diversity, equity and inclusion
3. Labor and employee relations
4. Catastrophic personal life events
5. Social unrest

Governance and Financial
1. Increasing health, risk protection and wellbeing benefit costs
2. Pension financial risks
3. Legal and compliance
4. Benefit decision making and accountability
5. Administration and fiduciary

Talent Practices
1. Talent attraction, retention and engagement
2. Succession and key person risk
3. Conduct and culture
4. Changing nature of work
5. Travel and mobility

Accelerated Digitization
1. Cybersecurity
2. Data privacy
3. Skills obsolescence
4. Misalignment of HR and business strategy
5. Obsolescent HR technologies

Key findings and implications for Australia

It's never been more urgent to tackle people-related risk.

The pandemic left many companies exposed and vulnerable around their people. Understanding and evaluating these exposures is a core priority for business leaders.

Critical people risk exposures elevated to the boardroom agenda.

Employer-sponsored health, risk protection and wellbeing plans are now central pillars of the employee value proposition.

Likelihood and impact of people risks.

We grouped 25 key threats into five pillars of people risks. HR and risk managers assessed the likelihood and the impact of these risks on their organisation.

Risk categories
- Health & safety
- Governance & financial
- Accelerated digitization
- Talent practices
- Environment & social

Scatter plot: Severity of impact (2.80–3.50) vs Likelihood (2.60–3.50), plotting: Talent attraction, retention & engagement; Cybersecurity; Skills obsolescence; Data privacy; Misalignment of HR & business strategy; Legal & compliance; Communicable health conditions; Deteriorating mental health; Workforce exhaustion; Labor & employee relations; Increasing health, risk protection & well-being benefit costs; Environment; Conduct & culture; Succession & key person risk; Social unrest; Benefit decision making & accountability; Diversity, equity & inclusion; Work related illness or injury; Administration & fiduciary; Non-communicable health conditions; Pension financial risks; Changing nature of work; Obsolescent HR technologies; Catastrophic personal life events; Travel & mobility.

Top 10 people risks, HR versus risk manager

Ranking	All respondents	HR	Risk
1	Cybersecurity	Talent attraction, retention and engagement	Cybersecurity
2	Deteriorating mental health	Workforce exhaustion	Skills obsolescence
3	Workforce exhaustion	Deteriorating mental health	Deteriorating mental health
4	Skills obsolescence	Cybersecurity	Workforce exhaustion
5	Talent attraction, retention and engagement	Environment	Talent attraction, retention and engagement
6	Succession and key person risk	Increasing health, risk protection and well being benefit costs	Conduct and culture
7	Conduct and culture	Obsolescent HR technologies	Succession and key person risk
8	Environment	Skills obsolescence	Data Privacy
9	Data Privacy	Work-related illness or injury	Legal and compliance
10	Work-related illness or injury	Data Privacy	Communicable health conditions

Risk categories
- Health & safety
- Talent practices
- Governance & financial
- Environment & social
- Accelerated digitization

Risks are ranked by risk rating score; the product of the likelihood and the impact ratings.

Spotlight on Health and Safety

Deteriorating mental health

59% respondents deemed deteriorating mental health as likely or very likely to occur in the organization in the next 3 years and **70%** are addressing employee mental health.

Over 1/3 of organisations say they are confused over which department is responsible for this risk, including physical and mental, work-related and non-work related illness and injury.

Implication

The pandemic is linked to deteriorating mental health with more people than ever suffering from anxiety, stress, depression and addiction. The business impacts can be severe, including legal ramifications, low productivity, escalating benefits spend and damage to employment value proposition and brand.
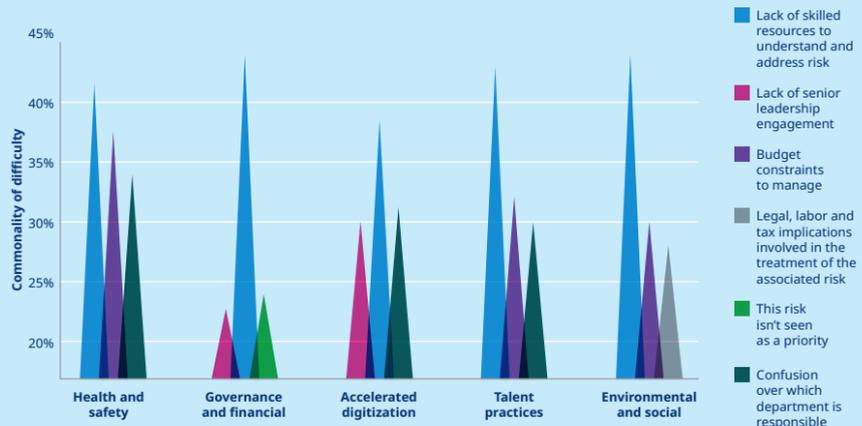

Top barriers to effectively managing these risks

The top 3 barriers for each risk:

Despite the increased focus on people-related risks;

- lack of skilled resources to understand and address the risks
- budget constraints to manage
- confusion over which department is responsible

were the primary difficulties raised.

Bar chart: Commonality of difficulty (20%–45%) across Health and safety, Governance and financial, Accelerated digitization, Talent practices, Environmental and social.

Legend:
- Lack of skilled resources to understand and address risk
- Lack of senior leadership engagement
- Budget constraints to manage
- Legal, labor and tax implications involved in the treatment of the associated risk
- This risk isn't seen as a priority
- Confusion over which department is responsible

Implication

People are an organisation's most important strength, but can bring significant risk to a business if not properly managed. It is **important that HR and risk management work together**, and access specialist expertise, to protect, equip, and motivate this critical asset.