Mercer

welcome to brighter

How to accelerate the pay-for-skills conversation in your organization?

Start with these five key questions:

1) What do we aim to achieve through skills-based pay?

The key strategic purposes for companies to deploy skills-based pay approaches include:

52%

Strategic necessity of revamping the organization key technical skill sets

42%

Implicit need linked to strategic goals

30%

Entry in new markets and/or development of new services/ products that requires a technical skill set enlargement

29%

Aggressive strategic policy of hiring new high-end professionals (e.g., AI and digital)

27%

Explicit goal present in the strategic plan

2) What skills do we need to track and how will we incorporate a skills taxonomy into our job architecture?

~1/2 **of companies are yet to develop an approach** to classifying skills at any level of their structure – a minimal change since 2021.

Of those who have some form of skills taxonomy:

82%

have an **in-house customized skills taxonomy**

18%

use either an **open source skills framework** or one purchased from a third-party provider

This implies that

44%
of all respondents

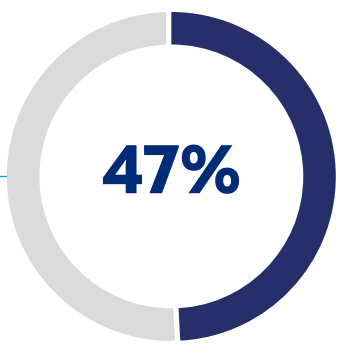
have already **developed an in-house customized skills taxonomy** to manage at least a portion of their workforce.
A tremendous effort!

3) What skill proficiency level do we expect for each role?

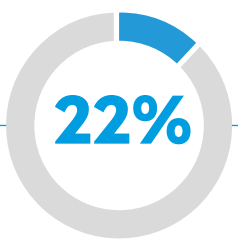
3
4
5

Three, four, five, six or even more proficiency levels?

Proficiency scales are a priority, but **there is no consensus** in the market on the optimum number of proficiency levels, with a fairly even distribution of approaches among companies.



of companies **do not assess talent** against the relevant skill expectation



do so **only as needed**

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

Monitoring skills across all employee groups is a sound, competitive strategy.

8%
monitor formally

60%
monitor informally

A **minority** of companies (just 8%) **monitor the market** demand or availability of skills formally whereas **60% report informal monitoring**.

Companies are still building their familiarity with the skills-tracking platforms and the related data sets that have emerged and are starting to mature.

Remember, today's hot skill or hard-to-hire role can quickly evolve and affect varying roles in your organization!

5) How will we reward those with top skills?

For the vast majority (80%) of companies, the main objective when linking rewards to skills is attraction and retention of talent.

46% of companies do not differentiate rewards for specific skills.

The rest differentiate rewards for:

40%
hard/technical skills

33%
leadership skills

24%
soft/behavioral skills

24%
qualifications

Significantly,

44%
of companies

do not link rewards to the ongoing development of skills. **This can potentially create equity gaps in the organization over time!**

Mercer's latest *Pay for Skills* survey report offers insight into how your peers are progressing on the journey to develop skills-based talent practices.

It highlights the most common approaches to:

- building skills taxonomies,
- tracking skills (both within an organization and in the market),
- developing proficiency scales,
- operationalizing pay-for-skills strategies.

Read the full report to learn more!

Download here

A business of Marsh McLennan

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