

The great resignation: On the horizon today

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David Mallon: Welcome to Capital H where we explore the latest trends and developments in making work better for humans and humans better at work. I'm your host, David Mallon, chief analyst and lead for Deloitte's Insights to Action offering.

The notion that change is the only constant in business is commonplace, cliché even. Yet in today's pandemic-driven world, it's also never been more our reality. As you listen or prepare for a future in which crisis is business as usual, you and your organization have an opportunity now, today, to shift your thinking about your workforces and about the work itself.

On today's pod, the first of a two-part series, we're going to explore this shift as we look ahead to the rest of 2022. Along the way, we're going to ask, "What if instead of a so-called great resignation, we turn this moment into a great re-imagination?" Companies, including, I suspect, yours, are grappling with how they can shift their thinking around their workforces to thrive in this new pandemic-defined normal.

How did we get to this moment in which the fundamental relationship between worker and organization was so stressed, so tested? In which so many are realizing what they want out their relationship has

changed. So many are choosing to change employers, change jobs, even in many cases, change entire vocations or career paths.

What are the converging forces that have brought us to this moment? What shifts might we make in advance of a potential great reimagination over the horizon? What key trends might emerge in the year ahead as we look toward this future?

Let's get started. I'm joined by two of my Deloitte colleagues, Jonathan Pearce and Nic Scoble-Williams. Jonathan is a US partner. He leads Deloitte's US workforce

strategy practice. He advises the C-suite on large-scale initiatives to unlock new enterprise value by reshaping their workforces in the context of the future of work. Nic is Deloitte's APAC leader for our future work practice and partner at Deloitte Tohmatsu Consulting based in Japan. She's also one of my fellow authors on our Global Human Capital Trends research. Nic and Jonathan, thanks for joining me today.

Nic Scoble-Williams: Hello, David. Hello, Jonathan. It's wonderful to have this opportunity to be here with you both talking about such an important and exciting topic that, of course, is relevant to all organizations, all workers all around the world, and I'm really looking forward to our discussion together.

Jonathan Pearce: Likewise, Nic. Great to be hearing you, nice to be with you too, David. And I couldn't agree more. What a watershed moment we're in in terms of the future of work, and this sort of time machine that we've experienced COVID as, in terms of these conversations around how work and workforces are evolving in a more dynamic way than ever as if we could have imagined it.

David Mallon: Absolutely. I want to begin with this notion of a great resignation, as it were. Deloitte recently published a great read in the Wall Street Journal on shifting from the great resignation to a great reimagination. It highlights a really important finding from our fall 2021 Fortune and Deloitte CEO Survey.

The labor and skill shortages we are experiencing now are so severe that CEOs rank this issue as number one, the number one external issue they expect to influence and potentially disrupt their business strategies in the next 12 months. Jonathan, starting with you, unpack this. What are some of these trends we're seeing in the labor market in the context of this mass migration?

Jonathan Pearce: Well, the fundamental jumping-off point for that conversation is simply in the data at the macro level, and in the US, there's been headline after headline since August of 2021 of three, four million workers voluntarily quitting their jobs every month, just in the US, setting records every month. And we sort of saw that continue.

Then, lots of angst and hand wringing about that from large organizations in terms of access to talent, compounding what was already the stresses, feelings of disconnection, dislocation, that remote work in the context of the pandemic had already brought on to organizations. It's been interesting watching the analysis, and as we've got under that data, where the constraint of the great resignation is happening.

And I would say the data tells us that yes, the job market has been tightest for workers that are without a four-year degree, industries like leisure, hospitality, food service, resignations have been through the roof there. But also, resignations are up, voluntary terminations are up for knowledge workers in health care, in technology.

I'm working with a bank and they're saying that they have the highest number of open requisitions that they have ever had. And like you say, CEOs have started to really project forward the impact of this constrained labor market on strategies in 2022 and beyond. And so, we did a survey with Fortune magazine. We asked CEOs, "What's the outside factor most likely to impact your business strategy over the next 12 to 18 months?" And access to talent and skills and workforce was rated by 73% of CEOs as that outside factor. So, clearly, very much on organizations' minds.

And at the same time, we've had so much conversation and discussion about workers and their perspectives on work changing, the meaning of work, the role

that work plays in their life, and how they balance work with the rest of their life. That's the other side of this coin, that the organizational perspective on the constraint, the loss of talent, the constrained labor market, and the worker perspective on, "How does work fit into my life and what does work mean to me, and what is a career for me?"

David Mallon: Thanks, Jonathan. Nic, I want to bring you in, and I want you to comment on what Jonathan's describing for the point of view of our 2021 Human Capital Trends Special Report. In that report, we looked at this relationship between work and organization and where it's headed, and we presented futures. One of those possible futures we called work as fashion. It seems like the workers are driving and they're deciding what is fashionable. Is this where we are? Is this where we're headed? How might we know? How is this playing out around the world?

Nic Scoble-Williams: I think it's a really important and topical conversation right now. I mean, when we wrote the report, we didn't anticipate the great resignation would evolve in the way it has. If I perhaps offer our listeners just a bit of context around how we look at this workers' fashion future, we see it as a future where the nature of the worker-employer relationship is reactive.

It's a future where we have employers feeling compelled to chase and respond to workers sentiment, to those worker demands, to the competitor moves, to what's happening in the market, but without really connecting these actions to a sustainable workforce strategy.

And this work is fashion future is one that we see can arise where we have the convergence of low talent supply combined with low government impact. That low talent supply creates that seller's market for workers, especially skilled workers, where

workers can base their choice of employer on what employers are offering and how well those offerings are going to meet their immediate desires and where employers are just laser-focused on competing for the attention and approval of those workers.

And when this low talent supply is combined with low government impact, where we have government not offering workers with support around things like access to reskilling opportunities, worker protections, health care, we then see workers starting to expect their employers to provide those things if they can't get them elsewhere. And because of the low talent supply, workers of course have the upper hand and can demand it.

Now, if we look at the current situation, we have 70% of employers globally struggling to find the talent that they need. CEOs are telling us the current talent and skills shortage is the number one challenge they're facing today.

We're in a situation where this talent and skills shortage, combined with the way in which the pandemic has created the opportunity for all workers to really reevaluate what's important to them, what they need, what they expect from their work, from their employer, it's inducing waves of workers to quit their jobs, whether they're searching for more meaning, more money, more flexibility, or other wish-list items.

If we look at all of the dynamics, we are seeing all of the signals of a work as fashion future. We're seeing employers focusing on measuring themselves against their competitors and introducing new never before seen employer benefits and incentives, and really focusing on the external marketing of those.

We're seeing employers increasing their reliance on worker surveys and other listening tools. Again, obsessed with keeping up and responding in the moment with those worker sentiments

and expectations. And all of these actions being largely disconnected from having that sustainable workforce strategy that is grounded in core values that remain stable regardless of the disruption and market conditions and these signals of a worker's fashion future is something that we are seeing across all markets, all industries around the world.

Jonathan Pearce: I love this contrast between workers' fashion as this sort of transitory, always feeling behind the eight ball, constantly chasing a moving set of preferences versus this sustainable talent strategy.

It makes me think about the future's work that you and David have done that has been so interesting was this jumping-off point that yes, of course, we know that leaders in organizations are feeling the constraint and reported back that they feel the power is in the hands of the workers.

But this interesting other side of that coin where workers, I think maybe not quite as much of a majority, but a majority of workers saying that they still see organizations as really important to their future and how they see their place in the world. What organizations are asking is, "How do we continue relationships of longevity of—maybe loyalty is too old-fashioned a word—but of loyalty and sustainability, in the long term with workers that we're investing in so that they see us as a place to keep investing their talents in?" That seems to be the big question mark over this current dynamic.

David Mallon: You mentioned words like autonomy and agency. Are those wants that are going to themselves be lasting, that they're not fickle, they're not fashion, they're things that workers are now saying we want from here on out. And how do organizations differentiate themselves insofar as how they're responding to those needs, which aren't fickle, which aren't fashionable? Nic, how does this play out

around the rest of the world? Because you said we're seeing the same things regardless of market or industry.

Nic Scoble-Williams: I'm obviously based in Japan, and this is where it's been fascinating for me to watch this play out across the globe. We're seeing these themes around the great resignation show up differently around the world, but what's clear is we are in this moment where workers are reevaluating what's important to them.

So if we look at Australia, for example, we are seeing workers prioritize the importance of time outside of work with family and friends. It's not so much money that's motivating the decisions they're making about staying or changing employers, they're looking for things like a four-day working week, or at least a certain number of guaranteed long weekends.

If we look at China, it is fascinating. It's all about freedom. Workers are wanting to disengage from an employee-employer relationship and have control over their time, their work, their working conditions. And this has resulted in a massive pivot to freelancer and contractor work.

In India, there is real power and meaning in terms of where you physically work, where the physical workplace for many workers is at the core of how they access the different services and support to manage their life. And we're actually seeing some employers in India focusing on incentivizing workers by allowing them to come back and work on-site or in the office, which, of course, is in sharp contrast to most countries where most organizations are positioning remote working options as a differentiator in attracting and retaining talent.

In Japan, where we've seen long working hours and long commute times impacting worker wellbeing, worker happiness, and long being recognized as really significant burning societal issues, we're seeing

workers reevaluate and prioritize flexible working arrangements and the ability to continue with remote working as what's mattering most to them right now. And employers are introducing new, flexible working arrangements and benefits. We're seeing a lot of organizations in Japan either exploring or piloting four-day workweeks, again, in this bid to attract and retain the talent they need.

If I then step out of APAC and if we look at what's happening across the European markets, all of the data that we are seeing, workers reevaluating what's important to them with a special focus on worker wellbeing and mental health.

All of these examples really highlight that as we look at how workers are reevaluating what's important to them around the globe and how employers are responding, we can see that it extends so much further than just some of the salary and benefit considerations that have been in those headlines that Jonathan was talking about that we've seen around the great resignation in the US.

Jonathan Pearce: It's so interesting that, as you say, it's beyond salary and benefits, sure. And even beyond these ideas of flexible and autonomy around the "where of work" and the "when of work," as if the pandemic and the mass experiment in remote work wasn't enough to deal with, these last two years have also been full of disruption in terms of politics, the national level, certainly in the US, we feel that, geopolitics, and the forces of globalization, and a reevaluation, maybe of the existential nature, of some of the questions that were raised in the pandemic really on a personal human front about values and beliefs.

David Mallon: Jonathan, it does seem entirely justified that so many senior executives are so worried about what's happening with their workforce that they see this as such, to use your words, sort

of an existential challenge, struggling with the effects of the trends that both of you have just described, how do they respond? How do executives, how do CEOs, CHROs, how do they respond in a way that isn't just reacting, that isn't just, as Nic described, in this sort of potential work as fashion future, isn't really just chasing the market? How do they differentiate in ways that speak to these broader wants? How do they respond in ways that allow them to differentiate and yet maintain who they want to be as organizations?

Jonathan Pearce: The conversations that I've been having with senior execs at our clients and inside our firm over the last six months, with the intersection of COVID dynamics and great resignation dynamics, led me to believe that the opportunity was to find things that are yes, addressing what is a crisis, what feels like a burning platform, but that are also positioning organizations in trends that were preexisting of the pandemic, that are the future of workforce and talent management and how to have long-term sustainable relationships with the workers that you need to power business.

We've started talking about four big shifts that organizations can make that are both responding to the immediate crisis and also positioning for more resiliency in the future.

The first one is the shift in our mindset for talent management, from jobs to skills. I like to think of this as the operating system of talent management has been jobs. We hire for jobs, we have careers as pathways through jobs, we pay for jobs.

Now, one of the interesting things in the pandemic was lots of those jobs got very fuzzy and redetermined and reprioritized as organizations were adjusting to really shifting market dynamics, whether it was an auto company suddenly making ventilators or a perfume company suddenly making hand sanitizer.

And it really started this idea that we need a more dynamic way than jobs, which are fairly static to connect people and their skills to work. And this idea about skills becoming an operating system is a really important shift. And so, how do you get started? How do you do that now to help with the crisis?

First, expand the candidate pool. Look at skills and adjacent skills, instead of things like degrees or directly aligned previous functional experience. Forty-six percent of high-performing organizations identify adjacent skills to inform their re-skilling programs, while only 26% of less-high-performing organizations do. That's a really important thing to start doing.

Another is, how do you leverage AI to help recruiters find candidates with the skills for specific needs? And yes, we have to care for AI bias, but bringing AI into the talent acquisition process, the talent access process is a way of really upping your game in terms of hiring for skills rather than hiring for somebody who's done the job before.

And even more importantly, another application of AI is how do you help workers inside the organization connect to opportunities to start extending their skills and doing work maybe outside of the functional team they find themselves in, and we've seen many organizations implementing AI-powered opportunity marketplace platforms. So that's one, from jobs to skills, a theoretical shift in some ways to get started.

Next big shift. We have to start shifting from a focus all on traditional employees to, as Nic said, beyond employees. We call workforce ecosystems. And to fill urgent business needs, organizations need to start thinking and proactively strategizing how they're going to access contractors, gig workers, strategic organizational partners, even AI and automation.

Really great example in the pandemic itself, one of the leaders of the vaccine program at AstraZeneca talked about vaccine development was a true exponential of 2020 from 10 years to one year. And like, "How did you do it?" And her response was, it was partly pharmacological technology, but it was also a talent management technology. It was breaking down the internal barriers across functions, but also working with academia and agencies and supply chain partners and manufacturing partners to really drive an ecosystem approach to an organizational imperative.

And the question then is, okay, we can do that when there's a single org imperative, like developing a vaccine, how do we make that just the way we manage? An easy way—explore untapped talent segments in your acquisition programs. Think about alumni, think about workers who have taken career breaks to be caregivers. Think about people in untapped geographies who now can work remotely. So start pushing your thinking in terms of untapped talent segments.

Next big shift, third one, from flex work to flex everything. This is a shift from a focus on engaging employees for the benefit of the company to creating value for workers as whole human beings. And yes, easy things to do Nic talked a bit about, make sure pay is fair in a rapidly evolving market, spot bonuses for hot skills, greater flexibility in agency and choice.

One of the things that we hear a lot is that the reason people leave in a great resignation is because it's easier to tap into an opportunity that's more aligned with an employee's career value prop outside the organization than inside because inside there are more silos.

So bring flex. One easy thing you can do to get started is letting employees carve out a portion of their time to do projects outside of their core responsibilities. Start your

own talent marketplace or internal gig work platform for workers to start having more choice over what they do.

And the last one, we talked about a shift from prediction to rapid experimentation to test and learn. Stop trying to predict the future. Instead, develop a culture of experimentation. And actually, this is one of the things that's worked well in COVID. We threw a lot of technology and new ways of working at teams.

So, we are encouraging organizations to keep that culture moving, launch experiments that are about how do we absorb new workplace technologies, even things like the metaverse, start-ups and teams and give them some new tools and see what sticks and see what works and sense that to accelerate the collective learning in the organization.

David Mallon: I appreciate that last one in particular. In my own work, I've been focused a lot recently on decision making and how leaders and organizations make decisions around their people. I think what you're hitting on is for both leaders and for organizations, it's going to be a fundamental, decision-making skill going forward, which is to think like a researcher, to think probabilistically.

And that's a lot of what you're going to get with experimentation is making decisions with an eye toward how is this just a series of tests that I'm going to continue to iterate on over time? Nic, Jonathan's shifts do also remind me, though, that we talk about other possible futures in our Human Capital Trends study besides work as fashion. Perhaps you could quickly summarize the others and along with them possible paths that organizations could take in response.

Nic Scoble-Williams: Yeah, absolutely. In the report, we explore three other possible futures recognizing that regardless of what futures we may find ourselves in

or headed toward, all of those key shifts that Jonathan was highlighting, they're absolutely fundamental, critical to creating that differentiated and sustainable work employer relationship moving forward.

In a work is work future, we have the worker-employer relationship as being very professional in nature. We have workers and employers relying on each other to fulfill work-related needs, but both fully expecting that workers will find meaning and purpose largely outside of their work.

Business leaders, CHROs need to be rearchitecting work, focusing on those work outcomes to enable those shifts from jobs to skills and unlock those opportunities to tap into those broader talent pools and untapped talent segments that Jonathan was talking about.

Now, this is quite different to the war between talent future that we explore where the worker-employer relationship is impersonal in nature.

In this future, there's an oversupply of talent. We have employers seeing workers as interchangeable, easily replaceable, while workers are more concerned about competing with each other for jobs than they are about the quality of their relationship with their employer.

And this is a future where we see a real need for business leaders, CHROs to focus on increasing the value that workers create for the organization, rather than being gravitated toward looking at how we can reduce labor cost.

Now, those two futures, again, are different to the purpose unleashed future that we explore. That is a future where the worker-employer relationship is communal in nature, where we have both workers and employers seeing shared purpose as the foundation of that relationship and the most important tie that binds them together. This is the future where we see

business leaders, CHROs needing to really double down on the “what of work,” what are we doing in our work and why? What is the meaning of the work?

And something Jonathan and I have talked about in some other discussions, we’re seeing some fascinating worker sentiment around their desired future, particularly in relation to the purpose unleashed and work is work futures. Some of the sentiment from workers has been that employers are going too far with work is work type strategies, are too focused on flexibility and employing workers with agency and choice, and workers are feeling that their employer is not listening and responding to what they need and want in a worker as fashion style.

On the other hand, we’ve also seen sentiment from workers that they feel their employers are going too far with a focus on connecting workers with the larger organizational purpose. And this perhaps challenges our traditional thinking around the role of purpose and raises all kinds of questions about whether we need to face the fact that maybe work is a wanting work to become more transactional.

If we look at those four big shifts that Jonathan was talking about, becoming a skills-based organization that’s unleashing workforce ecosystems, flexing everything, and obsessed with experimentation, we can’t deny that those big shifts seem to be more designed around a workforce that is dynamic and more transactional in nature. So, we are watching this space really closely and certainly learning every day about how these four futures are playing out.

Jonathan Pearce: Nic, one thing that you just prompted for me was a lot of the conversations I have with senior execs is about this focus on what ties the worker to the organization, but at a macro level. Of course, it’s what senior execs are thinking about.

I do think one of the things that I’ve realized in the work that we’ve been doing is that these new dynamics of flexibility and empowerment certainly do create new expectations for team leads and actually things like hybrid work and flex work, to get them right you have to get them right at the team level, not just at the individual and organizational level.

And it sort of leads me back to something that we all know, of course, which is that team leaders are really pivotal in the experience of work. And I almost think this could be the fifth shift of the ones that we’ve been talking about and a shift from talent management in the context of the individual to talent management in terms of the effectiveness of teams.

One thing that we’ve tried to do inside Deloitte and have encouraged many of our clients to do is to focus on, how do you empower team leads? How do we empower those team leads to engage their team to co-create this new way of working together? And if we do that, then it does create a sort of human stickiness, a relationship stickiness that’s much more interpersonal than organizational.

Nic Scoble-Williams: I think that that’s really absolutely on point with what we found in our research. We found that leadership was identified as the number one internal barrier that organizations believe is really going to impact their ability to succeed and thrive moving forward.

And I know I’ve been surprised in some of my conversations where I’ve asked executive teams, “Tell me what you’ve been doing around inclusive leadership,” and everybody pauses and looks at each other and says, “We’re focusing on hybrid working.” And I say, “Exactly my point.” And I think those leadership comments there, Jonathan, are just absolutely on point and so threaded through everything we’ve been talking about.

David Mallon: Of course, one of the things that we do point out in that report is that these are just four possible futures, they’re not the only place that this relationship between the worker and the organization could go or take us. But what they do is they surface some of the key questions that I think in all of those futures are threaded throughout all of the shifts and the trends and so forth that we’ve talked about today.

And at the end of the day, it is about that relationship. I think the lesson of all of this conversation is it’s not going to be something that you can do by the numbers. It’s not something you can do where one side thinks of the other in impersonal commoditized terms. These are humans working in organizations and we’re going to move forward by focusing on that relationship as humans.

This has been a fascinating conversation—thanks to you both. Time to wrap up. As we close out our discussion today, one last word. What’s one last thing you want to share with the audience as a takeaway, a 30-second sound bite, if you will. Nic, I’ll start with you.

Nic Scoble-Williams: I think we are in a very important and exciting moment where we have the opportunity right now to harness all of the disruption of the great resignation that we’ve been talking about and use it to create new opportunities, new aspirations around reimagining work, workforces, and workplaces, and doing that with a focus on the big shifts that we’ve been talking about.

We all need to play a role as business leaders, as a collective, to really lead the way, be the orchestrator, and help drive these big shifts and really make sure we don’t miss this moment.

Jonathan Pearce: My thoughts build on that, Nic. I was thinking about the fact that, one of the clear outcomes of our

trends research has been that actually in the last two years, the way that HR has stepped up to the challenge of COVID and led organizations through to continuing productivity, continuing engagement, that has earned HR more confidence, HR's ability to navigate the future, and the right to be bold, to actually seize on the opportunity to reorient from just managing the workforce to really shaping the future of work, rearchitecting the work itself, reimagining the workforce beyond the employee workforce, and recasting the future of workplace and the context in which work gets done.

So this is the exertion to especially HR leaders to seize this moment of confidence, to forge a new value prop inside the organizations as they lead into the future.




David Mallon: And on that call to action—thank you, Jonathan, thank you, Nic.

And to you, our listeners, as organizations act to retain and attract talent today, it's clear that there's also an opportunity to lay the groundwork for a great reimagination that might be over the horizon. A big thank you to my guests today, Jonathan Pearce and Nic Scoble-Williams.

Tune in to part two of this series to hear from Deloitte's US human capital leader, Michael Stephan, and Cynthia Bowman, chief diversity and inclusion and talent acquisition officer with Bank of America on what's ahead for HR and human capital leaders in 2022 and beyond. Thanks for listening and stay tuned for our next episode. Until next time.



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