

Executive Summary

# Reshaping the Future



welcome to brighter

# Reshaping the Future to Work for You



Companies and organizations know about change. It's always there, impacting your operations, your employees and your customers. **But change is changing.**

Today's change is faster, more intense and more unexpected. It requires solutions that are interconnected.

By taking a broader perspective and looking at things in creative new ways, it's possible to successfully reshape the future to keep you in control so that you can take advantage of the opportunities today's change presents.





## Reshaping retirement and investment outcomes for a brighter future

Defined Benefit (DB) plans continue to be a vital part of the Canadian retirement system and currently hold around [90 percent of pension assets](#)<sup>1</sup>. But the decade ahead will see significant change, as the average DB plan becomes cash flow negative and Defined Contribution (DC) plans increase their share of retirement assets to about [30 percent](#).

With more money coming out of most DB plans by 2030, portfolios will need to be constructed differently to protect capital. Pension risk management will look different than it does today.

Change is also coming to DC plans as they take on a bigger role in the retirement security of Canadians. Plan members expect employers to supply sound advice, timely communication and quality investment options. They want more investment support, better cost of access and a robust digital experience similar to what they can get in other aspects of their lives.

Employers need to provide easy-to-use digital platforms (such as [Mercer Invest Wise™](#)) to provide expert investment advice aligned with individual goals. Such platforms help employees make the right decisions and overcome personal biases that can keep them from optimizing their retirement savings.

Closing the retirement gap – forecast to be more than [\\$10 trillion](#)<sup>2</sup> by the World Economic Forum in 30 years – must be a priority, particularly for women who are expected to be especially vulnerable to reduced savings for retirement.

Benefits programs must also be flexible so they can accommodate up to five generations in the workforce. In addition to retirement planning and helping employees achieve overall financial security, programs must provide flexible health and wellness supports to remain relevant to employees throughout each individual's life cycle.



Defined Benefit (DB) plans currently hold around 90 percent of pension assets and continue to be a vital part of the Canadian retirement system. But the decade ahead will see significant change, as some DB plans becomes cash flow negative over the next decade, plan sponsors will have to rethink how to best to optimize risk and manage liquidity requirements.





## Reshaping your health and well-being value proposition

Healthcare costs in Canada are consuming an ever-increasing share of national GDP – from roughly seven percent in 1975 to about [12 percent](#) this year – while medical inflation this year is expected to be close to three times the overall inflation rate. Not only are people living longer and requiring more health supports and long-term care in their later years, new health challenges are confronting us, including those caused by climate change and the growing awareness of the need to address mental health issues.

The link between healthy employees and productivity is undeniable. Helping to ensure the health of employees and their families is a critical part of enabling your people and your organization to be successful.

In today's highly competitive Canadian labour market, investing in your employees' well-being can give you a competitive advantage in the war for talent. It can also improve productivity by reducing employee absence and improve worker morale and engagement. It's no surprise a recent [Mercer survey](#) found that 41 percent of Canadian employers intend to make health and well-being investments an even higher priority than they already are.

Nevertheless, employers are struggling to create a culture of health and programs that are meaningful at moments that matter. And as governments continue to look for ways to reduce their share of healthcare spending and more workers enter the gig economy, fresh perspectives are needed about how to fund and deliver health benefits, including the role digital innovation can play.

**7 out of 10 Canadian employers are planning to invest in the digital health over the next 5 years.**

Our survey shows there is a strong business case for digital health solutions. More than half ([54%](#)) of Canadian workers say they're willing to engage with digital health and another 40 percent could be willing once they learn more about it. Nearly half are more confident in digital health and well-being solutions promoted or sponsored by their employers, and more than a quarter say they would be less likely to move elsewhere for work if they had access to these types of digital solutions.

One digital solution already available is [Mercer 365™](#), which puts employee wellbeing at the centre of the employee value proposition. It gives employees access to best-in-class vendors to support their overall wellbeing, whether physical, mental, financial or social, while comprehensive benefits utilization and engagement reports allow employers to measure the effectiveness of their benefits spend.





### Reshaping the future of the workforce

The biggest single challenge in the transformation of the workplace isn't figuring out where the jobs have gone, but where they are going.

Almost every Canadian company is investing time and effort associated with the workforce of the future – from identifying skills that will be needed and mapping how technology and business shifts will affect those skills and behaviours, to redesigning jobs and testing scenarios. But preparing for the future of work is much more than redesigning a job or developing a reskilling program.

**54%**  
of Canadian employees are ready  
for a digital offering.

Technology, AI and digital transformation are driving investments, but it's not clear whether this fully aligns with the wants and needs of employees. In this era of the individual, there is an increasing shift away from treating employees as members of distinct groups in favour of more personalized solutions for each worker. The multi-generational nature of the workplace also requires more flexible solutions, as does the steady growth of the gig or contract worker already shouldering a greater personal responsibility for their retirement planning and healthcare.

Yet technology alone will not enable meaningful transformation. You also need the right people, skills and experience to harness the power of new technologies to your advantage.



### Reshaping the future in a sustainable way

Sustainability may be the biggest single challenge facing the world today, but solving that challenge also presents amazing opportunities.

Meeting the sustainability challenge will create new opportunities, new jobs and climate-smart investments, such as renewable and alternative energy, energy efficiency, and waste management and technologies. Additional opportunities will arise in areas such as responsible finance, health and social services, and sustainable consumer goods.

There is growing recognition that an organization's ESG performance affects how it is perceived by external stakeholders. Less discussed is its impact on internal stakeholders, such as how a strong sustainability culture leads to a 25-percent increase in attracting and retaining young talent and a 55-percent increase in employee morale, or how it will influence more than two-thirds of employees when deciding whether to stay with an organization.

As more workers look to connect their personal sense of purpose with those of large organizations, external and internal stakeholders increasingly expect sustainable actions by those organizations, both operationally and in their investing decisions. By thinking differently, it's possible to create new opportunities.

**Organizations with a strong  
sustainability culture are better  
equipped to win the war  
on talent.**

# Reshaping the Future to Work for You

Today's change is coming faster than ever before, creating challenges that can no longer be ignored or dealt with in isolation from each other.

Mercer consultants can help you discover a broader perspective with solutions that comprehensively address the key issues that matter to people – financial health and well-being, retirement security, health and wellness, sustainability. Together, we can create a plan that will attract and retain the talent you need to compete and succeed, whatever the future may bring.



# At Mercer, we believe in building brighter futures.

## About Mercer

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 more than 70 years, we've been providing trusted advice and 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.](#)

For further information, please visit [www.mercer.ca](http://www.mercer.ca)

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## How We Can Help

Investments and retirement require sophisticated solutions. We understand that providing long-term financial wellness solutions leads to better returns. We offer research and advice on how to assess risk and design benefits programs while keeping in mind the need to optimize throughout changing times. With in-depth knowledge of the complexities and ever-changing factors that impact investments, Mercer's consultants help you make effective decisions that align with your business needs and ensure more rewarding futures for your employees.

Elevate your workforce with improved management, compensation, and communication strategies. Draw from rigorous analytics and data-driven insights to increase the efficacy of your workforce systems. Mercer can help you to design value propositions that appropriately recognize your talent and inspire engagement.

Better health and wellness benefits lead to better engagement. Through thoughtful strategy, Mercer Marsh Benefits helps provide personalized benefits options to today's multi-generational and diverse workforce. Whatever the size of your organization, and wherever your employees work, we provide access to national and international resources.

## Sources

1. Table 11-10-0081-01 Trusteed pension funds, market value of assets by sector, biennial (x 1,000,000)  
<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110008101>
2. [http://www3.weforum.org/docs/WEF\\_White\\_Paper\\_We\\_Will\\_Live\\_to\\_100.pdf](http://www3.weforum.org/docs/WEF_White_Paper_We_Will_Live_to_100.pdf)