

The five pillars of people risk

Managing risks for workforce and business resilience, examines the greatest people threats facing employers today. It will help organizations 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 organizations identify and prioritize the threats that are most pertinent to them and take the appropriate action.



Key findings and implications for Canada

It's not surprising to see talent attraction, retention and engagement so highly ranked in Canada, but interesting to see that workforce exhaustion and deteriorating mental health were also identified as key areas of concern. Increasingly in conversations with employers, tackling these two risks has become important in attracting new talent.

If organizations are really serious about doing more to manage employee well-being and show they care, then by addressing mental health and workforce exhaustion they can also make a positive impact on talent attraction and retention.

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.

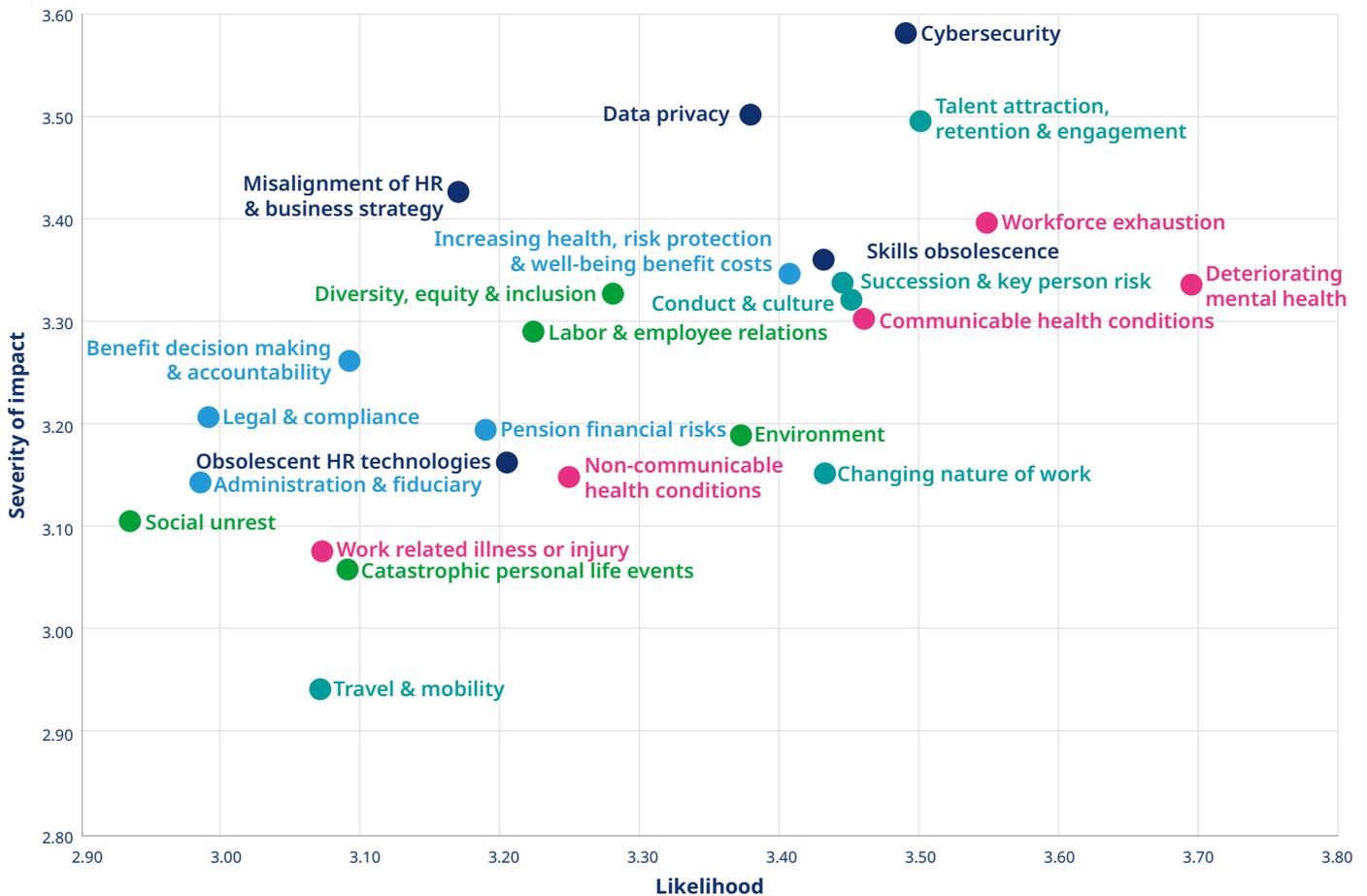
Critical people risk exposures elevated to the boardroom agenda.



Employer-sponsored health, risk protection and well-being 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 organization.



Risk categories

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

Top 10 people risks in Canada, HR versus risk manager

Ranking	All respondents	HR	Risk
1	Cybersecurity	Cybersecurity	Succession and key person risk
2	Talent attraction, retention and engagement	Talent attraction, retention and engagement	Deteriorating mental health
3	Succession and key person risk	Workforce exhaustion	Cybersecurity
4	Data Privacy	Data Privacy	Increasing health, risk protection and well-being benefit costs
5	Workforce exhaustion	Succession and key person risk	Talent attraction, retention and engagement
6	Deteriorating mental health	Deteriorating mental health	Data Privacy
7	Communicable health conditions	Communicable health conditions	Non-communicable health conditions
8	Changing nature of work	Changing nature of work	Skills obsolescence
9	Increasing health, risk protection and well-being benefit costs	Labor and employee relations	Conduct and culture
10	Labor and employee relations	Diversity, equity and inclusion	Workforce exhaustion

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

Blind spots around 3 critical risks identified in Canada

The survey revealed blind spots around critical risks, notably:

1. Legal and compliance
2. Work-related illness or injury
3. Non-communicable health conditions



Implication

Many organizations in Canada have their eye on these blind spots, but for others failure to manage these exposures can have severe implications for firms including – reputational damage, stakeholder disengagement, a workforce that does not feel cared for, and even loss of profitability and/or market share.

Top risks identified by HR and risk managers in Canada for each category

Poorly managed risks impact your business and bottom line.



Health and safety

Workforce exhaustion

The 5th highest threat amongst all people risks is **workforce exhaustion** and yet it was concerning that when asked “To what extent is your organization currently addressing this risk?”, it was rated in the 18th place.

Risk Rating Score
5



18
Priority to address

Implication

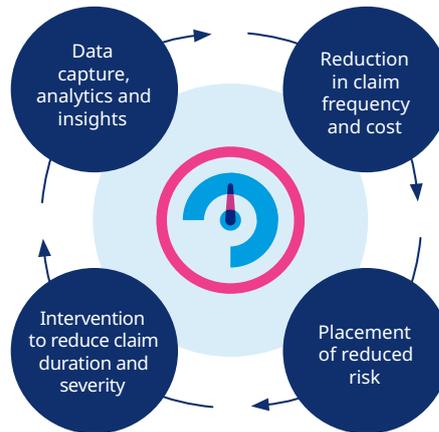
Firms are seeing rising **workforce exhaustion**, caused by work-life balance issues, change fatigue and too many priorities and distractions. This often leads to errors, high employee turnover, reduced productivity and even damaged reputation.



Governance and financial

Increasing health, risk protection and well-being benefit costs

55% respondents deemed **increasing health, risk protection and well-being costs** as likely or very likely to occur in the organization in the next 3 years.



To bend the medical inflationary curve, companies need to take a strategic approach within their risk management framework to reduce the frequency, impact and duration of their medical and disability claims.

Implication

Reduced insurer appetite and medical inflation is pushing up the costs of some benefits. Simultaneously, increases in utilization, claims duration and severity can lead to **increasing health, risk protection and well-being benefit costs**.



Accelerated digitization

Cybersecurity

Ranked as one of the top 3 risks globally and in Canada. Increasingly sophisticated and frequent cybercrimes have pushed **cybersecurity** up the C-suite agenda.

Do you think current procedures and processes with **HR technology** expose you to undue risk?

Do you think current procedures and processes with **providers** expose you to undue risk?



Source: Darwin Tech Report – Age of Agility

Implication

Breaches occurring due to poor vendor and people management processes can cause severe business interruption and brand damage.



Talent practices

Talent attraction, retention and engagement

Ranked as one of the top 5 risks globally and #2 risk in Canada. Having the **right talent** is crucial for firms that want to be agile and innovative to drive business change and results.

The more varied health and well-being resources an employer offers, the more workers feel energized and supported, and the less likely they are to leave their employer.



Number of offerings ■ 10+ ■ 6-9 ■ 1-5 ■ 0

Source: Health on Demand 2021, Canada

Implication

The inability to create a strong talent pipeline, compelling employee value proposition and growth opportunities will lead to an unmotivated workforce and the loss of key talent.



Environmental and social

Labor and employee relations

42% respondents deemed **labor and employee relations** to have a catastrophic or high impact on the business if it were to occur.

Contract disruption



Implication

Poor **labor and employee relations** - may lead to a high volume of labor grievances, a perception of uncaring culture or a lack of desirable company purpose. This can lead to higher operational costs, suboptimal customer experience and social responsibility issues.

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**
- **lack of senior leadership engagement**
- **legal, labor and tax implications involved in the treatment of the associated risk**

were the primary difficulties raised.



Implication

People are an organization'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.

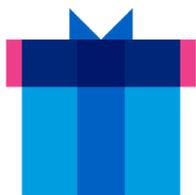
Top risks by industry – global results

Global ranking	Financial institutions	Retail and wholesale	Manufacturing and automotive	Communications, media or technology	Construction
1	Talent attraction, retention and engagement	Cybersecurity	Cybersecurity	Talent attraction, retention and engagement	Cybersecurity
2	Workforce exhaustion	Talent attraction, retention and engagement	Skills obsolescence	Cybersecurity	Talent attraction, retention and engagement
3	Cybersecurity	Environment	Talent attraction, retention and engagement	Data Privacy	Increasing health, risk protection and well-being benefit costs
4	Deteriorating mental health	Skills obsolescence	Communicable health conditions	Increasing health, risk protection and well-being benefit costs	Succession and key person risk
5	Skills obsolescence	Deteriorating mental health	Workforce exhaustion	Deteriorating mental health	Data Privacy
6	Misalignment of HR and business strategy	Data Privacy	Work-related illness or injury	Misalignment of HR and business strategy	Workforce exhaustion
7	Data Privacy	Conduct and culture	Conduct and culture	Communicable health conditions	Work-related illness or injury
8	Increasing health, risk protection and well-being benefit costs	Workforce exhaustion	Data Privacy	Diversity, equity and inclusion	Legal and compliance
9	Conduct and culture	Communicable health conditions	Environment	Skills obsolescence	Communicable health conditions
10	Succession and key person risk	Succession and key person risk	Increasing health, risk protection and well-being benefit costs	Succession and key person risk	Benefit decision making and accountability

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Employee benefits can be used strategically to help manage a range of threats while helping protect the workforce and business resilience – [Contact a consultant](#) or [read our report to learn where to start](#).