

# People worries of US CEOs—plus five ways to ease them

Companion to PwC's 21st CEO Survey

February 2018



# When it comes to preparing their people for the future, US CEOs know there's work to do.

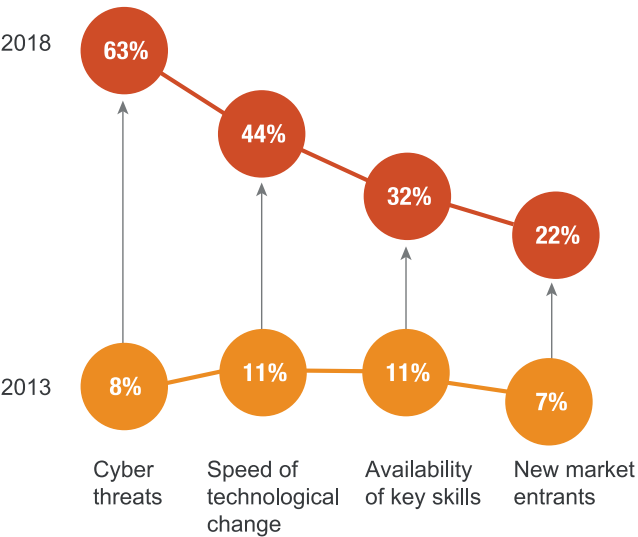
They're increasingly concerned about finding the right skills for growth. And workers are worried about the effects of automation and other technologies on their jobs. Key findings from PwC's 21st CEO survey show that while leaders are making some strides in preparing their workforce for change, gaps remain in critical areas like skills development and building trust and transparency with workers.

From our CEO survey: Exhibit 1

## Concern over key skills is up

Thirty-two percent of US CEOs we surveyed are now extremely concerned about the availability of key skills as a threat to business growth, up 21 points from 2013. There simply aren't enough people with the skills businesses need, and that challenge is going to get harder to meet as business models evolve amid lightning-fast technological change.

### Fears over losing a technological edge are rising



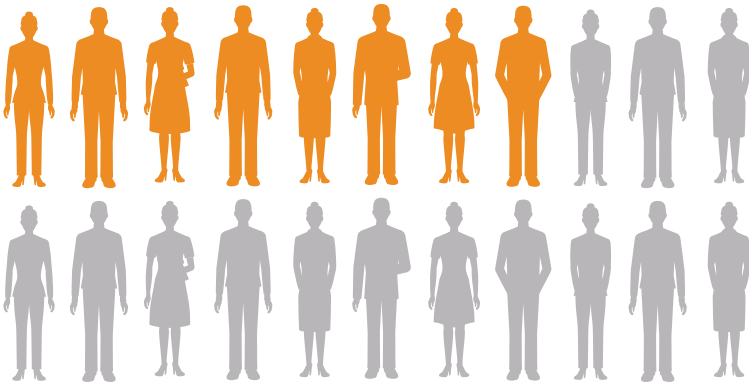
Source: PwC, 21st Annual Global CEO Survey, January 2018. Base: US CEO respondents (2018=105; 2013=167), showing % 'extremely concerned' only. Question: How concerned are you, if at all, about cyber threats, speed of technological change, availability of key skills and new market entrants?

From our CEO survey: Exhibit 2

## More can be done to develop skills in house

Many CEOs are taking steps to address the need for skills. They're initiating reskilling efforts, providing new digital tools for work, and using their efforts to invest in new technologies as part of their overall recruiting and retention strategies. But there's more work to be done. Though leaders worry about the lack of available skills, only 39% of US CEOs are implementing continuous learning programs to develop and recruit people for the digital age.

### 39% of US CEOs are implementing continuous learning programs to develop and recruit people for the digital age



Source: PwC, 21st Annual Global CEO Survey, January 2018. Base: US respondents (104). Question: To what extent is your organization investing in continuous learning and development?

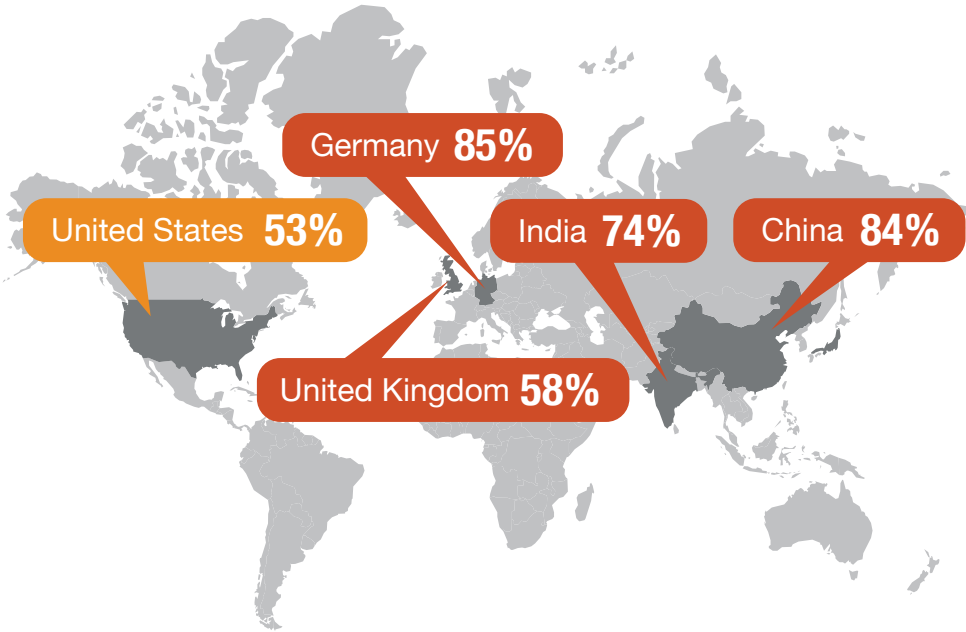
From our CEO survey: Exhibit 3

# Options for retraining? Depends on your location.

Only half of US CEOs agree they have a responsibility to retrain employees whose tasks and jobs will be displaced by automation (53%). That's far fewer than CEOs in other advanced manufacturing economies.

There's also a real need to address employees' fears about automation and the changing nature of work, regardless of industry: A PwC [survey of 10,000 workers](#) showed that 37% are concerned that automation is putting jobs at risk.

## US lags other economies on responsibility to retrain employees whose jobs are automated



Source: PwC, 21st Annual Global CEO Survey, January 2018.  
Question: Thinking about your people strategy for the digital age, how strongly do you agree...we have a responsibility to retrain employees whose tasks and jobs are automated by technology?  
Base: US respondents (104); Germany (46); China (162); Japan (123), showing % 'agree' and 'strongly agree' combined.



# Strong people strategies can help turn workers' fears about the future into excitement.

Here's our take on five ways business leaders can inspire and motivate their workforce for the digital age.

# 1. Give workers clarity on what automation and AI means for them

Headlines about automation and workforce disruption are good for thinking about the future, but what is today's reality? From our latest AI trends research, we know that business leaders aren't adopting technology for technology's sake. Instead, they're acknowledging the now: AI may be the future, but what can automation and AI do for me today?

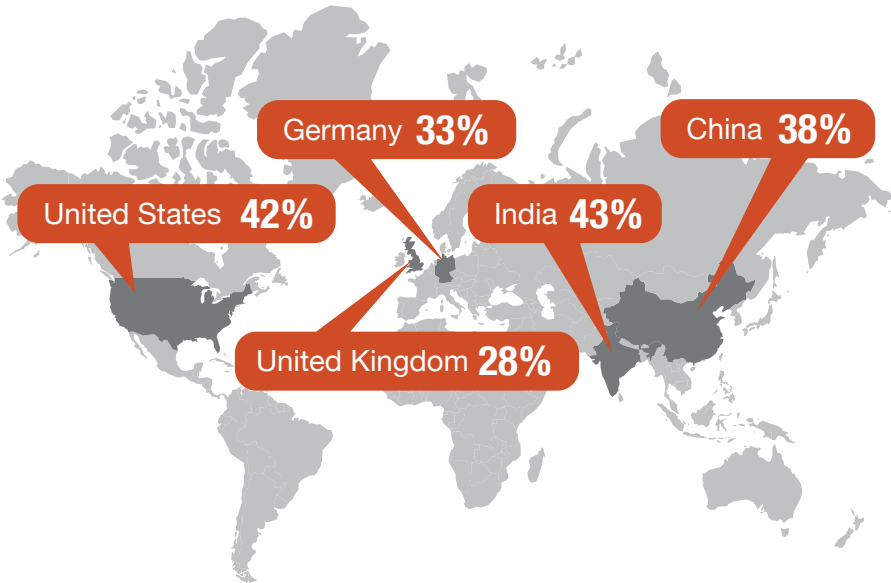
Does the organization want to automate billing, general accounting and budgeting, and compliance functions? How about automating parts of procurement, logistics, and customer care? Automation and AI will likely be a part of the solution in all of these areas, and workers should not fear it. By becoming more transparent about how AI and other technologies are likely to be used, CEOs can promote clarity on today's benefits.

When and if tasks and jobs change, employees will want clarity on how job expectations are different, based on the competencies to do them. A change in job design may also mean changes in job levels as well as compensation structures.

<sup>1</sup>PwC, Will robots really steal our jobs? An international analysis of the potential long term impact of automation, February 2018.

**Why?** While there's no denying that in some industries and economies jobs will change or be eliminated, we expect full automation to be relatively modest in the next two years. PwC estimates that the share of jobs in the US at potential high risk of automation based on technical feasibility alone is around 5% by the early 2020s<sup>1</sup>. In practice, the extent may be less, due to a variety of economic, legal, regulatory, and organizational constraints. For many company leaders, it's a great opportunity to start a genuine and fully inclusive discussion with workers about where technology is heading and what it means for them. Borrow learnings from others about the people issues that arise when automation, like Robotic and Intelligent Process Automation (RPA/ IPA), are employed.

## Employees think automation puts jobs at risk



Source: PwC, Workforce of the Future: The views of 10,000 workers (2017).  
Question: To what extent do you agree that 'Automation is putting jobs at risk'?  
Sample: All respondents (2017: 10,029).

## 2. Focus on the skills people have, not just the jobs they do

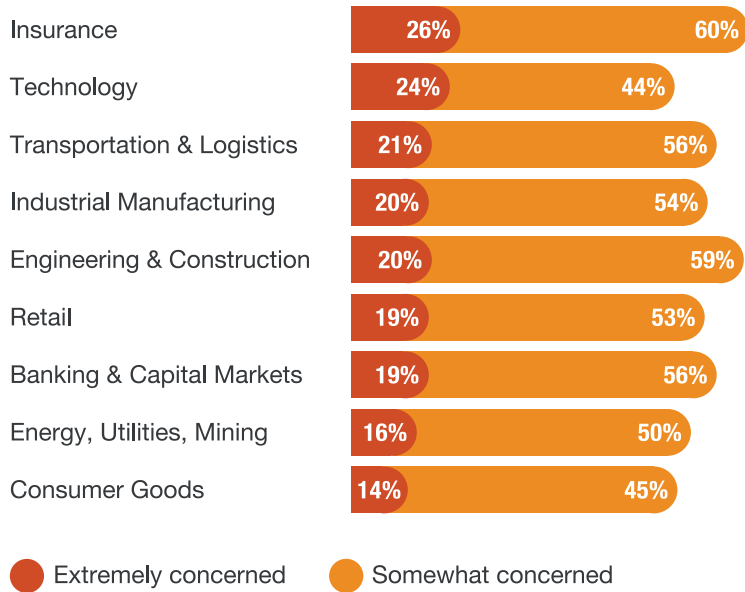
In 2017, we saw many leading companies take big steps toward identifying and tracking their company's 'skill footprints' against models for where they want to be, and using that to think about their company's leadership development program, performance management efforts, and career paths. Now they'll use that data to stimulate internal job mobility, coaching and development, and new hiring.

Largely, employees think they have the right skills, for now, but they also signal a willingness to develop according to their employers' needs. In our latest worker survey, three-quarters of people said they were ready to learn new skills or completely retrain in order to remain employable in the future. Skills mapping allows employers to give more direction, by giving workers individualized coaching on how to develop their own skills.

What else will employers do with data on skills gaps? We expect to see more company-owned talent marketplaces pop up, where workers can market themselves by their skills or gain micro credentials to find a good match. A marketplace that highlights skill level opens new avenues for more efficient matching of contingent and temporary talent too, when employers need more flexible talent models. Adding non-employees requires careful attention, though, as contingent workers have different rights and present different risks than employees.

**Why?** Many leaders recognize they have too little insight into the specific skills their people have or where the gaps are that they need to address in order to grow the business. Leaders know that's a problem, given the number who are worried about the lack of skills and how that may threaten growth. For many, the first opportunity to close that gap is internal. Too often, people seeking new challenges head for the door because it's easier to find a new job elsewhere than find the next opportunity in the place they already work.

### CEOs are concerned about digital skills in their workforces



Source: PwC, 21st Annual Global CEO Survey, January 2018.  
Question: Thinking specifically about digital skills, how concerned are you about the availability of these skills in your workforce?  
Base: Insurance respondents globally (100); Technology (127); Transportation & Logistics (85); Engineering & Construction (107); Industrial Manufacturing (283); Banking & Capital Markets (188); Retail (206); Energy, Utilities, Mining (149); Consumer Goods (145).

### 3. Take charge of reskilling

The buzzword of 2018 just might be ‘reskilling,’ as business leaders and policymakers consider the implications of technology changes on the economy and society. Expect to see a range of skill development options that blend learning with work. It won’t be the same old one-size-fits-all corporate training we’ve seen in the past, either.

Now, development methods are more problem-driven, fun, and relevant. We’ll see a big emphasis on building digital skills, with personalized apps and micro learning platforms that help people improve their digital IQ. But soft skills won’t get short shrift—we’ll also see an emphasis on building those distinctly ‘human’ skills, like creativity, problem solving and innovation, with more programs that change the approach to work and help workers put new skills into practice.

**Why?** Nearly a third (27%) of US CEOs ‘strongly agree’ and another 62% agree that they need to strengthen soft skills alongside digital skills. To do this, they’ll need a new mechanism for training—one that allows workers to not just build knowledge, but to apply what they’re learning at work.

Many companies also see reskilling as part of their corporate purpose; they see helping their people as part of their social responsibility. They want to do their part to help their people develop a continual learning mind-set so they’re better able to adapt and grow as work evolves. Many also believe they have a responsibility to help train displaced workers for new roles. For example, some companies are now offering retraining opportunities as part of severance packages.

### Reskilling for a digital era underway; some industries are ahead



● % of CEOs investing in continuous learning and development

Source: PwC, 21st Annual Global CEO Survey, January 2018.  
Question: Thinking specifically about digital skills, how concerned are you about the availability of these skills in your workforce? Answering ‘to a large extent’.  
Base: Technology respondents globally (127); Insurance (100); Banking & Capital Markets (188); Industrial Manufacturing (283); Consumer Goods (145); Energy, Utilities, Mining (149); Retail (206); Engineering & Construction (107);Transportation & Logistics (85).



# 4. Deliver a holistic employee experience

Organizations are waking to reskilling, but the keys to hiring, developing, and retaining people with in-demand skills goes beyond that—it's about the full experience with a company. This includes how employees feel about the purpose of their work, how they fit into the company's culture, and how much they buy into the promise of the brand.

It also involves ways of working—from the ways diverse perspectives are part of problem-solving to how efficiently the organization is structured. In 2018, the work environment will continue to change significantly to help workers find new ways of working. Half of US CEOs (50%) said they are taking steps to modernize their work environment, rolling out digital tools to allow employees the flexibility they expect in today's world, and creating collaborative physical spaces more suited for innovation.

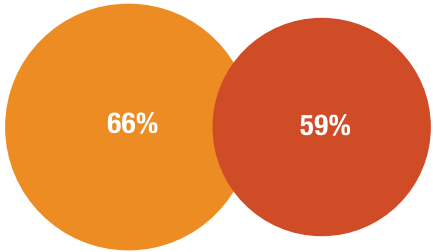
Beyond that, there are dozens of interactions each worker has with your company in the talent management cycle. From applying online for a job, to onboarding, to receiving and managing benefits including health and well-being programs, the experience you're giving to employees counts. Employees expect those touchpoints to rival the other service experiences in their lives and be digital, user-friendly, and engaging. In recent years, many companies and their vendors have invested in social, mobile, and cloud technologies to streamline these areas, but results have been mixed.

**Why:** When employee experience is managed holistically, leaders can make decisions on where to focus scarce resources for greater value, resulting in higher degrees of individual, team, and ultimately business performance. For example, when it comes to people and digital transformation, more companies are figuring out that colleagues from disparate parts of the workforce must become dependent on one another to drive innovation. They're focusing their efforts on new ways of working to help get better ROI from digital.

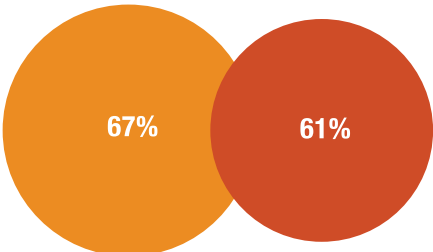
The employee experience is also a key aspect of recruiting and retention. Employees who feel engaged, appreciated, and productive are more likely to stay on. And prospective candidates are more likely to be attracted to companies where employees are valued and where they can take pride in the organization.

## Employees, like customers, want to feel that their opinions are valued

My ideas and opinions are valued by my company



My workgroup has a climate in which diverse perspectives are valued



2015 2016

Source: PwC, Trends in HR Effectiveness, 2017.  
Base: 440 US companies.

# 5. Be transparent on topics that build trust

While AI may be the next frontier when it comes to trust and transparency, leaders are making strides in becoming more transparent in other areas their people care about. In 2018, US CEOs are building trust with their workforce by being open and honest about their people strategies (66%), diversity and inclusion (63%), their compensation and benefits strategy (58%), and more.

Building trust also includes openly communicating about your firm’s purpose, vision, and culture, and communicating your values not only to employees but to other stakeholders too. What’s the most talked about issue with investors when it comes to talent? It’s workplace culture. More than 700 publicly traded companies talked about culture with their investors in 2016<sup>2</sup>.

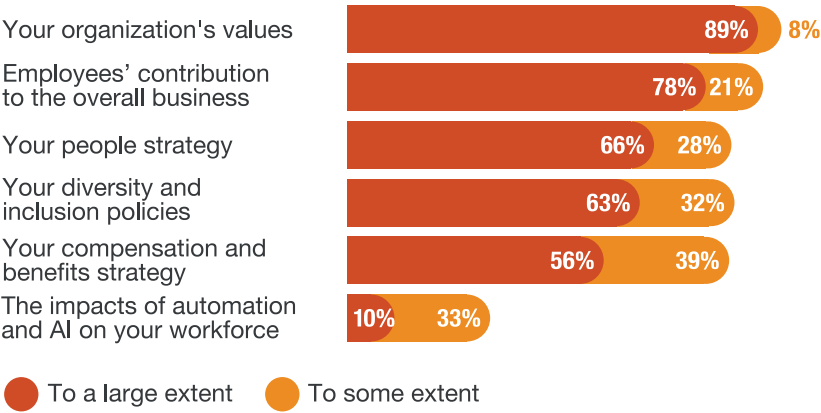
Building trust takes more than communication—it involves shared purpose, sharing the right levels of information, and reciprocity too. As questions about the future of work continue, expect employees, investors, and other stakeholders to seek new ways to strengthen trust.

<sup>2</sup>CEB for Gartner, Investor Talent Monitor: How CEOs and Investors are Talking about Talent, January 2017. Based on analysis of earnings calls of companies in the S&P Global 1200 and S&P MidCap 400 indices.

**Why?** Not only do investors care about these issues as they relate to brand reputation and people risk, people in your company want to be proud of where they work and to feel good about their company’s culture and commitments to action on important social issues. In an era where information about everything from a company’s culture to their pay and benefits packages is readily available on sites like Glassdoor or salary.com, and easily compared on social media sites, CEOs see a need to be ahead of issues that could affect their business.

In particular, there’s mounting public pressure for companies to be more forthright about how they pay and reward employees. Beginning in 2018, US publicly traded companies are required to disclose the ratio of CEO pay to that of the median employee, which is likely to raise questions about fairness and fair pay. And though national rules requiring large companies to share data about how they pay employees by race and gender are not in play in the US, some leaders want to be proactive on this issue too.

## Expectations for transparency demand new ways of communicating



Source: PwC, 21st Global CEO Survey, January 2018. Base: 104 US CEOs.  
Question: To what extent is your organization using the following strategies to build trust between your workforce and senior leadership?

## Let's have a conversation about your company's people strategies:



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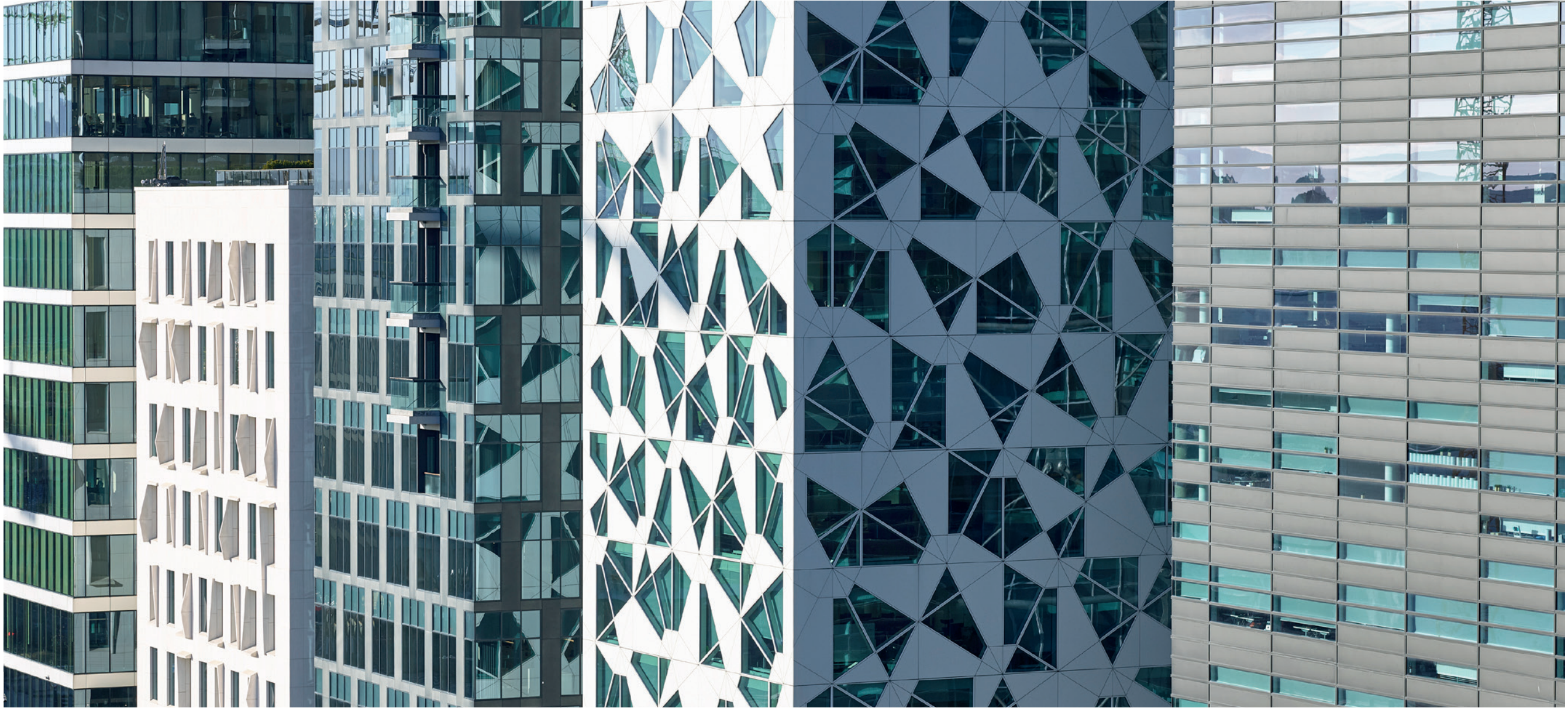
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