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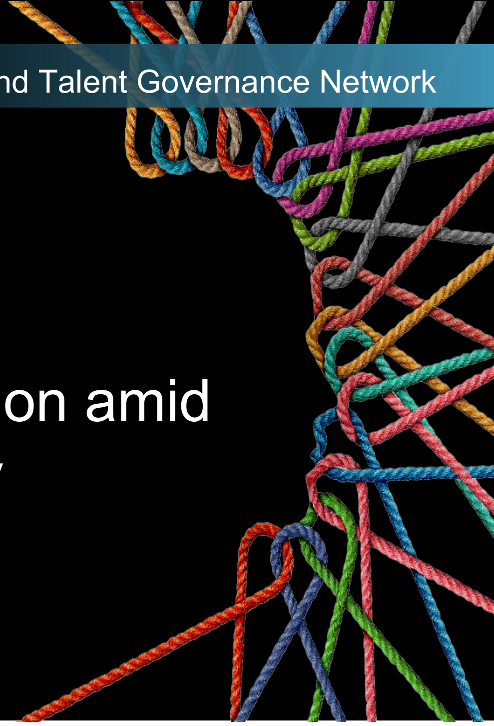

CTGN SUMMARY OF THEMES

Boards confront workforce transformation amid AI disruption and economic uncertainty

October 2025

On September 30, 2025, members of the Compensation and Talent Governance Network (CTGN) met to discuss the evolving talent needs including the impact of AI on the workforce, approaches to employee mental health and well-being, and emerging trends in executive compensation amid political and economic uncertainty.

Members were joined by Keith Sonderling, deputy secretary of the U.S. Department of Labor, for a conversation on the department's priorities and AI workforce strategy, and by Kathy Pike, CEO of One Mind, for a session on effective governance of mental health and wellness in the workplace. Members also participated in a peer discussion on executive compensation and leadership development—featuring Ed Steinhoff and Matt Turner, both managing directors at Pearl Meyer—which examined the impact of geopolitical and macroeconomic uncertainty on compensation strategy and talent management.

For a list of meeting participants, see the appendix (page 8).

This *Summary of Themes*[1] highlights three key themes that emerged during the discussions:

Addressing workforce development challenges

Preparing for future workforce needs means ensuring that workers have the skills to succeed in emerging roles and adapt to technological change, including the impact of artificial intelligence. These challenges are playing out at both the national level and within individual organizations.

Equipping workers for jobs in manufacturing and skilled trades

Participants and guests discussed key challenges related to the shifting composition of the American workforce, particularly the need to equip workers for roles in manufacturing, infrastructure, and skilled trades.

- **Addressing shifts in national workforce needs**. Following an executive order ("Preparing Americans for High-Paying Skilled Trade Jobs of the Future")[2] the Department of Labor announced the availability of up to $30 million in funding in a grant program designed to accelerate workforce innovation and address critical workforce needs across the country. These funds are designed to encourage businesses to create and expand innovative training and apprenticeship programs that align with the nation's reindustrialization and talent needs, including for the skilled trades. While welcoming such initiatives, directors agreed that a sustainable shift toward investment in apprenticeships requires meaningful incentives. *"We have to know what the benefit is for companies. This will rely on the private sector to push it through and there have to real financial incentives for employers to participate."* said one director.
- **Changing attitudes to working in skilled trades.** Participants pointed out that it will take more than apprenticeships or training programs to bring more young people into jobs in manufacturing and trades. *"Doing an apprenticeship or going into the trades isn't necessarily respected in America like it is in a lot of European countries where they've been doing it for decades,"* one director said. Another agreed on the need to change perceptions: *"Maybe [some young workers] don't have money for college, maybe they don't want to go to college, maybe they want to go drive a truck and see the world. So how do we change the culture to make it respectable and desirable to do something that's maybe a little bit different?"*
- **Addressing geographic talent mismatches.** Members noted that even if companies are willing to invest in manufacturing, geographic mismatches between workforce needs and local talent can make it difficult for companies to make significant investments in those areas. One participant noted that a major automotive manufacturer had committed to building a battery plant in a rural area, but expressed doubts that *"there's a single person in that county right now that could possibly work*

at that plant." Addressing those kinds of gaps will require partnerships between the public and private sectors, including local educational institutions, to equip local workers with the necessary skills.

Responding to the impact of artificial intelligence

The growth of artificial intelligence is creating needs for new skills and aptitudes among workers, while raising concerns among both employers and workers about the impact on jobs, roles, and career pathways. Participants discussed several implications of artificial intelligence for workforce and talent planning, including:

- **Addressing the need for AI readiness across the economy.** The administration's AI action plan sets a national goal to promote AI literacy and prepare American workers for a future workplace shaped by artificial intelligence. The plan charges the Department of Labor to prioritize AI skills development, study AI's labor impact, fund rapid retraining, and pilot new workforce models while identifying key AI infrastructure roles and expanding training, apprenticeships, and early career programs.[3]
- **Preparing for AI disruptions to talent pipelines**. Companies are actively assessing where AI may affect their workforce. One director said, "*That wave of disruption will come, and it will come in the way of not hiring more people*." In particular, reduced hiring for junior roles creates challenges for developing talent pipelines, as another director explained: "*If AI handles the work of entry-level accountants, how do we develop the pipeline for accounting managers and senior roles?*" Organizations are responding with targeted reskilling initiatives to prepare employees for AI-related and emerging roles.
- **Addressing fears and trust around AI adoption**. Given employees' understandable concerns about job security, boards and leadership teams must effectively communicate the benefits of adopting AI. One director said, "*AI is enabling 10 times more productivity. It's not eliminating people, but it's taking away tedious work.*" Another added, "*In my industry, robotics and AI have not replaced jobs; they have enhanced roles and allowed employees to focus on higher-value work. That is the message we need to build trust around.*" In certain industries, productivity gains from AI are essential to filling workforce gaps. One director said, "*The only way that healthcare can meet its hiring needs is to use AI to make the workforce that we have more productive. Rather than looking at it as a loss of jobs, we should recognize there are going to be many jobs out there that can't be filled if you don't use this technology*."

Effective governance of mental health and well-being

Although mental health is not yet a formal boardroom issue, its growing impact on workforce stability and performance is prompting boards and leadership teams to consider how mental health influences business outcomes and how organizations can foster a resilient workforce..

Participants discussed several themes around support and oversight of workforce mental health:

- **Awareness of mental health challenges and their impact is growing** . Mental health has gained attention in organizations primarily in response to crises, with the COVID-19 pandemic exposing widespread stress, burnout, and other workforce challenges. Dr. Pike noted that younger employees' expectations around well-being are contributing to the increased attention that organizational leaders are giving to these issues, adding that younger professionals are making different calculations about work-life balance and are more likely to make career decisions that prioritize their well-being than older generations were when they entered the workforce.
- **Despite growing awareness, most organizational responses are limited.** While mental health is beginning to be discussed more openly in some organizations, significant opportunities exist to deepen understanding and integrate well-being as a core element of leadership and organizational strategy. *"The greatest risk for an organization is to not be paying attention. Mental health is the leading cause of absenteeism and 'presenteeism' [the practice of attending work while unwell*]," Dr. Pike said. "*Strategies to support mental health and well-being are among the most powerful and cost-effective ways to enhance performance, reduce risk, and strengthen organizational culture."* She explained that while many organizations are relatively mature in the *provision* of information and services, they often lack comprehensive *protection* and *promotion* strategies that offer upstream opportunities to strengthen workforce mental health and well-being. At the board level, individuals increasingly recognize mental health and well-being as important factors influencing organizational performance. However, most boards are not yet addressing these issues explicitly, nor have they developed a mature understanding of the risks associated with neglecting mental health and the growth potential that comes from actively prioritizing it. *"If we fully treated well-being as foundational, we wouldn't still be having this conversation. It has not yet reached that level in practice, but the dialogue is beginning at the board level,"* one director said.
- **There remains significant stigma around mental health.** *"Historically, organizations have been reluctant to talk about mental health and mental illness due to stigma. Although this is changing in some organizations, it remains taboo in many workplaces."* said Dr. Pike. Directors highlighted that discomfort around discussing

mental health often prevent issues from being raised until they escalate. *"Not talking about mental health means we only see the cases that turn out badly,"* one director explained. Boards and senior leadership teams can help to overcome this stigma by normalizing discussions of mental health concerns. Dr. Pike cited an example of a CEO who openly discussed his own mental health struggles to build trust and encourage dialogue across the organization.

- **Board oversight practices need to be clarified.** Directors reported that mental health and well-being rarely appear on formal board agendas, and when it is discussed, it's addressed indirectly through human resources agendas. One director noted, *"It's in the committee but wrapped under benefits—not, 'Do we know the mental health of our workforce?'"* Most boards do not currently include mental health oversight as a skill in their governance matrices, and directors are also divided on where oversight should reside. Some place it within human resources or talent functions, while others view it as a business risk best overseen by audit or risk committees. A participant said many directors maintain that *"if you place mental health solely in human resources, it will never receive the full attention of the board."*
- **It remains difficult to assess mental health risks and the benefits of interventions.** Participants noted that they often see lagging indicators of mental health issues, such as an uptick in workplace violence, burnout, or even deaths. Bullying, harassment, and toxic behaviors are often treated as isolated incidents rather than systemic cultural issues, but *"boards can only address these challenges effectively if management is transparent about patterns and risks,"* one director emphasized. Directors stressed the need for data connecting mental health initiatives to outcomes, performance, and costs to justify investment; however, such data is often fragmented across organizations such that it is extremely difficult to document the impact of investments in mental health and well-being on organizational performance. One director explained, *"We need to understand not just that incidents are happening, but how our interventions are actually impacting engagement and productivity."* There was consensus among directors that developing better metrics to link mental health and well-being with performance is essential to enable boards to engage more effectively on this topic and fulfill their oversight responsibilities

Trends in executive compensation and leadership development

Heightened uncertainty and shifting talent markets are transforming how boards approach executive compensation and leadership development. Committees are being called on to ensure that pay structures, incentive plans, and succession strategies align with both short- and long-term organizational goals while maintaining flexibility to respond to changing circumstances. Boards are increasingly expected to evaluate performance, exercise informed discretion, and actively develop future leaders to strengthen resilience, continuity, and sustainable success.

Participants discussed several trends:

- **Adapting executive compensation in a time of uncertainty.** In an environment of heightened uncertainty, compensation committees are focusing on relative performance measures, widening target ranges, and adopting balanced scorecards that include nonfinancial and strategic metrics, such as new business initiatives or AI adoption. Committees are using discretion to address unique management challenges, while balancing the need to both incentivize performance and promote retention. *"Committees are getting more comfortable with the exercise of discretion and applying common sense at the end of the year, saying, 'OK, we set these goals in January. We didn't know about tariffs, we didn't know about where we'll stand with interest rates, we didn't know about wars in various parts of the world, we didn't know about supply-chain interruptions,"* said Mr. Steinhoff.

- **Exercising discretion, with clear shareholder communication.** Applying discretion can heighten shareholder scrutiny, as one director noted: *"It feels like shareholders move the goalposts. We want to use discretion, but we're afraid of how they'll respond."* Mr. Turner emphasized the importance of establishing a track record of unbiased discretion, making principled adjustments to pay in response to performance outcomes. Exercising discretion also requires effective communication with shareholders. One director said, *"We have found that as long as we're explaining how the committee thought about aligning pay outcomes with performance outcomes, we've been okay with our shareholders. You can now exercise that kind of discretion—it just requires that you're explaining your business model."* Mr. Turner agreed: *"Shareholders who understand the business model are more likely to understand discretion,"* he said.

- **Using peer-group benchmarking and industry comparisons.** Constructing an appropriate compensation peer group remains a challenge for committees, particularly for companies who compete with both public and private firms. *"Our competition is private companies because of our industry,"* one director said. *"It's a challenge competing with them for talent because of how they can distribute profit."* Mr. Steinhoff noted that peer-group construction varies by industry; some sectors have many clear comparables, while firms with few industry peers are increasingly constructing peer groups from firms that draw from the same talent pool rather than those that are true industry peers. *"We looked at senior-vice-president level and above, where we hired from, and where we lost to. It helped validate the peer group and compensation committee's comfort,"* a director explained.

- **Taking a more active approach to evaluating CEOs.** Compensation committees are placing greater emphasis on executive performance, leadership development, and retention amid rising rates of CEO turnover. At the same time, boards are taking a more active approach to assessing CEO performance and removing leaders when necessary. *"Committees are much quicker to assess CEO performance and take earlier action when it isn't at the level they want, compared with five to 10 years ago,"* said Mr. Turner.

- **Assessing new leadership capabilities.** *"When assessing executive candidates, companies are looking for company-specific needs, but adaptability and resilience are at the top of the list,"* said Mr. Steinhoff. Mr. Turner added that these qualities are best revealed through experience: *"Instead of looking for a perfect CEO on their resume, companies are focusing on candidates who have experienced failure or worked through adversity. Demonstrating the ability to navigate setbacks and uncertainty has become a key marker of leadership strength in today's environment*."
- **Involving the board in the talent pipeline.** Boards are increasingly focused on identifying and developing the organization's future leaders to ensure readiness for senior roles. One director noted that their board members participate in leadership meetings and informal gatherings to meet high-potential talent beyond the CEO. Another observed, *"A significant change over the last five to seven years has been the focus on who might be the CEO 10 years from now, where they are in the organization, and how to prepare them."* Directors emphasized that having clear visibility into the talent pipeline allows them to strategically develop and rotate leaders, strengthening succession readiness across the organization.

Appendix 1: Participants

The following members participated in all or part of the meeting:

Noni Abdur-Razzaq
Associate
Tapestry Networks

Eric Baldwin
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Lynne Biggar
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Jonathan Day
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Antonio Fernández
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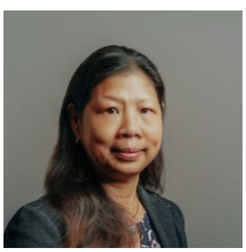

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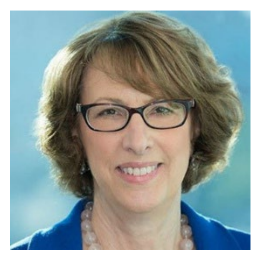

Linda Mills
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Appendix 1: Participants

The following members participated in all or part of the meeting:

Bea Perez
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Kathy Pike
CEO
One Mind

Matt Ryan
Compensation Chair
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Keith Sonderling
Deputy Secretary of Labor
U.S. Department of Labor

Ed Steinhoff
Managing Director
Pearl Meyer

Matt Turner
Managing Director
Pearl Meyer

Endnotes

[1] *Summary of Themes* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Italicized quotations reflect comments made in connection with the meeting by network members and other meeting participants.

[2] The White House, "Preparing Americans for High-Paying Skilled Trade Jobs of the Future," Executive Order, April 23, 2025.

[3] U.S. Department of Labor, "US Department of Labor applauds President Trump's 'AI Action Plan' to achieve global dominance in artificial intelligence," (press release), July 23, 2025.