



# HR Edge

## Q3 2025

Presented by Employco USA, Inc.



About **60%** of employers still struggle with attracting and retaining employees in 2025, according to Zywave's survey.



Also, **65%** of employers expect these challenges to “stay about the same” in 2025. Of those who expect change, only 9% expect conditions to improve, whereas almost 20% expect them to become worse.

## 2025 Midyear Attraction and Retention Strategies

Attraction and retention remains one of the most important aspects of running an organization in 2025 as employers strive to find and keep workers. Zywave's 2025 State of the Market Survey found that employers ranked attraction and retention as their fourth-highest business challenge, right behind economic uncertainty, inflation and rising health care costs.

While most employers do not expect drastic changes to the labor market like those seen in recent years, some skepticism remains. This article highlights five leading strategies employers are pursuing to boost employee attraction and retention in the second half of the year.

### 1. Focusing on Employee Engagement

With employee engagement reports showing levels near a record low, employers have an opportunity to engage employees to retain more employees and support overall business health. According to a report from Gallup published in early 2025, the percentage of engaged employees fell to 31% in late 2024 from 33% in 2023. It was the lowest level of employee engagement recorded in a decade. Similarly, a recent report from Glassdoor found that employee confidence reached a record low in May 2025.

While employees are now more likely to stay in their current jobs, they may not be satisfied with their role or their employer. This means employers may face lower productivity and a damaged workplace culture, which can lead to attraction and retention difficulties.

Engagement efforts may be employers' go-to strategy right now since this approach can have fewer cost requirements than other key strategies like significant compensation raises, which isn't feasible for all organizations. Employee engagement can help win over workers but can also bring benefits to employers who want a happy and committed workforce.

### 2. Raising Employee Compensation

Compensation remains a critical factor in winning over workers. While significant pay raises won't be feasible for all employers, they remain one of the best ways to attract and retain talent. Employers will likely continue increasing wages to keep up with inflation and remain competitive in the labor market.

Estimates show that employers were planning 3%-4% wage increases in 2025. Although this is down from previous years in a worker-friendly labor market, this figure still exceeds the most recent inflation readings. Furthermore, WTW's most recent survey revealed that U.S. employers forecast average wage increases of 3.5% in 2026. As employers execute their 2025 strategies and begin planning for 2026, compensation will remain critical for winning over workers.

### 3. Offering L&D Opportunities

Employers who strategically leverage learning and development (L&D) opportunities (e.g., career pathing, mentoring and microlearning) can create resilient and high-performing work environments where employees thrive and grow while meeting organizational goals and needs.



# 2025 Midyear Attraction and Retention Strategies (Continued)

In 2025, L&D opportunities surrounding technology and artificial intelligence (AI) are gaining traction. Efforts to upskill employees in skills currently in demand can help employees grow their careers while benefiting employers. Rather than hiring high-demand skill sets, L&D programs targeted at in-demand skills can help employers address skills gaps and meet their organizations' needs.

## 4. Redesigning Onboarding and Orientation Programs

An employee's first 90 days are arguably the most important period for retention. As such, employers are finding that redesigning or building structured onboarding and orientation processes is a low-cost way to engage and retain employees more effectively.

## 5. Using Skills-based Hiring

Skills-based hiring has been a growing trend for years, and this survey revealed that it's become a common attraction and retention strategy for employers. Now, many are expanding their talent pool by hiring for open positions based on skills rather than education or experience. Many employers in this survey shared concerns about the lack of qualified candidates; skills-based hiring may help them find solid candidates they weren't considering before. It may also help employers hire workers who have in-demand skills, such as AI proficiency, but lack college degrees or long lists of qualifications.

While finding, hiring and keeping talent are crucial, many of the strategies that employers are exploring also have the potential to drive better organizational outcomes.

## Employer Takeaway

Attracting and retaining employees continues to be a top business challenge for most employers. For the remainder of the year, employers should understand how the market is shifting while focusing on new talent strategies. The best actions will vary by workplace, as employers are challenged to meet the desires of today's workforce while pursuing feasible strategies that make sense for their organization.

Employers can stay one step ahead by understanding today's labor challenges and monitoring talent trends. This can inform strategies to effectively meet the unique needs of current and prospective employees.



# How AI Is Changing the Workplace

AI is driving a shift toward data-driven decision-making, enabling faster insights and personalized employee experiences. Employees are also using these tools in their daily work to perform tedious tasks, analyze data and increase overall productivity. However, this transformation also brings challenges and highlights a growing gap between AI adoption and governance, raising concerns about data security, compliance and fairness.



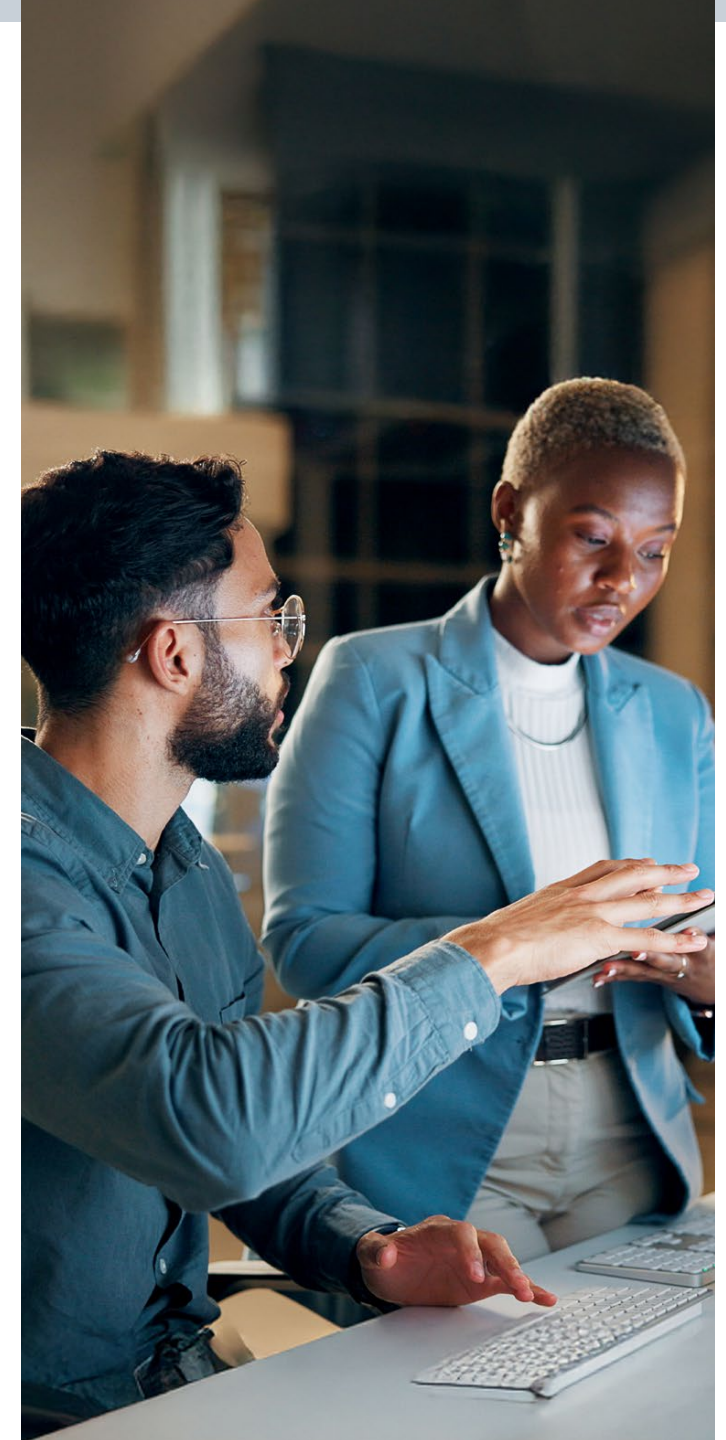
A recent KPMG study found that **57%** of workers admitted to making AI-related errors, and many are using AI tools without proper oversight or training.

Many of today's workers are confident they can increase their AI or machine learning (ML) fluency if only their organization provided upskilling support. IBM estimates that the half-life of general skills is now just five years. That figure is even worse for IT skills, which is less than three years. Furthermore, according to the World Economic Forum, more than one-third (39%) of workers' skills will become outdated over the next five

years. Closing the AI and technology skills gap doesn't require starting from scratch, but it does require intention, structure and support from employers. Despite AI and ML's advantages, there's a disconnect between how employers view them and how workers do. Some employees may lack confidence about integrating the tools into their workflows, while others may be worried about job security and being replaced by advanced technologies. As such, successful employers will be able to help employees understand how AI tools work, how to use them responsibly and how they can enhance—not replace—their work.

Alongside this adoption, regulatory scrutiny is also growing as states increasingly pass laws. For example, a law may require companies to prevent algorithmic discrimination in AI-driven employment decisions, which can signal a broader trend toward accountability and ethical AI use in the workplace. AI is a powerful tool, but employers must harness its full potential carefully. Organizations can invest in training, ethical frameworks and inclusive cultures that prioritize both innovation and human well-being.

AI is reshaping the workplace by automating repetitive tasks, streamlining operations and enabling faster data-driven decisions. It's crucial for employers to prioritize employee training, audit AI tools for fairness and compliance, and adapt job roles to align with evolving technologies and regulations. Proactive planning now can help organizations stay agile, competitive and compliant in an AI-driven future.



# Improving Mental Health Utilization

In the last few years, mental health in the United States has been on the decline. The rise in mental health concerns has led to the demand for employers to offer more robust mental health benefits. Despite employers prioritizing mental health benefits as part of their offerings in the last few years, many employees are still not using them. This lack of utilization prevents employees who may benefit from these offerings from receiving help and can negatively impact employers. Workforces with poor mental health can lead to decreased employee well-being, lower morale and productivity, increased absenteeism and potentially high turnover rates.



A 2025 survey by the National Alliance on Mental Illness found that **1 in 4 workers** is unaware whether their employers offer mental health benefits, employee assistance programs, flexible work arrangements or sick days for mental health. Of those that are aware, only half understand how to access these benefits.

In order to strategize ways to increase mental health benefit utilization, it's essential to understand the barriers preventing employees from utilizing them. There are several reasons why employees are not widely utilizing employer-provided mental health benefits, such as the following:



**Lack of communication**—Employees may simply be unaware of the benefits their organization provides.



**Insufficient education**—Workers may lack the training and information on how and where to access mental health benefits.



**No time**—Many employees don't make time to learn about the mental health benefits their employers provide.



**Mental health stigma**—Some workers may still face a stigma related to mental health or be perceived negatively for seeking assistance.



**Cost concerns**—While many benefits resources may be low- or no-cost to employees, they may not be aware of what resources are cost-effective or have cost concerns. Potentially high costs of some mental health benefits, such as deductibles and out-of-pocket expenses, could prevent employees from utilizing them. Additionally, employees may not know what care is covered under their health plans.

To improve mental health outcomes, it's crucial to do more than just offer the right benefits. Employers can consider the following practices to increase employee utilization of their mental health resources:

- **Train managers on the available benefits.** Managers can be key to the utilization of mental health benefits. Since employees interact with managers often, these leaders are well-positioned to promote mental health care and related resources among employees. Thoroughly training these leaders on available benefits allows them to share information with employees or be available for questions.
- **Regularly educate employees on offerings.** While open enrollment is a great time to highlight benefits resources, mental health benefits should be communicated regularly throughout the year so that employees continually know what resources are available to them. Employers can effectively communicate and provide education through multiple channels, including emails, newsletters and meetings.
- **Foster a mental health-friendly culture.** Creating a company culture that is supportive of mental health may encourage employees to use mental health benefits. Employers and

managers should encourage open communication about mental health and available resources.

- **Help employees understand and access their benefits.** Providing clarity on how to use their benefits can make employees feel more confident in accessing them.
- **Get feedback on desired benefits.** Gathering employee feedback on which mental health benefits they find useful can help employers tailor their benefits options to maximize utilization. Employers can use anonymous surveys to obtain this information, and they should communicate any changes made based on the feedback received.

Even though the availability of mental health benefits has increased in the last few years, many employees have not been using them due to a number of barriers. By understanding these barriers to utilization and implementing strategies, employers can improve the effectiveness of their mental health benefits. This can enhance employees' well-being as well as support productivity and engagement, ultimately contributing to organizations' bottom line.

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