

2023-24

Attraction and Retention Benchmarking Overview

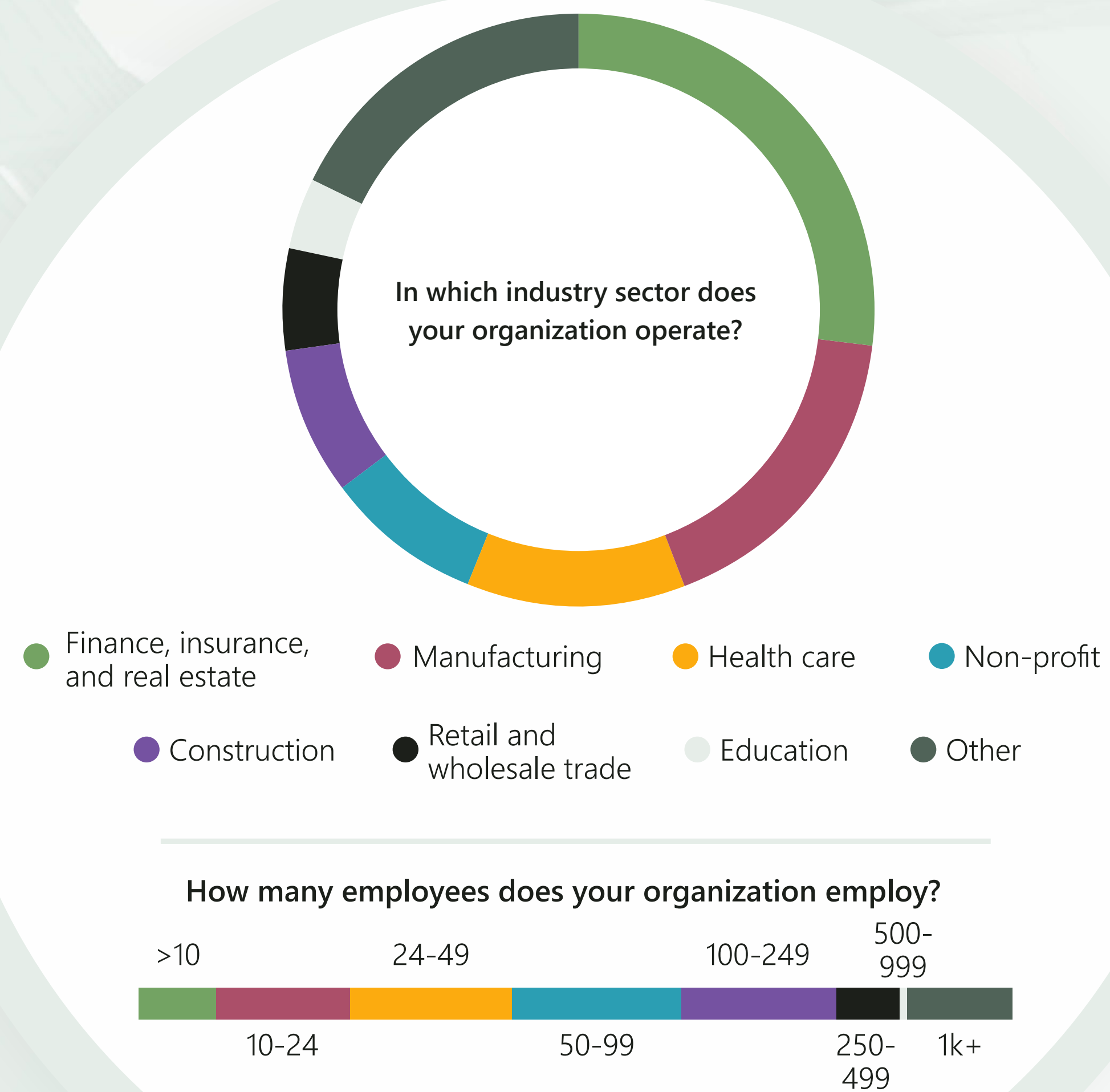
Introduction

In late 2023, employers across the country completed Zywave’s 2023 Attraction and Retention Employer Pulse Survey. Respondents were surveyed regarding attraction and retention challenges, workplace strategies and voluntary benefits.

Over **125 employers** responded to the survey from various industries—most commonly representing finance, insurance and real estate (**28%**), manufacturing (**15%**), health care (**12%**), nonprofit (**9%**) and construction (**8%**). Survey respondents employ workforces of various sizes, ranging from fewer than 10 (**9%**) to over 1,000 (**12%**), with small- to medium-size organizations of 10-249 employees accounting for over **70%** of the survey.

This survey provided significant insights into how attraction and retention issues present a persistent operational challenge for organizations and detailed the strategies employers are pursuing to compete in today’s labor market.

This benchmarking overview compiles employer responses to these questions and provides some general takeaways for employers as they prepare for the talent market in 2024.



Current State of Attraction and Retention

Attraction and retention challenges remained persistent in 2023 as organizations across industries struggled to find and keep workers. Zywave's 2023 Attraction and Retention Employer Pulse Survey found that over **60%** of respondents listed attraction and retention as a top-five business challenge—down from **80%** in 2022.



Two-thirds of employers expect attraction and retention challenges to “stay about the same” in 2024, while a small cohort expects them to become worse (**14%**) or is unsure (**6%**). Almost **15%** of employers expect attraction and retention challenges to improve in 2024, displaying some optimism about the labor market trending up.

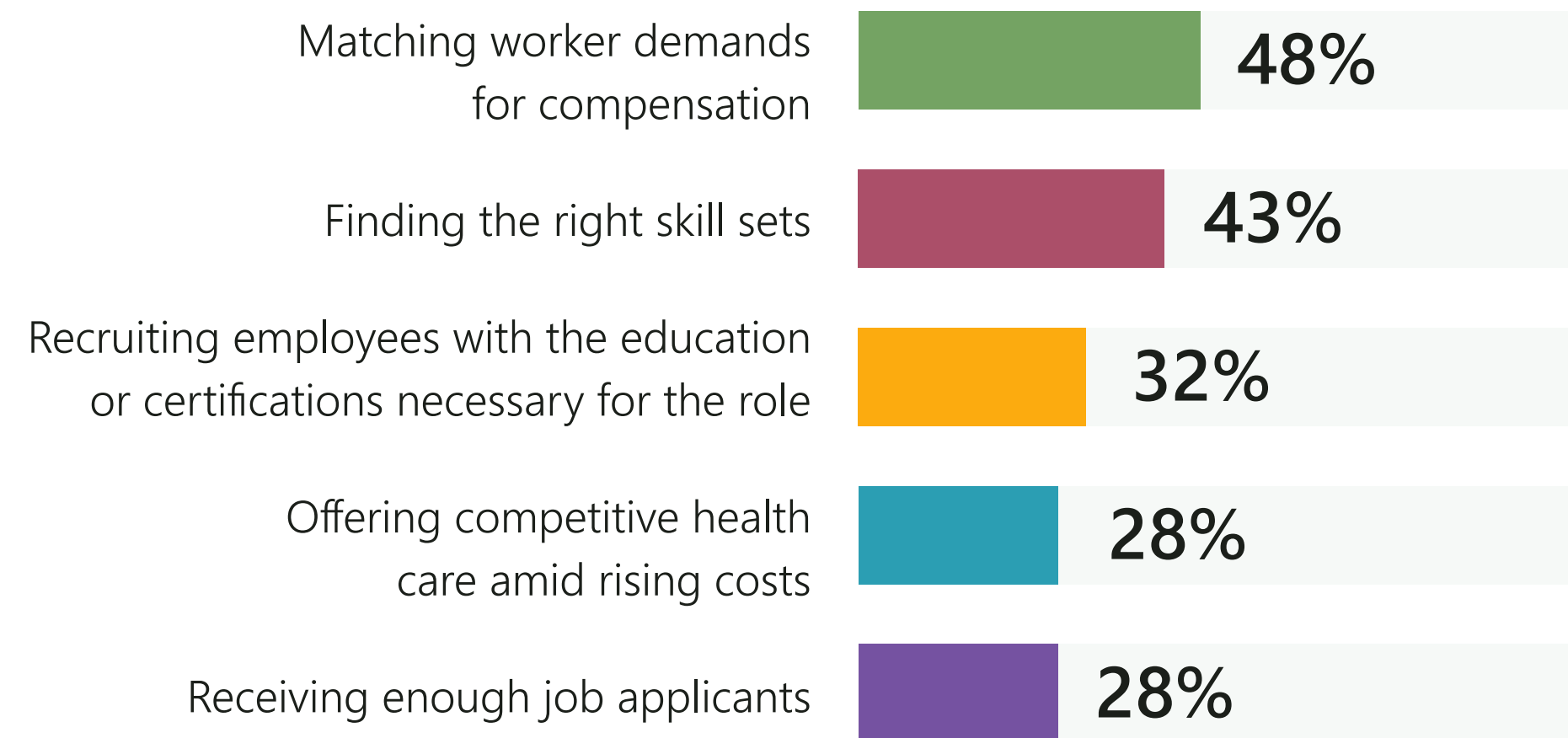
Respondents were asked about both attraction and retention specifically. Employers struggle less with these challenges than they did a year ago. However, attracting new employees remains more of a problem in today's labor market. Around **70%** percent

of employers at least somewhat struggle with attracting new employees (down from over **85%** in 2022's survey), compared to **53%** of employers that at least somewhat struggle with retention (down from **58%** last year). Of those employers that struggle with attracting new employees, **19%** indicated that “yes,” they do struggle, while **50%** responded that they struggle somewhat.

These findings are consistent with market data and labor statistics, which show that the labor market has cooled off from record highs. According to the U.S. Bureau of Labor Statistics (BLS), the total number of employee quits and job openings reached record highs in the past two years. The BLS' November 2023 Job Openings and Labor Turnover Summary reported 8.8 million open jobs and 3.5 million employee quits. These numbers have trended down from all-time highs of employee quits (November 2021) and job openings (March 2022), but remain higher than pre-pandemic levels, highlighting the market's continued competitive nature. These numbers highlight that, while the labor market may be easing, it remains difficult for most organizations. With more workers staying put, employee retention is less of an issue, as demonstrated by the survey's results. However, fewer workers are on the move, so it remains difficult to attract workers for employers that are hiring.

| Talent Challenges

Employers were asked to select the top three most significant attraction and retention challenges for their organization. The most common challenges were:



Other top responses included offering flexible work arrangements (e.g., remote, hybrid and flexible hours) (22%), consistently recruiting and hiring enough workers to meet business needs (19%), and addressing current and future skills gaps (19%). Here are key takeaways from these findings:

Matching Worker Demands for Higher Pay Remains Unrealistic for Most Employers

Zywave’s research found that employers listed “matching worker demands for compensation” as their top current attraction and

retention challenge, with 48% listing it in their top three. According to industry data, employers are budgeting for an average salary increase of 4% in 2024, down from 4.4% in 2023. While these numbers are high by historical standards, they don’t match the raises workers want. Employers will need to make tough decisions about how to increase employee compensation or face the prospect of losing workers to competitors who are offering more.

Finding Specific Skill Sets Is More Difficult Than General Hiring Challenges

Employers are struggling to find employees with the right skills and develop them for increasingly complex roles. According to Zywave’s 2023 Employer Attraction and Retention Pulse Survey, “finding the right skill sets” was the number two talent challenge for employers behind compensation.

In addition to finding the right skill sets, addressing current and future skill gaps was reported to be a significant challenge for 19% of employers. Organizations understand that the skills needed for an organization change rapidly due to technology, artificial intelligence and market trends. Years ago, employers struggled to get workers in the door at all. Now, they are trying to find workers with the right skills, all while upskilling existing staff. The skills needed to perform a job at a high level change every year, leaving employers with the option of trying to acquire those skill sets by hiring talented workers or upskilling current employees.



Educated Workers Are in High Demand

While many employers are more focused on hiring individuals with specific skills, others are still looking for workers with specific education or certifications, which often are workers who are in high demand. **Thirty-two percent** of employers listed recruiting employees with the education or certifications necessary for the role as the third most common attraction and retention challenge. This means that amid a skills-based hiring movement, many organizations are still focused on finding highly educated workers or are hiring for roles that require more sophistication. Expect workers with education, certifications and skills that meet business needs to be in high demand in 2024.

Rising Health Care Costs Are Placing Pressure on Employers

Rising health care costs are burdening both employers and employees. **Twenty-eight percent** of respondents considered offering competitive health care costs amid rising costs to be a top attraction and retention challenge. With ongoing inflation pressures, employees and employers alike can expect their health care costs to increase in 2024. According to several industry surveys and reports, employers anticipate health care costs to grow between **6%** and **8.5%** in 2024—the largest increase in more than a decade. As a result, employer-sponsored health care plans may cost more than \$15,000 per employee. Many employers have avoided shifting increasing health care costs onto employees due to the tight

labor market and ongoing attraction and retention challenges. Despite employers' reluctance to shift the burden of rising costs onto employees, more employers will likely increase cost-sharing amounts somewhat in 2024.

Employers Strive to Attract Larger Talent Pool

In general, employers reported that attracting new employees is more difficult in the current market than retaining existing ones. Specifically, **28%** of employers reported that receiving enough job applicants was a top three attraction and retention challenge. Further, **19%** of employers reported that consistently recruiting and hiring enough workers to meet business needs is a top challenge. This means that employers will need to audit their current recruiting strategies and explore new channels to build their talent pipeline in 2024. This could include growing their online presence, using skills-based hiring, promoting their learning and development opportunities or finding other methods that resonate with their desired talent market.

I Workplace Strategies

Employers understand the challenges they are facing, such as rising compensation demands, increasing health care costs and changing skills gaps. However, implementing new strategies can allow organizations to compete for talent successfully.

Employers were surveyed on what strategies they plan to explore to better attract and retain employees. Survey results found that employers are pursuing the following strategies:

Employers Are Increasing Pay to Meet Employee Demands

Survey results further revealed that over **50%** of employers plan on raising employee compensation to win over new workers, while even more (**53%**) are planning on improving compensation to better retain employees. These findings, paired with inflation and market research, show that organizations will try to win over talent by offering more money in 2024. Due to inflation, market competition and competitive budgets, employers will need to make tough decisions about how to increase employee compensation or face the prospect of losing workers to competitors who are offering more.

Learning and Development (L&D) Opportunities Can Address Skills Gaps and Win Over Workers

Employers are struggling to find employees with the skills they need. One way to combat this is to develop employees from within. Offering more L&D opportunities is a top strategy, with **37%** of respondents indicating they are doing this to better attract employees and **37%** doing the same for employee retention. While this talent strategy can help address skill gaps, it can also win over workers. Many workers on the move are looking for organizations where they can grow their skills and develop their careers. More L&D offerings can also help to retain current employees. Common L&D programs include career development plans, mentorship programs, learning management systems (LMSs), microlearning opportunities and workshops.

Skills-based Hiring Can Address Skills Gaps

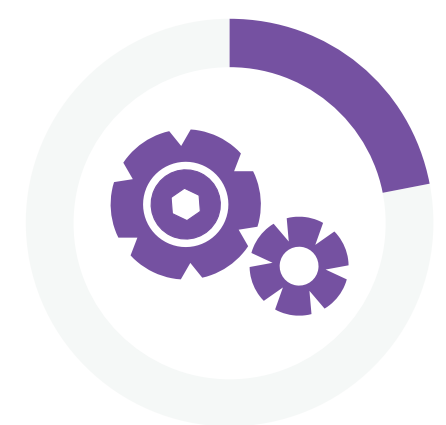
Using skills-based hiring allows employers to hire for specific skills rather than focus on candidates' education or certifications. While some positions have a legitimate business case for specific education and other requirements, employers are finding that, by focusing on skills-based selection processes, they can effectively grow their talent pool and find the right candidate for a job. Skill-based hiring was the fourth most common strategy to better attract workers, with **22%** of employers indicating they are exploring this strategy. Skills-based hiring can help employers



50% of respondents plan on raising employee compensation



37% of respondents offer more L&D opportunities

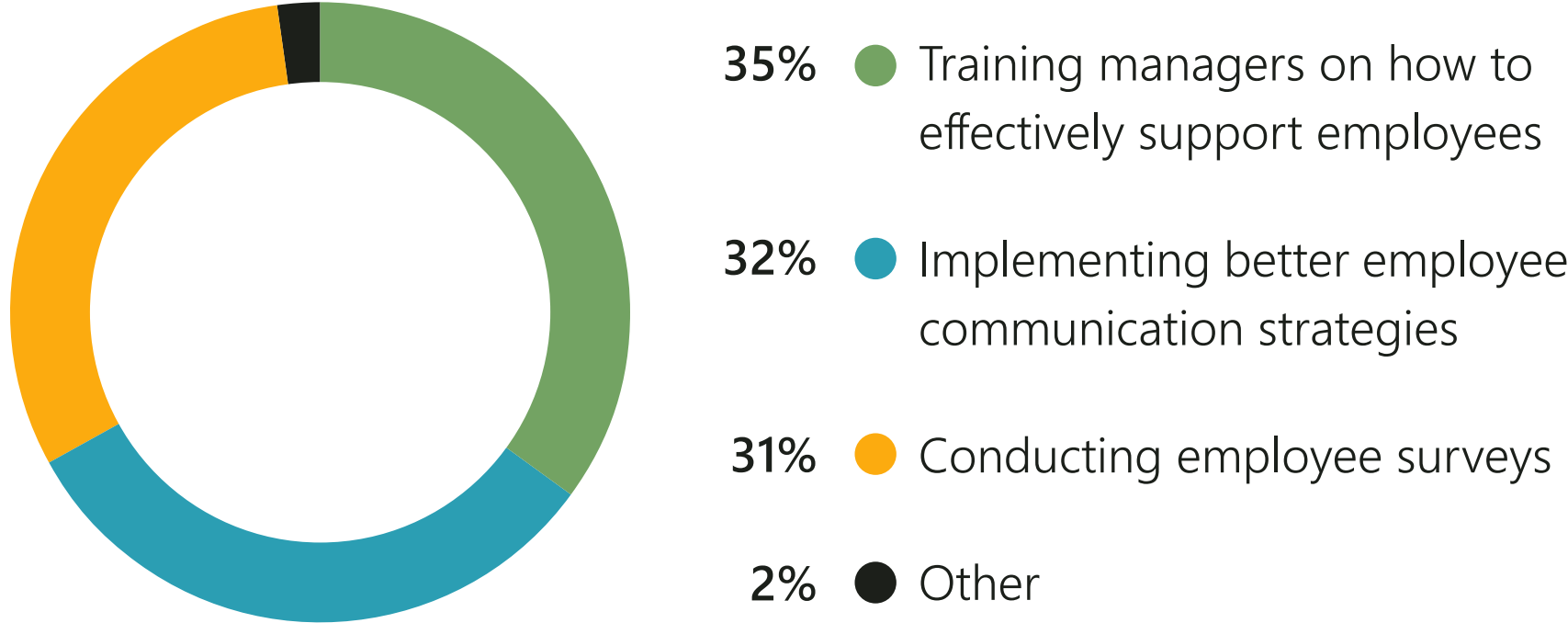


22% of respondents indicate they are exploring skill-based hiring

expand their talent pools and attract employees who don't have long lists of degrees or certifications, but do have the necessary skills and experience.

Employers Focusing on Improving the Workplace to Retain Employees

Three of the top responses from employers on improving employee retention relate to improving the work environment:



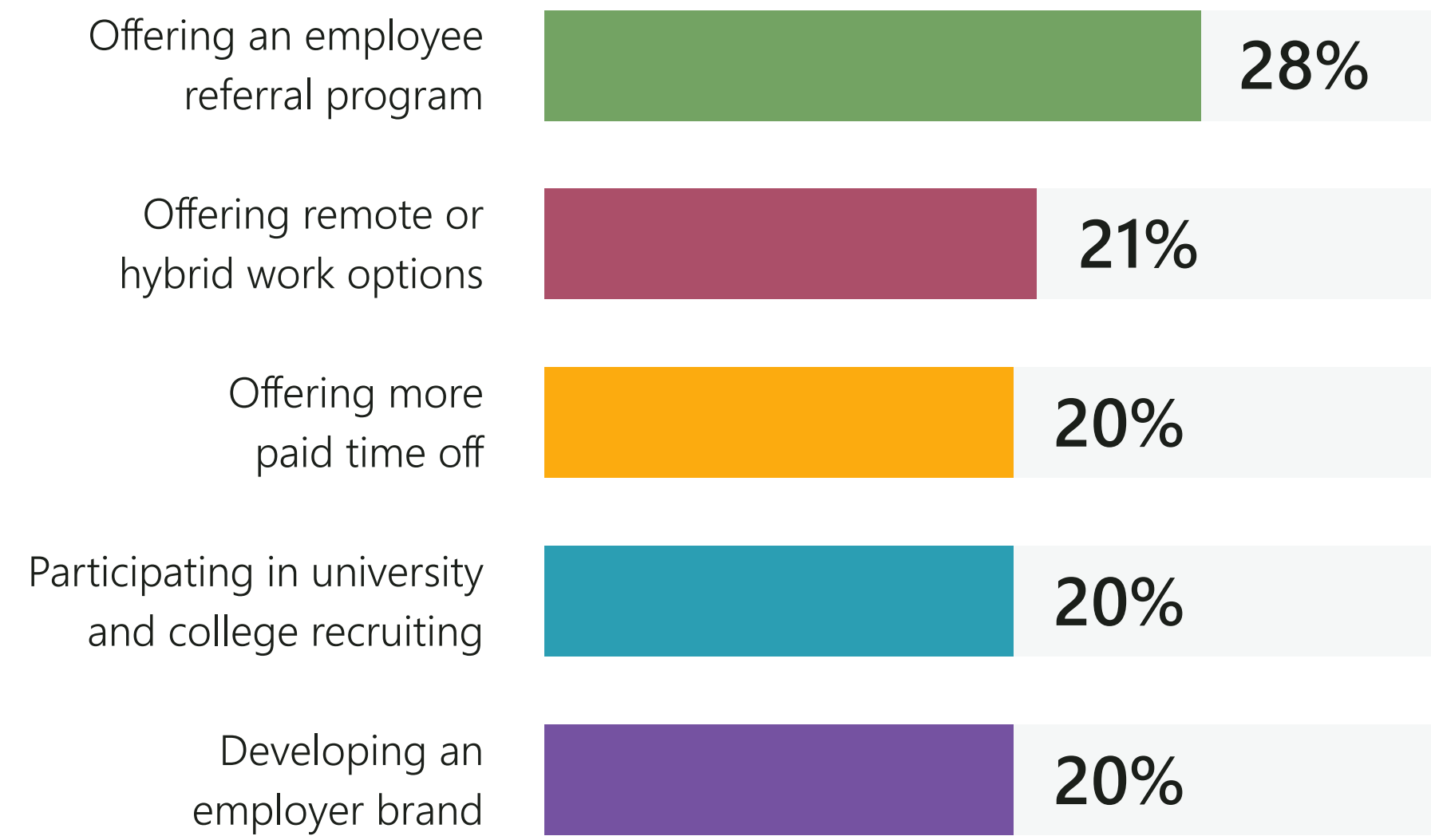
Many managers have strong business skills or expertise in their area, but struggle when it comes to interpersonal components of supporting each member of their team. Offering training to build and strengthen management skills or emotional intelligence may help enable managers to better support employees. Likewise, developing a comprehensive communication strategy (e.g., focusing on transparency, using a multi-channel approach, measuring results or allowing channels for employee feedback) can


strengthen the relationship between senior leadership and the average employee. Conducting an annual survey can also help uncover the leading priorities of an organization's specific base of employees.

These three strategies require minimal financial investment, making them feasible solutions for employers that enter 2024 with high costs and tight budgets.

Recruitment Methods, Workplace Flexibility Important for Attracting Workers

When asked about strategies to better attract employees, organizations are exploring more than just raising pay and skills-based hiring. Other top responses included:



A person's hands are shown typing on a laptop keyboard. The image is semi-transparent, overlaid with various icons representing education and technology. These include an open book, a graduation cap, a play button, a microphone, and a 'LIVE' indicator. The background is a soft-focus image of a person's hands typing on a laptop keyboard.

Remote work, hybrid arrangements and generous paid time off (PTO) policies demonstrate that offering prospective employees more flexibility can win them over, even if employers can't pay workers as much as they'd like. What is feasible to offer will vary by industry, the employer and what the employees' role is. Still, erring on the side of flexibility can go a long way with workers.

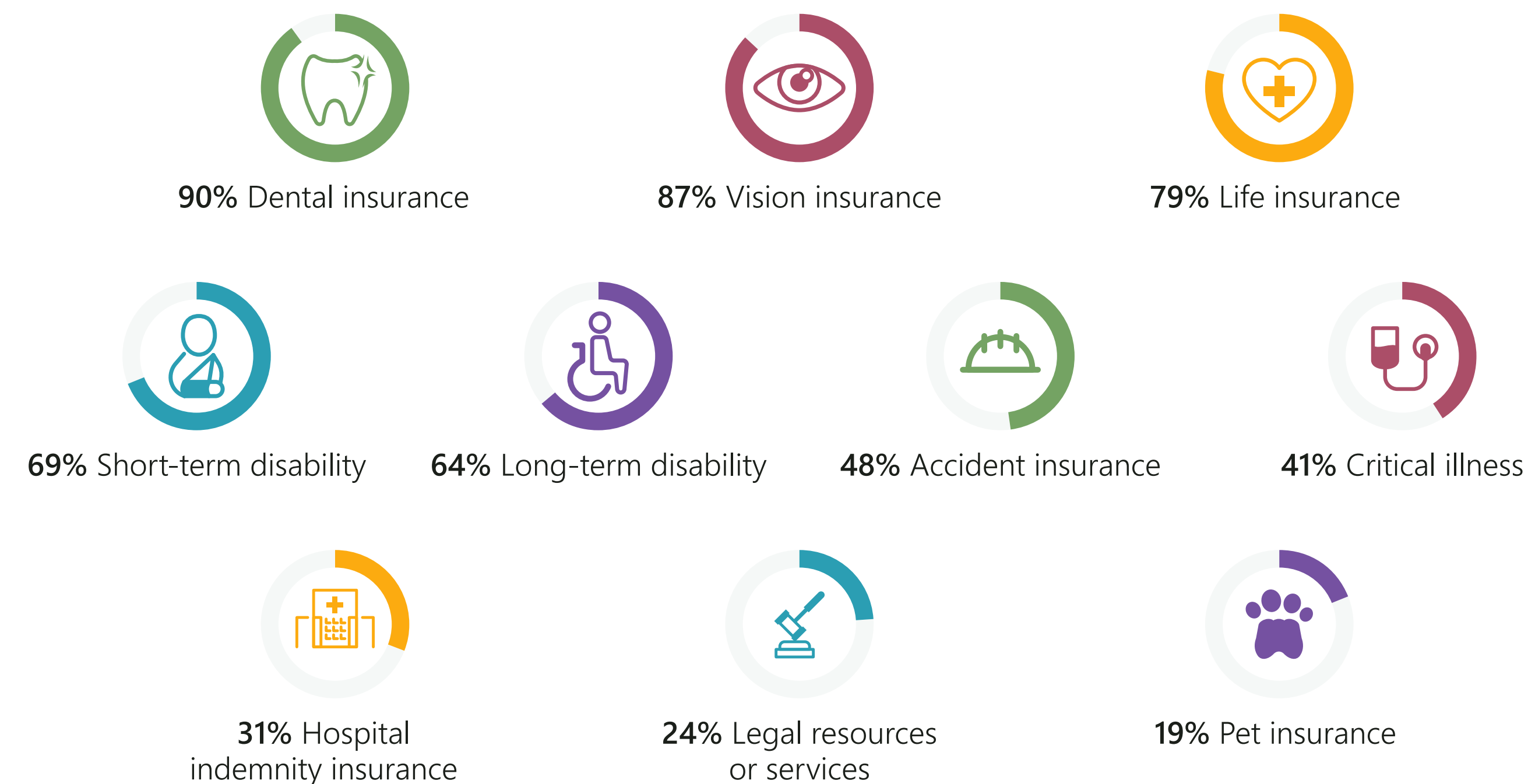
Offering employee referral programs, leveraging university and college recruiting strategies, and developing an employer brand indicate that employers are willing to invest in overhauling their recruiting strategies. If employers are struggling to get workers to apply, these strategies can attract more workers and build an ongoing talent pipeline.

I Voluntary Benefits

Zywave's 2023 Attraction and Retention Employer Pulse Survey also asked employers about voluntary benefits. Voluntary benefits supplement traditional benefits (e.g., health insurance) and are usually employee-paid. These perks have become more popular in recent years, with even more employers planning to expand their offerings in 2024.

Specifically, the survey sought to understand what role voluntary benefits currently play in attracting and retaining employees. Voluntary benefits have gained interest in recent years, and that trend looks to continue. The vast majority of employers (**83%**) reported that they plan to offer the same voluntary benefits in 2024, while **16%** plan on expanding their voluntary benefits options. Specifically, most employers (**65%**) claim that their voluntary benefits are intended to better attract and retain workers.

The following are the top 10 most common voluntary benefits employers reported offering:



Other less common responses included identity theft protection, financial counseling, long-term care insurance, gym memberships and student loan repayment or assistance.

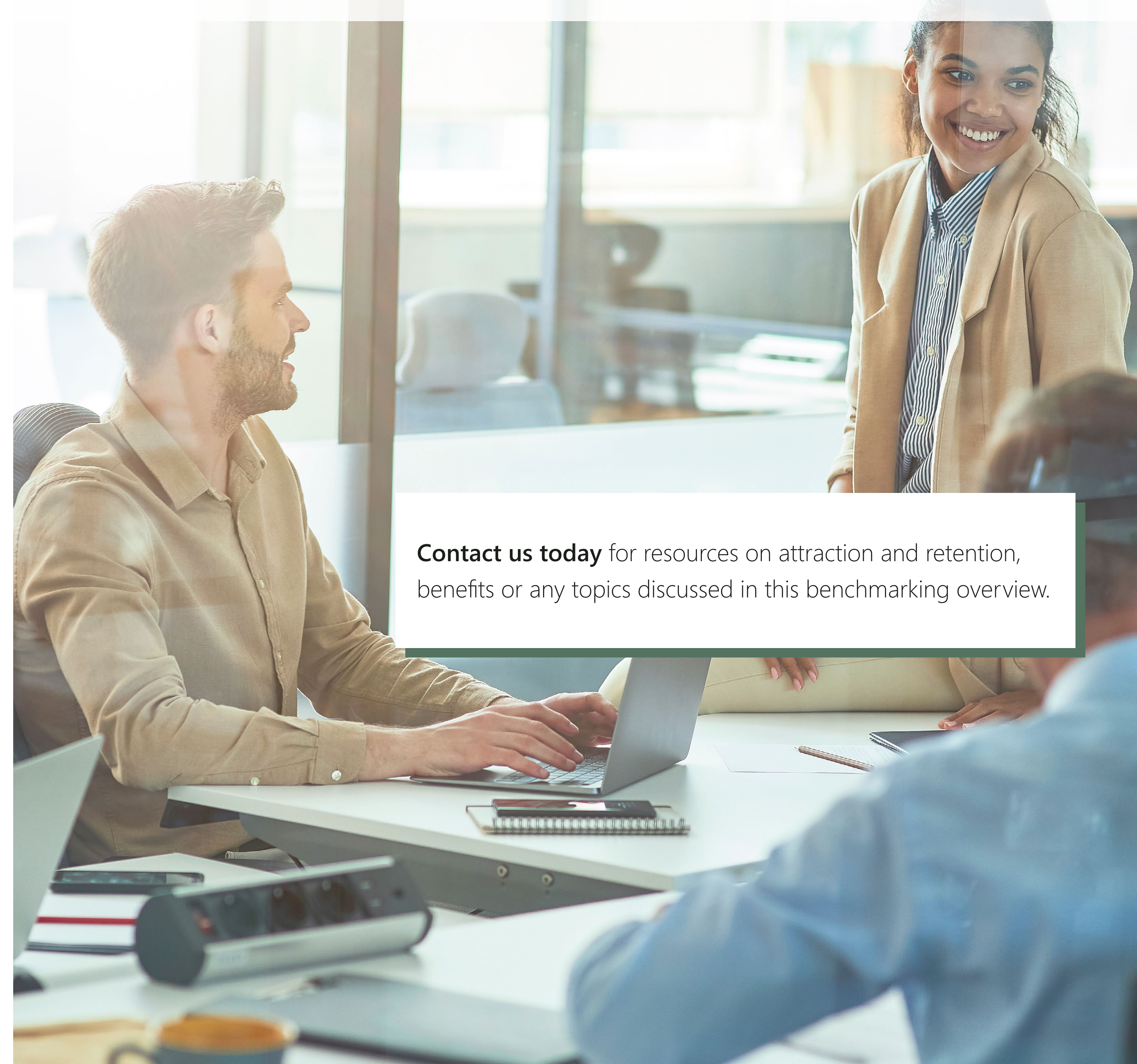
These findings confirm that core voluntary benefits—like dental, vision and life insurance—are the most common offerings, along with both short- and long-term disability coverage. However, more employers are offering niche or less common voluntary benefits, such as hospital indemnity, pet insurance or identity protection. For employers unable to raise employee pay as high as they would like, voluntary benefits can enable employers to offer more perks to employees without raising health care costs. Surveying employees can allow organizations to learn which voluntary benefits meet their workforce's desires.

| Summary

In general, Zywave's 2023 Attraction and Retention Employer Pulse Survey findings show that employers are struggling to overcome multiple attraction and retention issues at the same time. Rather than struggling to outright find and keep employees, organizations are struggling to keep up with pay demands, stay competitive amid rising health care costs and offer the flexibility employees desire. Employers are struggling to find workers with the skills, experience or education they need to succeed in their current and future roles.

Looking ahead to 2024, labor markets are expected to remain competitive, yet ease up compared to what employers have experienced since the beginning of the COVID-19 pandemic. Competition to win over talent against competitors remains year over year, but how employers react and win over workers continues to change. This 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, which can inform strategies to effectively meet the unique needs of current and prospective employees.



Contact us today for resources on attraction and retention, benefits or any topics discussed in this benchmarking overview.