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ATTRACTION & RETENTION

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MARKET RECAP

Employee Quits and Job Openings Trend Down While Employers Prepare for Economic Uncertainty

In 2022, the employment landscape saw record-high employee quit rates and job openings as employers across all sectors struggled to attract and retain workers. Heading into 2023, some of these numbers have eased; although, they are still considered high against historical standards, thus indicating that the labor market remains competitive for employers.

According to the latest findings from the Bureau of Labor Statistics (BLS), unemployment rates were slightly on the rise in October 2022. As of November 2022, the unemployment rate was 3.7%, remaining relatively unchanged through most of the back half of the year. However, some economists warn that the unemployment rate may rise in 2023 due to the possibility of a recession.

BLS data also revealed that there has been a recent shift in the total number of employee quits. This number fell to 4 million in October 2022, down 34,000 from the prior month. While this number remains high, it's now trending lower than the record-setting 4.5 million employee quits that took place in November 2021. Nevertheless, it's worth noting that employee quits have topped 4 million for 16 consecutive months. While industry experts anticipate that retaining employees will be less of a challenge in 2023 than it has been in the past year, these numbers indicate that employees are still leaving their jobs at a high rate—especially when comparing current findings to historical data.

According to BLS data, the number of job openings in October 2022 was down 760,000 compared to the same period last year, resulting in 1.7 job openings for each unemployed worker. Yet, this number is still above pre-pandemic levels of 1.2 job openings for each unemployed worker. Despite these findings, many companies are expected to conduct layoffs or slow down hiring in the new year (if they haven't already started to do so). The reasons for such cutbacks vary between organizations, but many stem from economic uncertainty. In particular, the Federal Reserve has continued to raise interest rates in an attempt to slow hiring and cool inflation without causing a recession, prompting potential economic concerns. As such, some employers may no longer be hiring at the high rates seen in 2022. However, job openings remain high compared to previous years, highlighting that many organizations are still struggling to retain workers.

Altogether, these employment metrics and workplace trends signal that organizations are continuing to navigate the competitive and ever-changing labor market. Whether it be retaining employees during a period of economic uncertainty or finding ways to attract new workers, employers are expected to continue to face talent challenges in 2023. However, the right strategies can help them successfully navigate this evolving employment landscape.

SECURING TALENT

Identifying and Retaining Key Employees

In order for organizations to be successful, it's important that they are able to secure the right workers. Specifically, identifying and retaining key employees—those who affect performance and drive business for their employers—is critical.

Identifying Key Talent

Key employees are those whose skills, knowledge and overall performance capabilities can be linked to their organizations' overall success. These workers may possess a wide range of different attributes that make them essential to their respective organizations. Often, these employees have special proprietary knowledge, additional certifications, degrees or licenses that help their organizations function more efficiently. The traits of key employees may differ between organizations, but there are some general indicators of such workers. In particular, these employees are known to exceed expectations, enhance strategies, affect performance, and impact relationships with clients and vendors.

Key employees may also help establish strong connections within their organizations. The primary takeaway is that these workers have tangible impacts on their companies, making them difficult to replace. While there are several identifiers of key employees, these attributes can help employers make general determinations regarding which workers are the most irreplaceable within their organizations.

Retaining Key Employees

Here are some ways employers can effectively retain their key employees:

- **Maintain open communication.** Openly communicating with key employees can help employers ensure these workers' needs are being met.
- **Evaluate compensation strategies.** Key employees usually go above and beyond the duties set out in their roles and hope to be paid fairly for their hard work. As such, employers should aim to provide competitive compensation for top-performing workers, thus reducing the risk of them from leaving for other organizations that may pay them more.
- **Provide learning and development opportunities.** Employees who overachieve are often eager to learn more and want their organizations to help them do so. Employers should consider offering learning and development opportunities both to satiate employees' desires to learn, as well as help their workers continue to enhance their skill sets.
- **Reevaluate employee benefits.** Employers should ask their employees which benefits they get the most use out of and which additional offerings they might like to see.

Key employees are vital to the success of their organizations, so it's important to know who they are. Employers should stay alert to indicators of key employees and figure out those workers' desires so they can implement effective strategies to retain them.

SECURING TALENT

Retaining Employees Amid the Quick Quitting Trend

As employers navigate trends such as “quiet quitting”—a new term that has risen to the forefront of the employment landscape—new data reveals that many workers began “quick quitting” throughout 2022. That is, in certain industries, a growing number of workers quit their jobs before the one-year mark. The emergence of this trend demonstrates that in 2022, workers across the United States became more comfortable leaving their jobs. This could be due to the idea that with each job switch, workers may earn more money and gain a leg up on their peers who remain their respective organizations for long periods of time. Although it remains to be seen how quick quitting will impact the labor market, this trend demonstrates the importance of retaining new hires while they become acclimated to their roles.

The Growing Popularity of Quitting

Quiet quitting refers to workers only doing what their job descriptions entail without going above and beyond. On the other hand, quick quitting pertains to workers outright leaving their jobs after a short period of time—generally, less than 12 months.

LinkedIn’s Workforce Report found that a rising proportion of U.S. workers are leaving their jobs after only being with an organization for less than one year, contributing to higher short tenure rates (STRs). This trend has impacted some industries more than others. Namely, the report revealed that changes in year-over-year STRs in August 2022 were particularly high among sectors such as technology, information and media (10.48%); administrative and supportive services (8.87%); and financial services (5.62%). Yet, it’s important to note that while some sectors have experienced increases in their STRs, others have encountered decreases.

Employer Considerations

An employee’s first 90 days on the job are traditionally the most critical when it comes to retention, and they have become even more valuable amid the quick quitting trend. To increase employee retention, especially during workers’ first few months on the job, employers can consider the following tips:

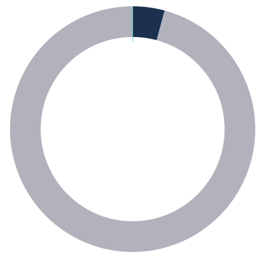
- **Ensure structured onboarding and orientation processes.** It’s vital to help new hires understand that what they will do matters to the organization and that their performance will make a difference.
- **Start onboarding before the first day.** To ensure a solid first impression, contact new hires before their first official day. A personalized introduction can help employees feel welcomed, so managers should gather those details early on.
- **Provide recognition.** A formal reward or recognition program is a simple but effective way to express to employees that they are doing a good job. Employees who feel they’re doing well at their jobs are less likely to leave their positions.
- **Invest in career growth.** With many workers reevaluating their career goals and paths, it’s vital to invest in employees by expanding learning and development opportunities. Doing so will enhance workers’ skill levels by offering them a chance to enrich their careers via upward mobility.
- **Foster a sense of belonging.** Social belonging is a fundamental human need—one that naturally extends to the workplace. The goal is to build trust and respect while welcoming new hires to the team. The more welcome employees feel, the more likely they will stick around.

Workers’ first few months are critical for retention, so employers should ensure they have structured processes in place to bolster employee communication and engagement. This matters even more as workers assess their new jobs quickly and feel confident enough to leave their positions after a short period of time.

WORKPLACE OUTLOOK

Each month, the BLS surveys businesses and government agencies and publishes the data from the previous month's findings. This information offers a snapshot of the country's current employment health and growth. Below is the data for November 2022 (the most recent month available).

Unemployment rate*:



3.7%

Total nonfarm payroll employment:**

+263,000

Primary job gains:
Leisure and hospitality, health care, government and other services

Leisure and hospitality:

+88,000

Health care:

+45,000

Government:

+42,000

Other services:

+24,000

*The BLS does not count furloughed individuals as "unemployed."

**Nonfarm: This category refers to goods, construction and manufacturing companies in the United States.
Data in this category excludes farm workers, private employees and nonprofit organizations.

Source: Bureau of Labor Statistics