

ATTRACTION & RETENTION

QUARTERLY NEWSLETTER

4th QUARTER 2023

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Labor Market Moderates as 2023 Continues

Recent data and economic indicators indicate that the labor market is easing without major layoffs and wage dips. Many employers are shifting their focus to retaining talented employees instead of searching for external sources of growth.

The U.S. Bureau of Labor Statistics' (BLS) Job Openings and Labor Turnover Survey revealed that the number of job openings decreased to 8.8 million in July. This is the lowest level recorded in nearly two and a half years. Economists expected 9.465 million job openings in July, according to a poll by Reuters. Total employee quits decreased in July, dropping to 3.5 million, although the rate change was marginal at 2.3%.

The number of job openings is viewed as an indication of the strength of the labor market and the broader economy. The largest decreases were in these sectors: professional and business services, health care and social assistance, and state and local government, excluding education and federal government. Job openings increased in information and transportation, warehousing and utilities. The labor market has remained resilient despite multiple rate hikes from the Federal Reserve (Fed) that began in March 2022. However, experts warned that the unemployment rate could increase as the Fed decides whether to adjust policy rates further.

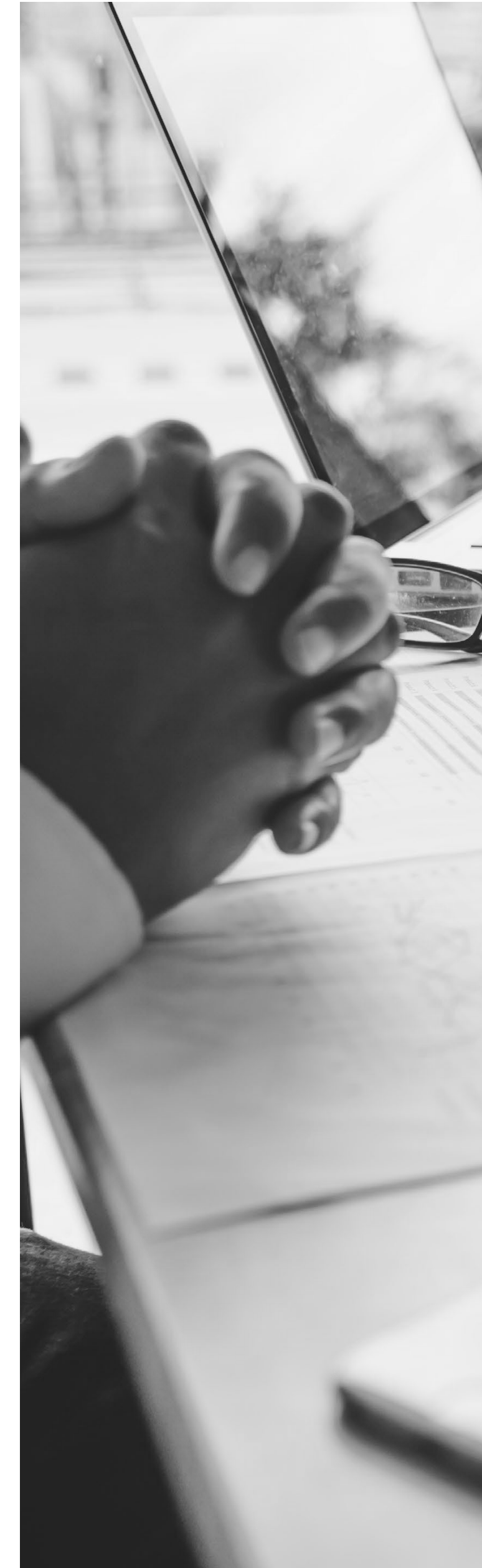
Further data from the BLS provides a look at employment in the country. The BLS' jobs report revealed that U.S. employers added 187,000 nonfarm jobs in August, surpassing expectations. The latest number of added jobs was above July's revised gain of 157,000 jobs and the Bloomberg estimate of 168,000 jobs to

be added during the month. The number of added jobs in August was significantly less than the average monthly gain of 271,000 over the prior 12 months, indicating that the rate of job growth has begun to slow. The largest gains were in health care, leisure and hospitality, social assistance and construction.

The unemployment rate rose from 3.5% in July to 3.8% in August—the highest since February 2022, but still low by historical standards. The number of unemployed individuals rose by 514,000 to 6.4 million. The labor force participation rate rose by 0.2 of a percentage point to 62.8% after being flat since March. This marks the highest level since February 2020, before the COVID-19 pandemic declaration. Multiple cross-currents made August's jobs report more complicated than previous months' reports, with the highest number of new entrants joining the job market since 2019. However, a larger labor supply has helped ease the tight labor market and put downward pressure on wages and salary increases since there's less competition among employers for candidates.

Employer Takeaway

Savvy employers will continually monitor employment trends to stay competitive in today's evolving market. Popular employment trends that employers should stay aware of include employee wellness, skills-based hiring, pay transparency and Generation Z worker attraction. These trends all highlight factors that are key in 2023 to attract and retain the workers an organization needs to be successful. As the labor market moderates, employers should stay tuned to the current status of the labor market and what trends impact how they can tangibly put together successful talent strategies.



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Employee Wellness as a Recruitment Factor

Mental health remains a top issue today, with many workers battling stress, anxiety and other mental health conditions in their personal and work lives. When employees' well-being is thriving, they often take fewer sick days, increase their job performance, manage stress better and experience less burnout, all of which directly impact organizations. Therefore, employers can yield positive benefits, including strong attraction and retention rates, by offering programs and resources that enhance employee wellness.

Forward-thinking employers can understand and leverage workers' desires to attract and retain more employees. Consider the following key findings:

- More than three-quarters (87%) of employees considered wellness and well-being when choosing an employer, according to a study conducted by Workforce Magazine.
- Nearly half (45%) of employees working at small to medium-sized companies said they would stay at their jobs longer because of employer-sponsored wellness programs, according to the Principal Financial Well-Being Index.

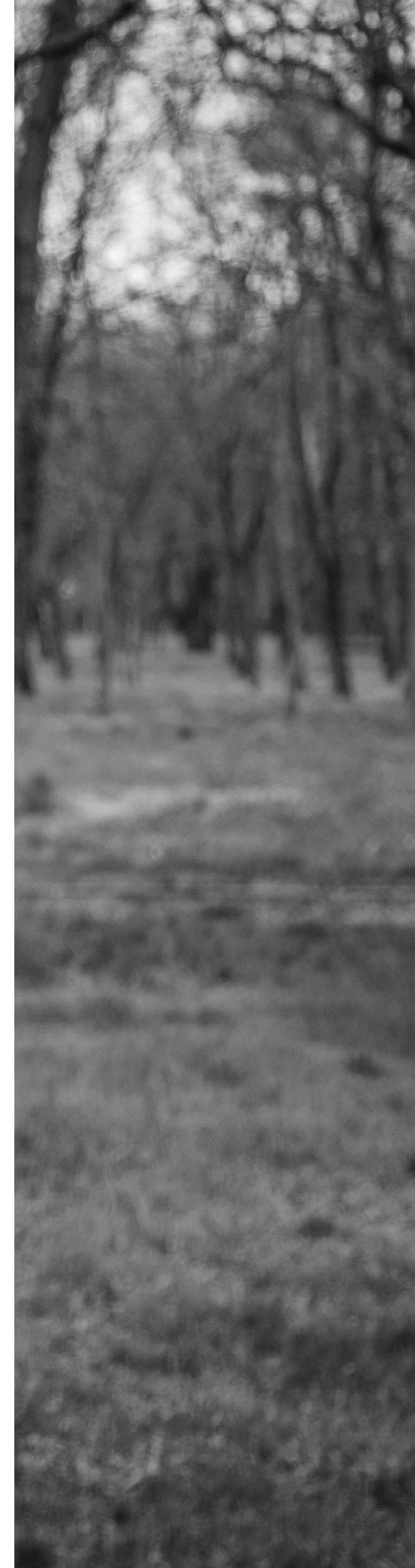
Furthermore, a 2023 study by mindfulness app Calm found that for every \$1 invested in employees' mental health, employers can save \$2-\$4 on other expenses, such as health care costs—that's a win-win in today's economic climate.

Employer Takeaways

Organizations can start by evaluating their current wellness initiatives and brainstorming ways to improve them. To ensure offerings and investments resonate with the workforce, it may be beneficial to survey employees first and see what they find most valuable and necessary for their overall well-being before implementing new programs.

Employee mental health is more important than ever before, and employers are uniquely poised to offer resources and support their current and prospective employees.

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Winning Over Generation Z

Generation Z (Gen Z) accounts for a growing percentage of the global workforce. According to Pew Research Center, they are also more ethnically and racially diverse than any previous generation. For employers, this makes meeting the needs and wants of Gen Z workers a unique challenge, with significant pay-offs in the form of improved attraction and retention.

What Gen Z Wants

Gen Zers want to feel safe being their true selves at work; this includes the ability to express their values and personal identities. They also want to see their values reflected in their employer. For Gen Z, this may mean choosing to work for organizations with similar values over higher-paying positions. In fact, Gen Z workers value salary less than every other working generation, although it's still the most important determining factor when deciding on a job. Other values that Gen Z wants to see reflected by their employer include honesty, transparency (e.g., pay transparency) and work-life balance, including mental health initiatives and job flexibility.

Retaining Gen Z

Employers who embrace the needs and desires of Gen Z employees may experience improved retention, loyalty and satisfaction from this demographic. Consider the following initiatives to attract and retain Gen Z workers:

- **Prioritize mental health.** Organizations can create a positive mental health culture by making mental health resources and programs readily available, training managers to be empathetic, reducing meetings and encouraging employees to take vacation time. This can lessen employee burnout and stress, which can increase productivity and engagement.

- **Allow flexible work options.** Gen Z employees tend to look for jobs that fit their life, not the other way around. They seek jobs that focus on employees as people and encourage work-life balance.
- **Provide career development opportunities.** Younger workers highly value professional growth and learning opportunities. Employers can cater to this need by prioritizing internal promotions and creating mentorship programs to foster interpersonal relationships and development opportunities among employees.
- **Encourage connection.** Employers should encourage relationship building in their organizations by creating employee resource groups among individuals with similar backgrounds, hosting informal gatherings (e.g., picnics or companywide softball games), and promoting collaboration, communication and inclusion.
- **Establish pay transparency.** Gen Z and millennial workers value transparency because it holds employers accountable for providing similar wages for similar roles, builds trust and helps them easily see if they are being compensated fairly.

Employer Takeaways

Like every other demographic, Gen Z workers have unique expectations for their employers. Employers who can understand and capitalize upon the expectations and desires of this talented young generation may experience improved attraction and retention of Gen Zers.

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WORKPLACE OUTLOOK

The BLS surveys businesses and government agencies each month and publishes the data from the findings the following month. This information offers a snapshot of the country's employment health and growth. Below is the data for August 2023, the most recent month available.

Unemployment rate*:



Total nonfarm payroll employment:**

**+187,000
new jobs**

Primary job gains:

Health care, leisure and hospitality, social assistance, construction, and transportation and warehousing.

**Health care:
+71,000**

**Leisure and hospitality:
+40,000**

**Social assistance:
+26,000**

**Construction:
+22,000**

**Professional and business services:
+19,000**

*The BLS does not count furloughed individuals as "unemployed."
**Nonfarm: goods, construction and manufacturing companies in the United States. The data excludes farm workers, private employees and nonprofit organizations.
Source: Bureau of Labor Statistics

**WORKPLACE
OUTLOOK**

