

ATTRACTION & RETENTION

QUARTERLY NEWSLETTER

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Labor Market Cools, But Remains Competitive

Recent economic indicators and data reveal that the labor market is starting to cool down from the historical heights experienced in the last couple of years. However, the labor landscape is still highly competitive compared to pre-pandemic standards as employers work to attract and retain today's top talent.

The U.S. Bureau of Labor Statistics (BLS) April [job openings and turnover report](#) revealed an unexpected 10.1 million job openings in April—compared with a revised 9.745 million in March—following three months of decline. Economists were expecting 9.375 million job openings in April, according to consensus estimates from Refinitiv, a financial solutions provider. Monthly job openings have dropped from the record of 12 million in March 2022 but remain well above the pre-pandemic benchmark of 7 million.

The number of job openings is viewed as an indication of the strength of the labor market and the broader economy. The largest increases in job openings were in these sectors: retail trade; health care and social assistance; and transportation, warehousing and utilities. The resilient labor market data could prompt the Federal Reserve (Fed) to hike interest rates again in June, given the continued strong employment data. Further data from the BLS also sheds new light on employment in the country. The May jobs report uncovered that U.S. employers added 339,000 nonfarm jobs in May, surpassing expectations. The latest number of added jobs was above April's revised gains of 294,000 jobs and the Dow Jones estimate of 190,000 jobs to be added during the month. Job growth has remained positive now for 29 consecutive months. The largest gains were in professional and business services,

which added 64,000 jobs. Government, health care, construction, transportation and warehousing, and social assistance also experienced gains.

The unemployment rate rose from 3.5% in April to 3.7% in May—the highest since October 2022 and near its lowest level since 1969. Experts expected the unemployment rate to stay at 3.5% in May. The number of unemployed individuals rose by 440,000 to 6.1 million in May. The labor force participation rate was unchanged at 62.6%, while the employment-population ratio was little changed at 60.3%. A larger labor supply helps ease a tight labor market and puts downward pressure on wages since there's less competition among employers for candidates.

Employer Takeaway

These recent labor reports indicate that the job market continues to be stronger and more resilient than expected. The demand for labor is still strong, indicating that employers' struggles to attract and retain workers will likely continue for the foreseeable future. Savvy employers will continually monitor employment trends to stay competitive in today's evolving market.

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Using Mentorship to Bolster Employee Retention

Employees are one of an organization's most valuable assets, but most workers looking to grow will search for new opportunities outside their current companies. According to a recent study by the University of Phoenix, more than half of surveyed employees were looking for a new job or expected to be looking for a new job in the next six months. Insufficient growth opportunities and inadequate support were the most common reasons employees searched for new jobs. One-third (34%) of surveyed respondents said a lack of mentorship, advocacy or professional networking had stunted their career development. Further confirming the power of mentorship, a study by HR consulting firm Randstad found that employees were 49% less likely to leave companies with mentoring programs. All these studies indicate that mentoring can be a simple and cost-effective way to boost employee retention.

Understanding Mentorship

Workplace mentorship describes the relationship between mentor and mentee, in which a mentor provides guidance and professional advice to encourage a mentee's growth, education and professional development. Successful mentorship relationships are beneficial to both parties as well as the organization.

Effective mentorship programs encourage employees to learn, grow and collaborate. This helps create an inclusive culture and promotes strong interpersonal relationships among co-workers. In addition, these programs show employees that their employers value their career advancement and professional growth.

Leveraging Mentorship for Retention

Employees are increasingly looking to their employers for growth and development opportunities. Organizations that show employees they care about their development are likely to have a more engaged workforce that searches for career advancement opportunities within their organization.

Mentorship programs can boost employee retention by:

- Creating a safe space for open discussion
- Providing professional support
- Promoting strong interpersonal relationships
- Developing a sense of control over one's career path
- Providing an avenue for personal and professional growth
- Encouraging the development of both hard and soft skills
- Fostering a positive workplace culture
- Contributing to increased engagement, productivity and job satisfaction
- Boosting motivation
- Promoting internal mobility

Organizations that create and support successful mentorship programs for their employees will likely see increased employee motivation and less employee turnover, reducing costs and helping foster a knowledgeable, loyal employee base.

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Pay Transparency

Pay transparency is the practice of an employer openly communicating pay-related information through established practices to current or prospective employees. Employers can provide this information through various channels, such as online job sites, job postings or during an interview. As a result of changing labor markets, more employees are demanding pay transparency. Further, some jurisdictions now require employers to share pay information, meaning that this trend is impacting more employers.

Not only are more states and jurisdictions requiring pay transparency, but employee demand for pay information is also on the rise. The tight labor market has led employees to make new demands, such as remote working arrangements and enhanced benefits—and pay transparency. Employees value transparency because it holds employers accountable for providing similar wages for similar roles, builds trust and helps employees easily see if they are being compensated fairly.

The 2022 Pay Transparency Pulse Report from Visier, a software solutions company, found that the most important factor employees consider when deciding whether to apply for a job is their estimated compensation. Further, 11% of candidates will not apply or interview for a role without knowing the salary band, and 50% have completely abandoned an application or interview process because the pay did not meet their expectations once the employer revealed it. Salary information is important to job applicants because they want fair pay—competitive with the marketplace and in line with what they contribute—and to avoid applying and interviewing for jobs they ultimately won't accept due to insufficient pay. Applicants also see pay transparency as a way to develop trust with their potential employer at the outset of the employment relationship.

Employer Takeaways

While pay transparency may sound like another average consideration for employers to worry about, it's a great opportunity for them to cultivate trust with their current or prospective employees. Even if employers do not compensate employees more than their competitors, simply taking the time to discuss pay with employees and candidates can help build trust. This small change has the potential to help employers to build and strengthen employee relationships.

Employers must consider the applicable rules and regulations for pay transparency in their jurisdiction. However, even if an employer is in a jurisdiction that does not require pay transparency, it may be beneficial to provide pay-related information since employees and applicants are more frequently demanding it, making it an attractive feature. To meet employee desires, employers may consider implementing pay transparency practices, such as publishing pay scales for their open positions or hosting informational training sessions on pay-related topics.

Additionally, organizations that provide pay transparency information tend to receive more applicants. By disclosing salary information and ranges to applicants, employers can save time and money in the recruiting process by ensuring candidates don't reject job offers due to insufficient pay. Pay transparency is rising on the list of employees' demands, and employers should consider preparing to provide it.

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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 May 2023, the most recent month available.

Unemployment rate*:



Total nonfarm** payroll employment:

+339,000
new jobs

Primary job gains:

Professional and business services, government employment, health care, leisure and hospitality, construction, transportation and warehousing, and social assistance

Professional and business services:

+64,000

Government employment:

+56,000

Health care:

+52,000

Leisure and hospitality:

+48,000

Construction:

+25,000

Transportation and warehousing:

+24,000

Social assistance:

+22,000

*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

