

2016



human resources **workplace trends guide**

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***People** are the key factor linking innovation, competitiveness and growth for companies today. But securing top talent is getting more complex and challenging, with U.S. companies citing it as the second largest threat to meeting their business performance targets.*

Based on a survey of more than 2,000 hiring decision-makers conducted for Randstad, the 2016 Workplace Trends Guide offers a close-up view of specific talent challenges, their impact on the bottom line and insights for addressing current issues and opportunities.

recruitment effectiveness

- Skills and talent shortage
- Job vacancies — how long is too long?
- Recruiting resources
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turnover & retention

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workforce outlook

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- Tapping into technology
- Branding the employee experience
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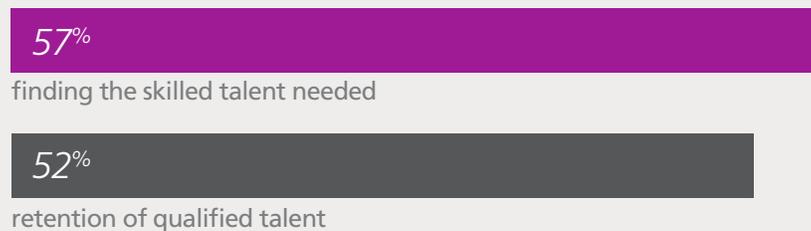
The growing influence of talent

HR leaders weigh in on the biggest threats to meeting revenue or business performance targets in 2016:

Top external factors



Top internal factors



The evidence is clear. The need for quality talent remains high, and organizations across the globe now recognize the need to fight for the best candidates. While business leaders cope with competitive pressure, digital innovation, regulatory issues and cost efficiency, they also cite a scarcity of skilled talent and their abilities to source and successfully recruit that talent as threats to business performance.





A new set of challenges

No one is more aware of the magnitude of talent management than HR decision-makers. In fact, this year's study found that hiring and retaining the right professionals with the necessary skill sets to achieve business objectives is the greatest challenge faced today. Meanwhile, the survey findings highlight many of the long-standing challenges continue to threaten their success, including:

- recruitment effectiveness and hiring accuracy
- high turnover
- workforce outlook and the next generation of talent

However, alongside these ongoing struggles are new-age disruptions that pose their own unique challenges and opportunities. The rapid adoption and evolution of new HR technologies and online platforms afford tremendous opportunity for improving talent management strategies.

The greatest obstacles HR leaders and teams face today:

- 1. Hiring and retaining the right professionals with the necessary skill sets to achieve business objectives**
- 2. Having sufficient staff to manage the workload**
- 3. Having a clear vision from leadership or a solid strategy in place**

***70%** of HR leaders surveyed report it is taking more time to find and hire the right talent than it was one year ago.*



Aligning HR strategy with business strategy

The right talent, the right structure and the right culture are essential to an organization's strategy. But talent strategy and human capital investments are not always top of mind nor measured to everyone's satisfaction. There is often a gap between the "languages" spoken by executive teams and HR leaders due to differences in the information and metrics they use to support business decisions. Some are valid, given the differences in scope and responsibilities; however, there are opportunities to close other gaps for the benefit of the company and the effectiveness of HR programs.

At many companies, HR plays catch-up after strategic business and budget planning is done. HR business partners should instead be involved during initial planning to assess talent programs needed to execute the company's strategy.

HR leaders should align goals by leveraging business intelligence to express the benefits of how investing in human capital and how a more productive and engaged workforce can positively impact the bottom line.

Tips for becoming a trusted advisor

- Verify what HR metrics matter for your company. For example, determine the ideal balance between time-to-fill and quality of hire, whether customer experience is a value or core part of strategy, if retirement risk and management ratios are important, etc.
- Be prepared, listen and ask questions that relate to the business strategy. Lead, budget and implement targeted HR initiatives that support those objectives.
- Determine how to best demonstrate ROI on HR projects. If something isn't measurable in the traditional sense, be prepared to speak concisely to the benefits of a well-defined culture and targeted programs that support the business' long-term strategy (e.g. onboarding, employer branding, engagement, diversity, recognition, technology, etc.).



*recruitment
effectiveness*





Skills and talent shortage

Backfilling existing positions vacant due to turnover, in addition to selecting candidates for new positions to support growth objectives, are proving to be difficult endeavors for most HR professionals. For some positions, the difficulty is higher. Our study found that the most difficult roles to fill for companies today are executive leadership, sales and marketing roles and IT positions.

The majority of HR leaders say their companies are struggling to recruit right-fit talent:

“When positions become available at my organization, we struggle to find people whose skills match the job requirements.”



75%

“Compared to last year, it is taking more time to find the right talent to fill positions.”



70%

“When positions become available at my organization, we struggle to find people who are a good cultural fit for the department or company.”



65%

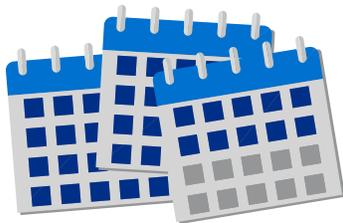


Job vacancies — how long is too long?

Perhaps the greatest challenge on the horizon for companies is filling vacant positions and decreasing the time-to-fill for those positions. On average, the leaders surveyed report they are currently understaffed by 12 percent. It takes an average of 65 days to fill non-executive, direct hire positions and 124 days for executive-level positions.

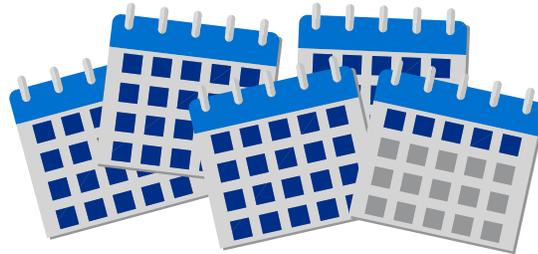
2.2 months

Non-executive positions



4.1 months

Executive positions



Lengthy and abundant job vacancies can spell big trouble for companies and demonstrate why business leaders report talent shortages have a significant impact on their companies' productivity.



Recruiting resources

What strategies are companies deploying in order to shorten the time it takes to find talent and improve their recruitment efforts? While employers are focused on expanding their range of recruitment channels as a way to improve efforts, most named “staffing/recruiting companies” as the top method for recruiting talent. When asked to identify their most *effective* recruiting method, staffing/recruitment companies ranked the highest.

In addition to working with a staffing partner, the increasing availability and capabilities of digital tools for talent management also give companies an opportunity to improve recruiting, screening and other aspects of the employment life cycle.

Measures HR leaders have taken to improve recruitment:

using a wider range of recruitment channels (i.e., social media, etc.)



57%

offering higher salaries



36%

developing relationships at local colleges and universities



34%

offering more training and development to potential new hires



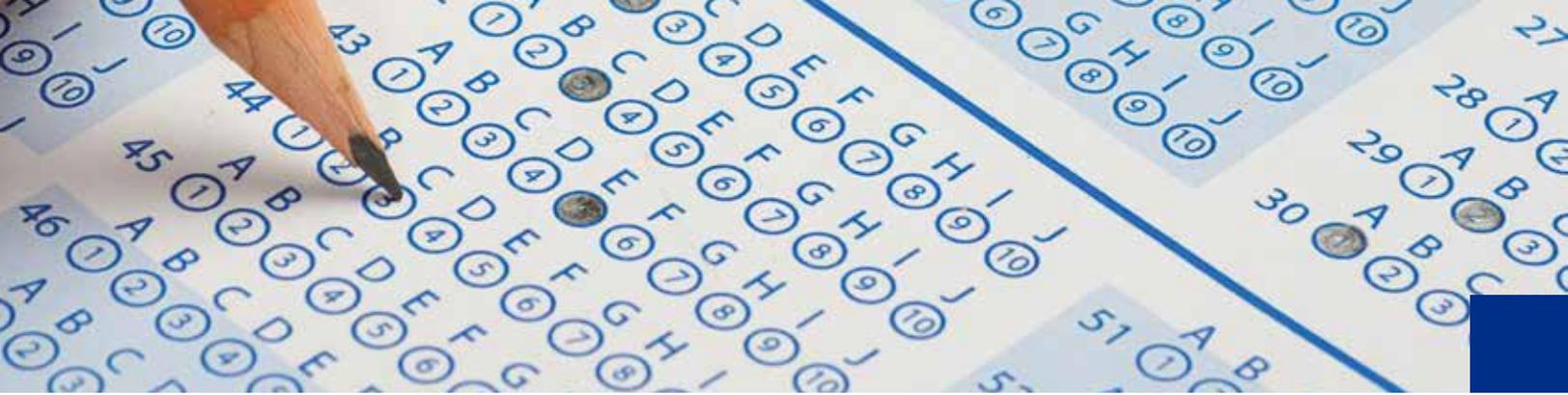
18%

*Which recruiting methods do you think are **most effective**?*

#1 staffing/recruiting company

#2 traditional job boards

#3 LinkedIn



Hiring accuracy

HR teams increasingly leverage data and analytics to bring greater accuracy, efficiency and predictability to the hiring process. As employers continue to struggle with turnover, open positions and costly vacancies, they simply cannot afford to take an uneducated guess on whether a job candidate will ultimately meet expectations.

While skills assessments are a proven method of gauging whether a candidate is a match — from technical and communication skills to work ethic and cultural fit — roughly six in ten (58%) HR decision-makers reported they are not currently using skills assessments. Meanwhile, the overwhelming majority of companies currently using skills assessments say they are critical to their hiring processes.

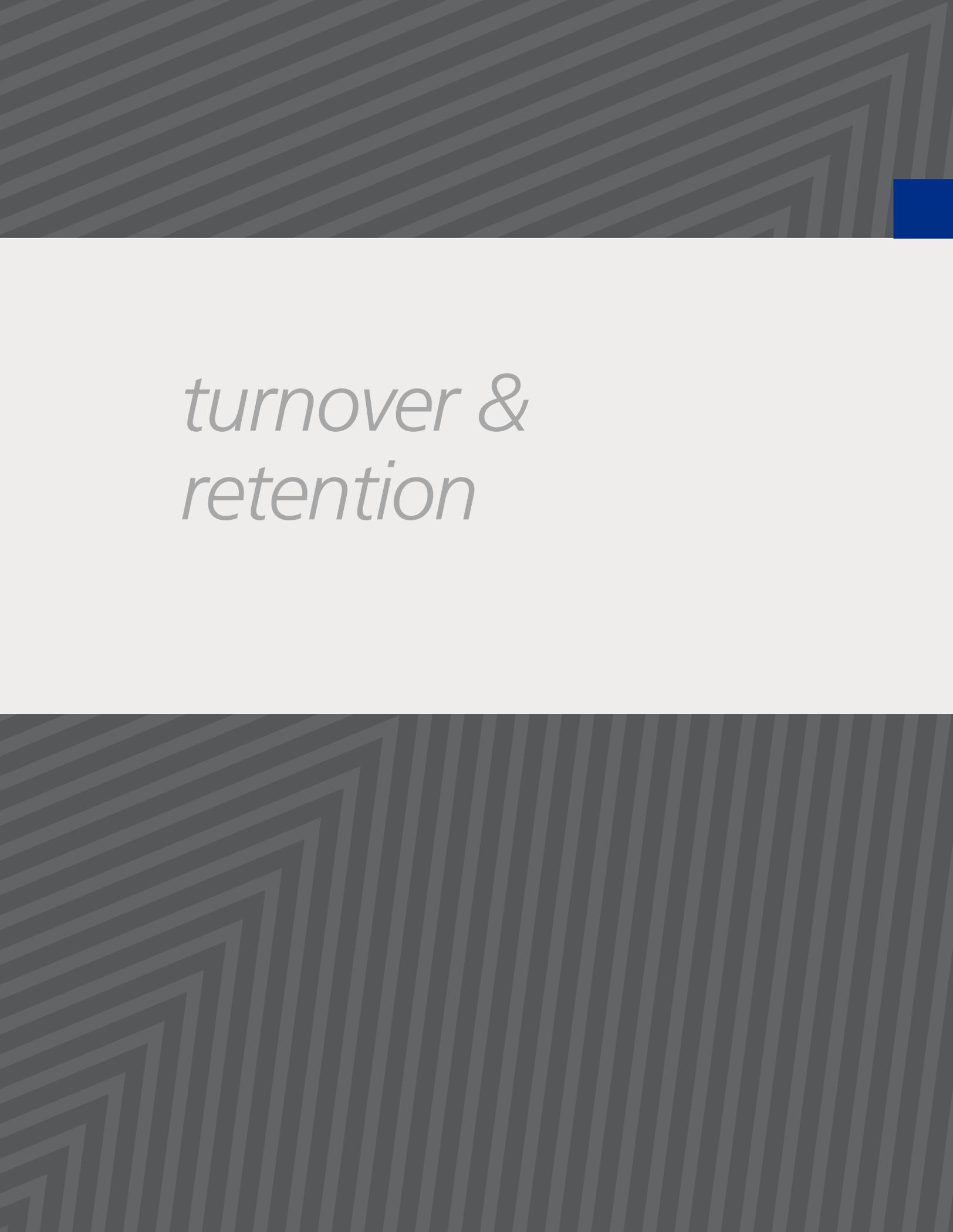
Given that relevant on-the-job experience was reported as the most common area where job candidates tend to be lacking, there are ways to verify whether a candidate truly has the necessary work experience. Because the art of interviewing and resume writing can be mastered, hiring managers must be able to pull back the layers and get to the heart of a candidate's experience to determine whether the individual will be a good fit for the job. For example, if a candidate frequently refers to team accomplishments while discussing his/her experience, the hiring manager should continue probing to get a better gauge on the candidate's role specifically on those projects.

83% of HR leaders that use skills assessments say the tools are critical to the hiring process.

Areas in which job candidates tend to be most lacking:

- #1** relevant on-the-job experience
- #2** work ethic
- #3** years of experience in the field
- #4** soft skills (i.e., communication, teamwork)
- #5** knowledge of the industry/sector





*turnover &
retention*

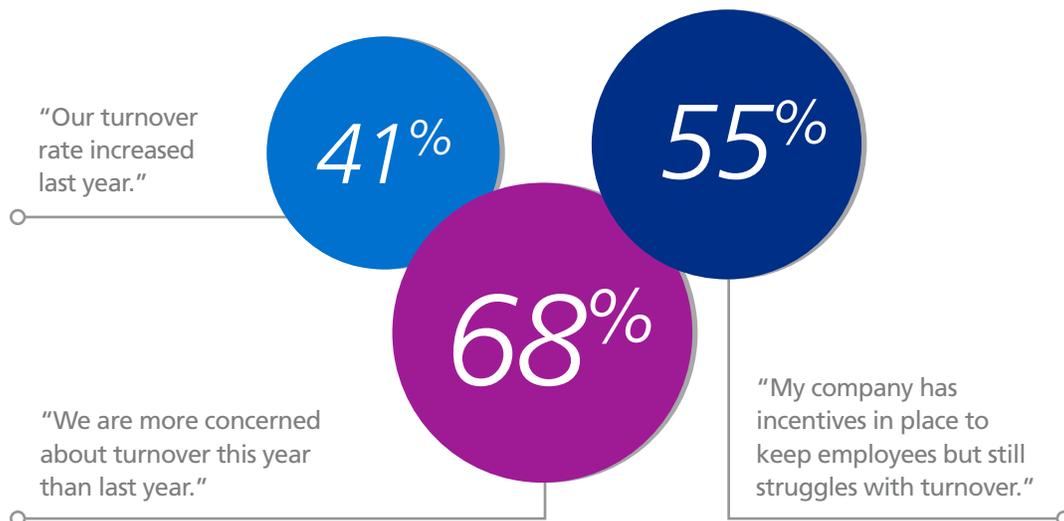


Hold on tight

Beyond finding the qualified talent needed in order to grow and achieve business objectives, retaining high-performing employees continues to be a challenge for most companies. Nearly half of HR decision-makers surveyed report that their companies experienced an increase in turnover in 2015, and the vast majority (68%) is more concerned about expected turnover in 2016.

In a competitive market where simply finding qualified professionals is difficult, HR professionals and hiring managers alike must proactively work to prevent turnover.

HR decision-makers surveyed that somewhat or strongly agreed:





Get ready for the wage wars

One of the most universal talent issues in 2016 will be the continued pressure on wages and compensation. Companies recognize that their employees are being recruited by competitors, and prudent business leaders realize that proactively addressing compensation may be their best chance at reducing turnover and retaining their best people.

While HR decision-makers acknowledge that wage increases can greatly improve some of the biggest (and costliest) HR challenges, the U.S. market has seen little upward movement in salaries among most occupations and sectors. In fact, the reality is that average inflation-adjusted wages have barely budged in the past five years, rising only 2.2 percent year-over-year.¹ This has allowed companies to contain costs and regain capital, but the increasing turnover rates and recruiting difficulties can be directly attributed to the absence of wage growth.

Top reasons for companies' increasing turnover rates:

#1 talent being recruited by competitors

#2 lack of wage increases

Top reasons for employees' decisions to leave:

#1 received a better offer elsewhere (better pay, benefits)

#2 do not feel supported by management

Strategies believed to be most effective at decreasing turnover rates:



47%

salary increases



42%

opportunities for advancement



31%

comprehensive medical and dental benefits



Money talks, but are we listening?



Even with the low U.S. unemployment rate and robust new job creation, wages among the companies surveyed have remained largely stagnant over the past year. But trends indicate that employers will soon need to address compensation levels for qualified talent.

U.S. companies are likely to increase base pay for HR professionals, regardless of function or level, by an average of three percent in 2016.² Experienced professionals with specific skill sets are commanding larger increases, as demand outweighs supply in many sectors.

Of the companies that reported salaries are higher than they were one year ago:





The bottom line: sample business case

Company A

Profile

- Number of employees: 1,000
- Average salary: \$45,000
- Current turnover rate: 15%
- Number of open positions: 79

Cost of annual turnover:
\$2.4 million

- 150 x \$16,000 (average cost to replace employee)

Cost of vacancies:
\$2.9 million

- Average number of open positions x the average cost of one unfilled position for 2.5 months*

Company A raises salaries of existing and open positions by 10 percent. **Total investment: \$675,000**

Company A: *after salary increases*

Profile

- Number of employees: 1,039
- Average salary: \$49,500
- Current turnover rate: 10% (reduced turnover rate by 5%)
- Number of open positions: 39 (filled half of vacant positions)

Cost of annual turnover:
\$1.6 million

- 104 x \$16,000 (average cost to replace employee)

Cost of vacancies:
\$1.4 million

- Average number of open positions x the average cost of one unfilled position for 2.5 months*

Company A

\$1.6 million in cost savings

plus increased employee satisfaction, engagement and retention

*based on average cost of unfilled position per day: \$500³



Company B

Profile

- Number of employees: 1,000
- Average salary: \$45,000
- Current turnover rate: 15%
- Number of open positions: 79

Cost of annual turnover:
\$2.4 million

- 150 x \$16,000 (average cost to replace employee)

Cost of vacancies:
\$2.9 million

- Average number of open positions x the average cost of one unfilled position for 2.5 months*

Company B keeps salaries at the same level and has no increase in salary costs.

Company B: no salary increases

Profile

- Number of employees: 962 (38 employees took higher paying jobs with Company A)
- Average salary: \$45,000
- Current turnover rate: 17% (turnover rate increased 2%)
- Number of open positions: 114

Cost of annual turnover:
\$2.6 million

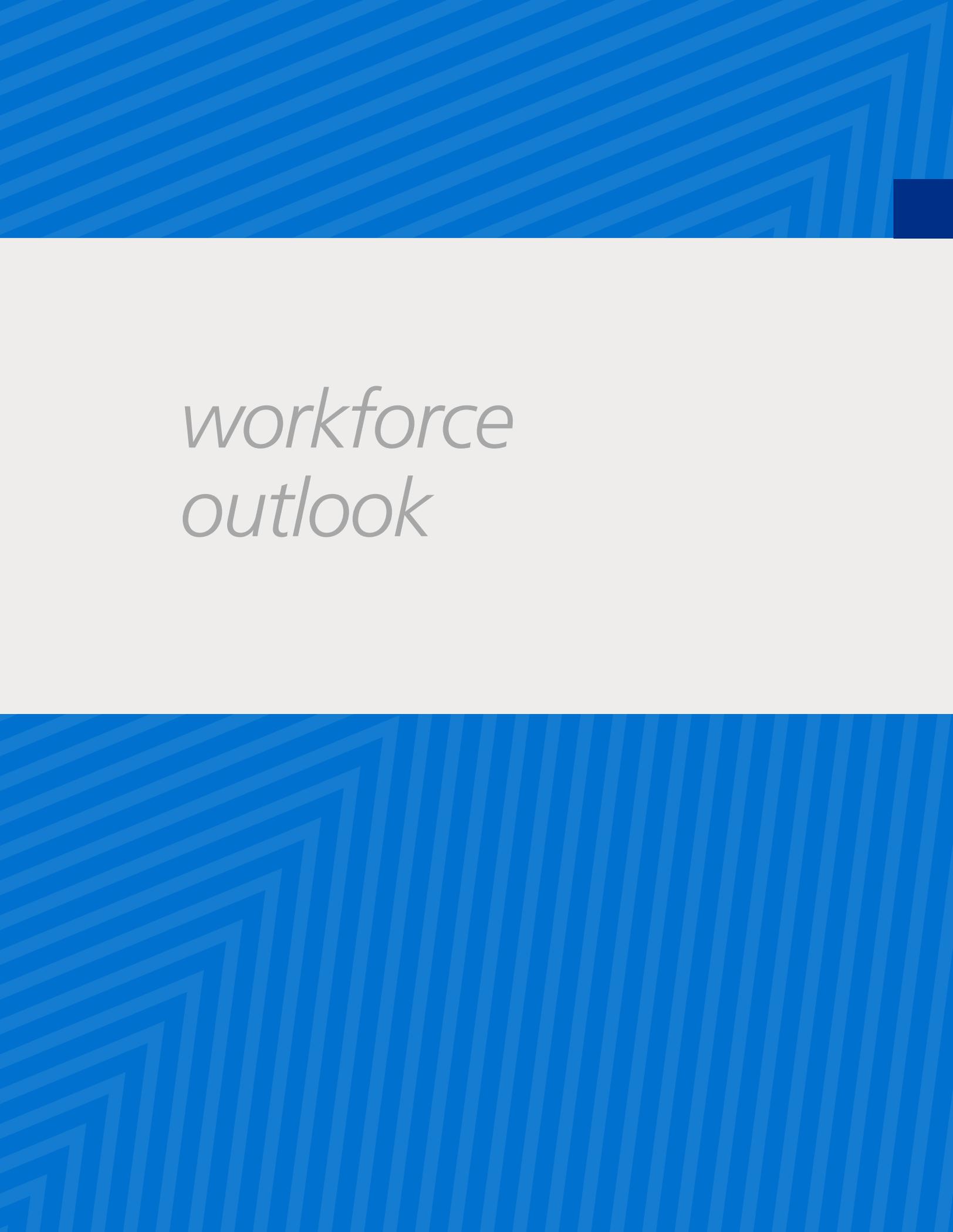
- 163 x \$16,000 (average cost to replace employee)

Cost of vacancies:
\$4.2 million

- Average number of open positions x the average cost of one unfilled position for 2.5 months*

Company B

\$1.5 million increase in costs

The background of the page is a blue geometric pattern consisting of multiple overlapping, parallel lines that form a series of nested, right-angled shapes, creating a sense of depth and movement. The pattern is most prominent in the top and bottom sections of the page, with a white central area where the text is located.

*workforce
outlook*



Spotlight on succession planning

25% of HR decision-makers named “lack of leadership succession” among the most challenging internal factors that could hinder the ability to meet revenue or business performance targets.

It’s not surprising that executive talent and leadership positions are the most difficult for companies to fill. It is interesting, however, that business leaders across industries named uncertainty around “company leadership or vision” among the top concerns that keeps them up at night. As a result, succession planning and next generation leadership development will take center stage in 2016 and beyond.

Next year, more than 3.6 million Baby Boomers are expected to retire and more than one-fourth of Millennial workers will enter into management roles. Despite the concern over lack of leadership, two-thirds of U.S. public and private companies admit they have no formal succession plan in place.⁴

In a tight labor market, the lack of a succession strategy leaves a company incredibly vulnerable. Exiting employees, regardless of level, take with them a wealth of knowledge and hands-on experience that takes time to rebuild in a new candidate. Strong succession programs identify and foster the next generation of managers and leaders through mentoring, training and stretch assignments, so they are ready to take the helm when the time comes.

Developing talent: *is your company on the right track?*



Leadership development takes time. Is succession planning a priority today?



Do your recruitment efforts actively identify candidates that have potential to step into management and leadership roles?



Are you measuring the success of current development programs?



Adapt to a Millennial workplace

This year's Workplace Trends Study reveals that many companies are struggling to find hardworking talent. According to HR decision-makers, work ethic is the second most common area in which job candidates are lacking, closely behind relevant on-the-job experience. This leads to a much larger issue — the generational divide.

By 2020, Millennials will make up 50 percent of the workforce, and that number will likely reach 75 percent by 2025.⁵ Most business leaders would agree that the influx of Millennials has contributed to changes in what we now consider a typical work environment. And while it's more important to understand the individual rather than the generation, managers who are aware of the common generational differences and embrace those qualities are much more likely to enjoy an engaged team.

As so many aspects of the workplace are being redefined, it may be time to consider that Millennials simply define work ethic very differently than those of generations before them. The reality is that many of these workers have specific expectations and desires about the workplace. Companies that recognize this and proactively work to address these differences in a positive way stand the best chance for success, while those ignoring it do so at their own peril.

What do Millennials want?



Millennials expect to work for 4 to 5 companies in their lifetime.



More money and more opportunity for advancement are their top incentives to work harder and stay longer.



68% of Millennials say corporate social responsibility is important to them.



Honesty is the most important quality in a good leader, followed by exhibiting a solid vision.*

**data from global survey*

Randstad US & Millennial Branding: Gen Y vs. Gen Z Workplace Expectations Study⁶

Only 57% of companies surveyed make an effort to tailor retention programs to the specific needs/preferences of different generations of workers.



Tapping into technology

Companies face a number of obstacles when building successful teams, from intensifying competition and a widespread shortage of qualified talent to greater pressure to do more with less. As such, they need every advantage to build a strong talent pipeline, retain top performers and improve overall business performance.

The increasing availability and capabilities of digital tools for talent management give HR teams an opportunity to improve recruiting and screening, among other aspects of the employment life cycle. Companies that move quickly to integrate those technologies and use them in a strategic way increase revenue and productivity by up to nine percent and lower talent and HR costs by up to seven percent, according to a recent McKinsey Global Institute report.⁷

But online recruiting platforms are also giving employees new mobility — and handing competitors new tools for poaching top performers. To win in the war for talent, companies must leverage digital platforms to source and recruit candidates, and then maintain an engaging, rewarding work environment to retain employees.

How does your organization use analytics as part of its talent strategy and workforce planning process?

65%

accurate mapping and addressing of skills gaps

56%

ability to clearly identify high-potential employees for development

55%

better alignment of people and company strategy

54%

increased visibility of talent retention

48%

remuneration and benefits more closely linked to employee performance

Randstad Sourceright 2016 Talent Trends Report⁸



Branding the employee experience

32% of companies surveyed say they have a solid employer brand strategy in place.

As both the workforce and workplace evolve, HR leaders are acutely aware of the need to deploy social and digital strategies for sourcing and recruiting top talent. In the transparent information age, potential employees want to know what it's like to work for a company and seek out employers with a positive reputation as a place to work.

The digital revolution has also heightened the importance of a clear and compelling employer brand, which can deliver the advantage needed to win the loyalty of the best talent in the marketplace. While businesses have long used marketing and branding practices to engender loyalty in customers, there is a compelling desire to mirror those efforts to differentiate organizations and make them attractive from an employee perspective.

The majority of U.S. workers chose "a reputation as a great place to work" as the most important factor in considering a new job.¹⁰ Yet roughly one in three HR decision-makers surveyed (32%) say their organizations have a solid employer brand strategy in place, while 18 percent reported they are working to build a employer brand strategy but do not currently have one in place. Perhaps even more surprising, an additional 18 percent reported their companies have not given much thought to their employer brands.

Most important attributes when choosing an employer:

- #1 salary and benefits**
- #2 long-term job security**
- #3 pleasant working atmosphere**
- #4 good work life balance**
- #5 financially healthy**

Annual Randstad Award survey, the largest independent employer branding study in the world¹¹



A holistic approach to talent

*Compared to previous years, we are as or more committed today to building a variable workforce to allow for greater flexibility.**

*data represents all hiring decision-makers that were asked this question and is not specific to HR

By 2017, contingent workers — including independent contractors, statement-of-work-based labor and freelancers — will account for nearly 45 percent of the world's total workforce.¹² It is also estimated that more than 40 percent of the U.S. workforce will be contingent by the year 2020.¹³ What does this mean for employers? The contingent workforce segment is growing in importance and size.

Many companies are focusing on bringing together people, processes and technologies in a holistic approach to accelerate the growth of their talent capabilities.⁸ A holistic perspective does not view talent as either permanent or contingent. Instead, it approaches all work arrangements as having potential for fulfilling a particular need. This frees the company to tap into all available resources to address a need without the limitations of drawing from only one worker type.

However, significant internal change is often required to adopt the approach. Driving that change requires consensus among all stakeholders, including HR, procurement, the hiring community and business leaders. Structural barriers must be eliminated, and greater sharing of data and insights must occur to enable a free flow of talent.

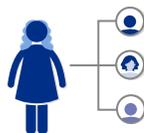
Companies that understand the benefits of contingent workers and how to manage them well, enjoy:



improved operational performance



lower labor costs



informed staffing decisions



more organizational flexibility



stronger alignment between HR strategies and business objectives



about the survey



Throughout this report, the figures represent the findings from a Research Now survey conducted from November to December 2015. For the survey, a sample of 2,004 hiring decision-makers working in a variety of sectors was interviewed, including engineering, finance and accounting, healthcare, human resources, information technology, legal, manufacturing and logistics, office and administration, pharmaceutical and sales and marketing. All sample surveys and polls may be subject to other sources of error including, but not limited to, coverage error and measurement error.



Participant profile

company size by number of employees:

- Less than 50 (18%)
- 50 to 99 (11%)
- 100 to 499 (19%)
- 500 to 999 (11%)
- 1,000 to 2,499 (13%)
- 2,500 to 4,999 (9%)
- 5,000+ (19%)

Human resources hiring decision-makers in this study represented healthcare, banking, manufacturing, retail and telecommunications industries and perform functions within human resources.

About Randstad US

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Employing 5,300 recruiting experts, the company is a top provider of outsourcing, staffing, consulting and workforce solutions within the areas of engineering, finance and accounting, healthcare, human resources, IT, legal, life sciences, manufacturing and logistics, office and administration and sales and marketing. Learn more at www.randstadusa.com and access Randstad's panoramic U.S. thought leadership knowledge center through its Workforce360 site that offers valuable insight into the latest economic indicators and HR trends shaping the world of work.





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