

HR Insights

5 Attraction and Retention Trends to Monitor in 2024

Looking forward to 2024, the labor market is expected to ease somewhat, although employers will likely still struggle to attract and retain talented employees. Skills gaps and high inflation remain challenging, but the influx of Generation Z (Gen Z) workers into the workplace is expected to help shift market conditions in employers' favor. Organizations that focus on learning and development opportunities, transparent practices and competitive compensation may be better equipped to find and keep high-demand workers.

This article explores five attraction and retention trends to watch in 2024 so employers can prepare their strategies for the next year.

1. Labor Market Eases, Remains Competitive

The labor market has eased somewhat from the extremes of the COVID-19 pandemic. Near the end of 2023, the Federal Reserve's (Fed) interest rate hikes finally began to impact the labor market. Job openings were down and the hiring rate declined, indicating a cooling of the labor market. As a result, many employees are choosing to stay with their current employers instead of looking for new opportunities elsewhere. This decreases employers' need to replace departing workers, signifying that the labor market is beginning to shift in employers' favor.

The cooling labor market is expected to cause wage growth cooling, which is central to the Fed's plan to reduce inflation. However, if rates come down in the new year, this could unleash employers' demand for labor and expansion. Consequently, the labor market is expected to remain competitive in 2024 as job-switching remains high.

2. Skills-based Hiring

Finding workers with the desired qualifications is expected to challenge organizations in 2024. According to LinkedIn's 2024 Future State of Hiring and Retention report, on average, 44% of new hires need updated skill sets to fulfill their positions. This highlights employers' struggle to find workers who meet their needs.

As such, many employers are refocusing their hiring efforts on finding employees with the right skills rather than a specific education or experience. This concept is known as skills-based hiring, and it can help employers find skilled candidates for open roles. By recognizing workers' abilities to learn and develop, providing robust learning and growth initiatives and focusing on finding candidates who are an excellent cultural fit, employers can use this hiring method to their advantage.

3. Generation Z

Glassdoor's most recent Workplace Trends report predicted that Gen Z workers would overtake baby boomers in the full-time workforce in 2024. This generation, defined as people born between 1997 and 2012, often have different workforce needs and expectations from previous generations. As a result, employers may need to adapt their strategies to attract and retain this talented demographic. Typically, Gen Z individuals are socially conscious. They also care about company culture, seek social connection, and desire development opportunities and workplace flexibility.

As Gen Z employees comprise a growing percentage of the U.S. workforce, employers may prioritize a company culture that will appeal to these workers. This may include a renewed focus on diversity, equity, inclusion and belonging as well as honest and transparent communication and ways to make employees feel heard.

4. Pay Transparency

Pay transparency became widespread in 2023. In 2024, this practice will continue expanding as savvy employers leverage transparency to attract workers. According to a recent study by ResumeLab, 4 of 5 workers are unlikely to apply to a job that doesn't provide a pay range. Pay transparency is also widely popular among younger generations and can improve an employer's reputation by showing they are committed to compensating employees fairly.

As demands for pay transparency increase, many states are passing legislation requiring organizations to be transparent. Hawaii and Illinois were the most recent to announce pay transparency laws, which will take effect in 2024 and 2025, respectively. Additionally, both Colorado and New York have taken steps to expand pay transparency protections in the coming years. These developing laws will likely challenge employers in 2024, especially those with workers across multiple jurisdictions. Savvy employers will closely monitor evolving legislation in their jurisdiction and where their workers are employed.

5. Keeping Up With Pay

Inflation has risen quickly in recent years, causing the cost of living to outpace many employees' current salaries. Therefore, it's unsurprising that many employers plan to increase wages in 2024. According to LinkedIn's 2024 Future State of Hiring and Retention report, more than half of employers plan to increase their starting salaries in 2024. Many employers are also planning salary increases into their 2024 budgets. The latest Salary Budget Planning Survey by consulting firm Willis Towers Watson found that U.S. employers are planning an average salary increase of 4% for 2024.

Additionally, employers are increasingly offering attractive benefits to improve the employee experience. LinkedIn found that 46% of employers will enhance their compensation packages by adding benefits in 2024. Chief among these desirable benefits were remote work options and flexible work arrangements.

Summary

Employers can remain competitive in an evolving labor market by monitoring employees' current and prospective needs and wants in 2024. As the labor market shifts in employers' favor, organizations can elevate their talent strategies to find and keep more talented workers.

Contact us today for more guidance on these topics and other employee attraction and retention trends.

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