PROUnlimited

U.S. LABOR MARKET REPORT

SPRING 2022

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Methodology

PRO Unlimited's team of industry experts provides actionable intelligence and insights through an impactful assessment of targeted global talent markets. PRO applies proprietary algorithms to aggregate, cleanse and anonymize data across a variety of internal and external data sources, including hundreds of client programs globally to create a cross-client data repository unmatched in the market. PRO manages data on hundreds of thousands of workers annually across 51,000-plus unique roles globally, providing insights on rates, skills premiums, efficiencies, candidate supply/demand, hiring competition, etc. The volume of data ensures normalization without risk of skewed data.

The solution is backed by our multi-industry business rate intelligence platform and global job taxonomy across 160-plus countries and with input from 1,000-plus "Skills Village" compensation experts. This internal data ocean is combined with strategic partnerships that provide further access to industry-leading compensation data. The information is validated with data providers and local market compensation experts to augment our data to ensure current, relevant market indicators that help with data analysis. The intelligence provided empowers in-depth understanding of the competitive environment, talent pool, legal and regulatory impacts, workplace dynamics, and social/political factors as they relate to the global labor market.

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Executive Summary

The latter half of 2021 saw record levels of job openings and employee turnover, and with these trends continuing into 2022, the challenge of attracting and retaining talent continues.

Common pain points in today's high-demand market include pay rates, competing offers and longer time to fill, while the highest U.S. inflation rates in 40 years have further complicated wage-setting practices and compensation schemes. In addition, workers are putting more emphasis on the values of employers in deciding whether to join – or stay with – an organization.

To help companies navigate these challenges, our "Spring 2022 U.S. Labor Market Report" evaluates and explores available strategies falling under the umbrella of Total Talent Intelligence and provides data-driven insights on why, how and when to deploy them. Key findings include:

- **Strong Employer Reputation Improves Talent Acquisition, Assignment Completion:** Cross-referencing positive termination rates and worker quality scores against Glassdoor scores reveals a positive correlation. In short, the higher an organization's Glassdoor score, the more successful it will be at attracting high-quality talent, retaining it and converting it to FTE – especially if the company employs strategic measures to improve the worker experience.
- **Organizations Are Waiting Too Long to Address Retention:** Of the workers who left assignments before their scheduled end date in 2021, more than 50% did so within the first two months versus 44% in 2020. Given recruiting costs and steady market competition, employers should emphasize communication and retention immediately after assignment start, rather than waiting until the 90-day review that's common across many industries.
- **Redeployment Offers Key Opportunity to Identify Hidden Talent Pools:** Cross-client data indicates roughly 50% of active workers are forecast to come off assignment within the next six months. With a significant volume of voluntary terms leaving shortly before the scheduled end date, this presents a perfect opportunity for organizations to leverage data to identify and communicate with active talent to match existing supply against demand.
- **Education and Trust Can Drive a More Inclusive Environment:** Through active promotion of DE&I, companies can make their organization more inclusive – and more attractive to potential employees. For example, cross-client data indicates that while roughly 70% of workers chose to identify their gender and sexual orientation in Q1 2020, more than 90% did so in Q4 2021 following DE&I initiatives.

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Tight Labor Market Becomes Enduring Feature of the Talent Landscape

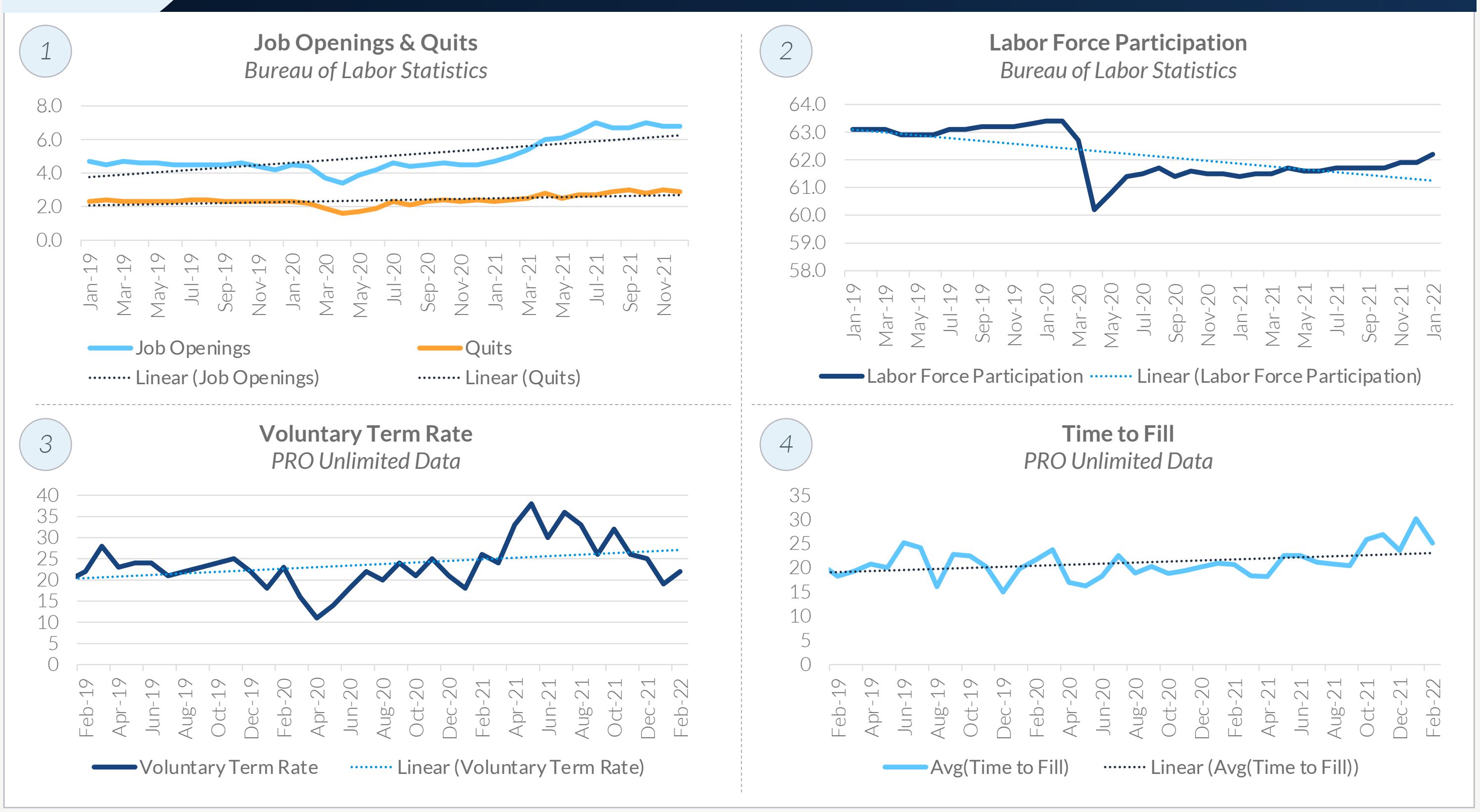
As we navigate the first half of 2022, workers continue to reevaluate their current roles and search for new opportunities, emphasizing flexibility, remote work, enhanced benefits, and a deeper connection between their work and their employers' impact on the world.

Labor market indicators show the market remains incredibly tight, making it difficult for organizations to attract and retain the talent underpinning their success. Time to fill has steadily climbed upward (see Figure 4), increasing from an average of 19.8 business days in 2020 to 21.6 business days in 2021, underscoring a heightened difficulty in locating candidates within the market.

The Bureau of Labor Statistics data showcases trends that reduce the supply of labor, such as a decreasing labor force participation rate and a decreasing unemployment rate. Demand is also incredibly high, with an increasing rate of job openings and decreasing labor force participation (see Figures 1-2).

Further exacerbating an impacted market, the quits rate sits at an all-time high, a trend that reinforces PRO's cross-client voluntary terminations (terms) data, which saw elevated volumes in 2021 (see Figure 3). With heightened demand and limited supply, the market remains incredibly tight and in favor of candidates rather than employers.

Figures 1-4 **Key Labor Market Indicators**



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The underlying factors behind these trends include but are not limited to early retirements, decreasing labor participation and retirement of the "baby boomer" generation, lack of childcare, worker dissatisfaction, pandemic safety concerns, and a woeful skills shortage where the expertise of today's labor force doesn't match the jobs that are in demand.

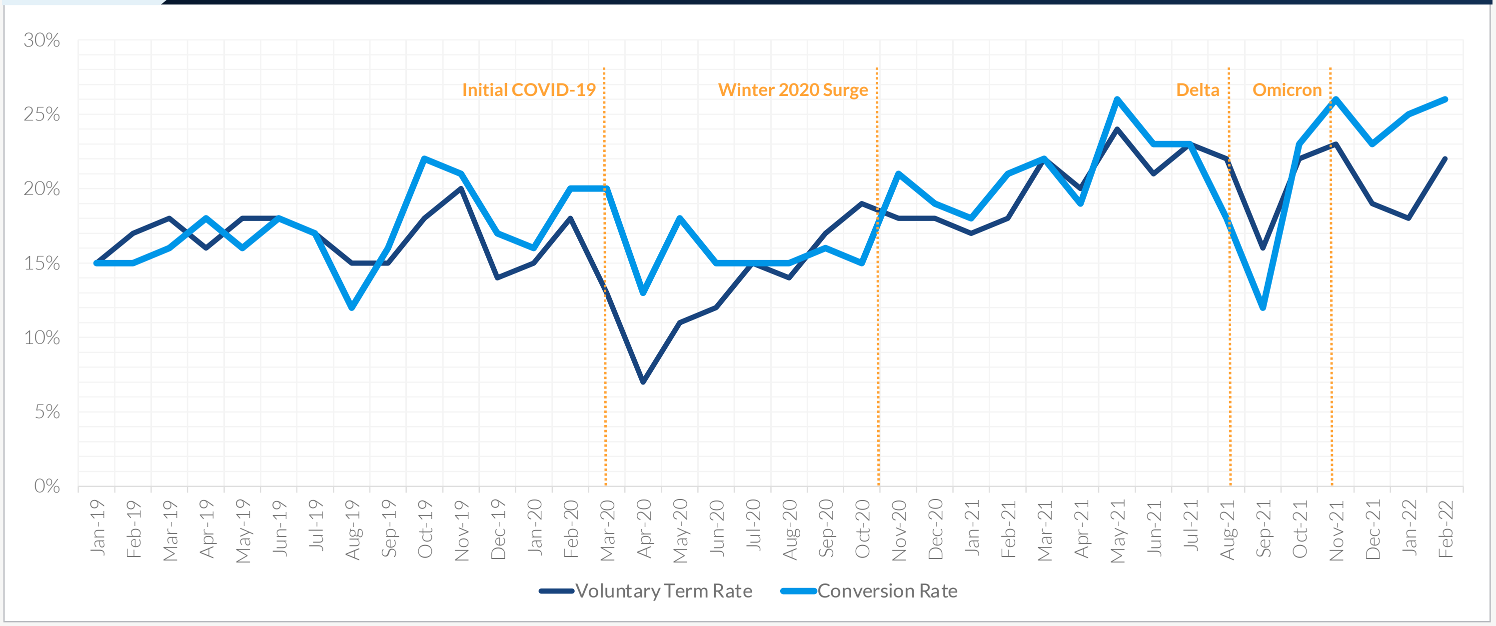
While these factors haven't materially changed, there are early indicators that labor force composition may be changing again. The skyrocketing consumer price index may be leading to the "un-retiring" of workers, as we are starting to see an increase in the workforce aged 55-plus. In this volatile landscape, organizations looking to attract and retain talent must leverage a broader suite of total talent intelligence than ever.

Non-Manufacturing Voluntary Terminations Remain Elevated

Voluntary term rates for non-manufacturing roles continue to trend upward throughout the pandemic for most job categories and skill sets, reflecting the overarching trend of resignation in the market (see Figure 5). Although voluntary terms have seen a slight dip in the last two months of each pandemic surge, this is an expected and recurring trend wherein voluntary term rates temporarily dip during times of uncertainty.

Since the labor market's overarching structure has not fundamentally shifted, and the factors supporting a tight labor market remain unchanged, we forecast voluntary term rates will continue to remain elevated in the coming months. The continually increasing conversion rate (outside of a dip in September 2021) further supports this expectation, indicating many organizations are looking to their contingent workforce as a candidate pool for their FTE workforce.

Figure 5 **Non-Manufacturing Voluntary Term Rates and Conversion Rates**



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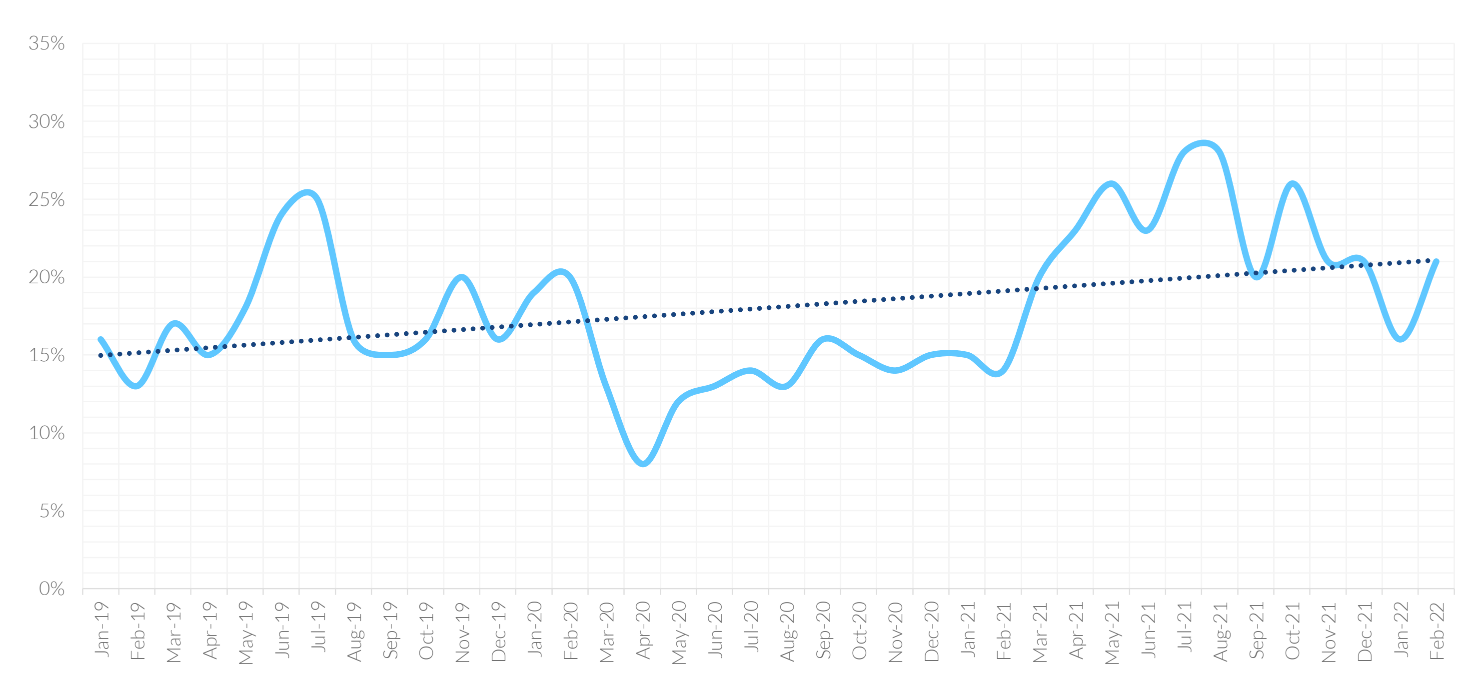
The IT/technology job category continues to see elevated voluntary term rates rebounding from a low in 2020 to now surpass pre-pandemic levels seen in 2019 (see Figure 6). Although recent months exhibit a slight downward trend, this appears to be isolated to the common downtick in voluntary terms seen during COVID-19 surges. Given the high demand in the market for IT and technology roles to support an increasingly digitized and remote workforce, we expect voluntary terms will continue to remain elevated.

To protect the talent supporting high-level business objectives, organizations must prioritize these roles for competitive pay and retention efforts. Some common job titles across IT/technology voluntary terms include applications engineers, business systems analysts, software engineers, project managers and data engineers.

Figure 6 **IT/Technology Voluntary Term Rates**



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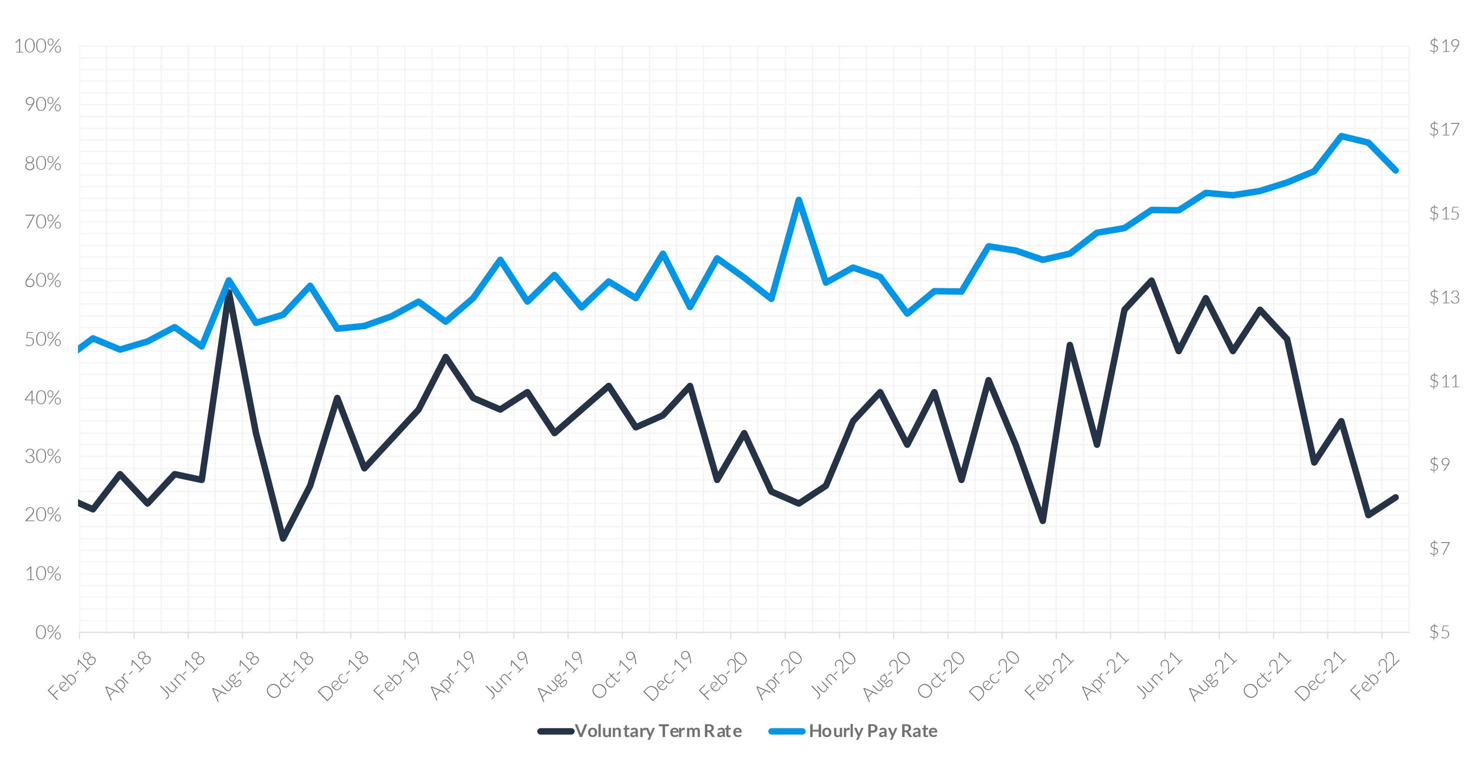
Manufacturing Voluntary Terms Respond Positively to Increased Pay

Lower-level manufacturing roles making $25 per hour and below saw voluntary term rates trend upwards starting in May of 2020 and peaking in June of 2021 (see Figure 7). However, many organizations have responded to these elevated voluntary term rates by increasing pay. Hourly pay rates began to trend upwards starting in September of 2020 and continued to rise through 2021. Between 2020 and 2021, the average hourly pay rate increased 13% from $13.56 to $15.31—a substantial increase for lower-level manufacturing roles.

The rise in hourly pay rates for roles filled throughout 2021 has been associated with decreasing voluntary term rates in the second half of 2021, indicating that increasing pay may have promoted better retention across assignment. Decreasing voluntary term rates, on the other hand, may have been further supported by the Omicron variant with a continued dip into 2022. As long as low-level manufacturing roles continue to see competitive pay, we anticipate voluntary terms will continue to normalize for these workers in 2022.

Figure 7 **Avg Hourly Pay Rates Compared to Voluntary Term Rates**
Manufacturing Roles, $25/hr or less



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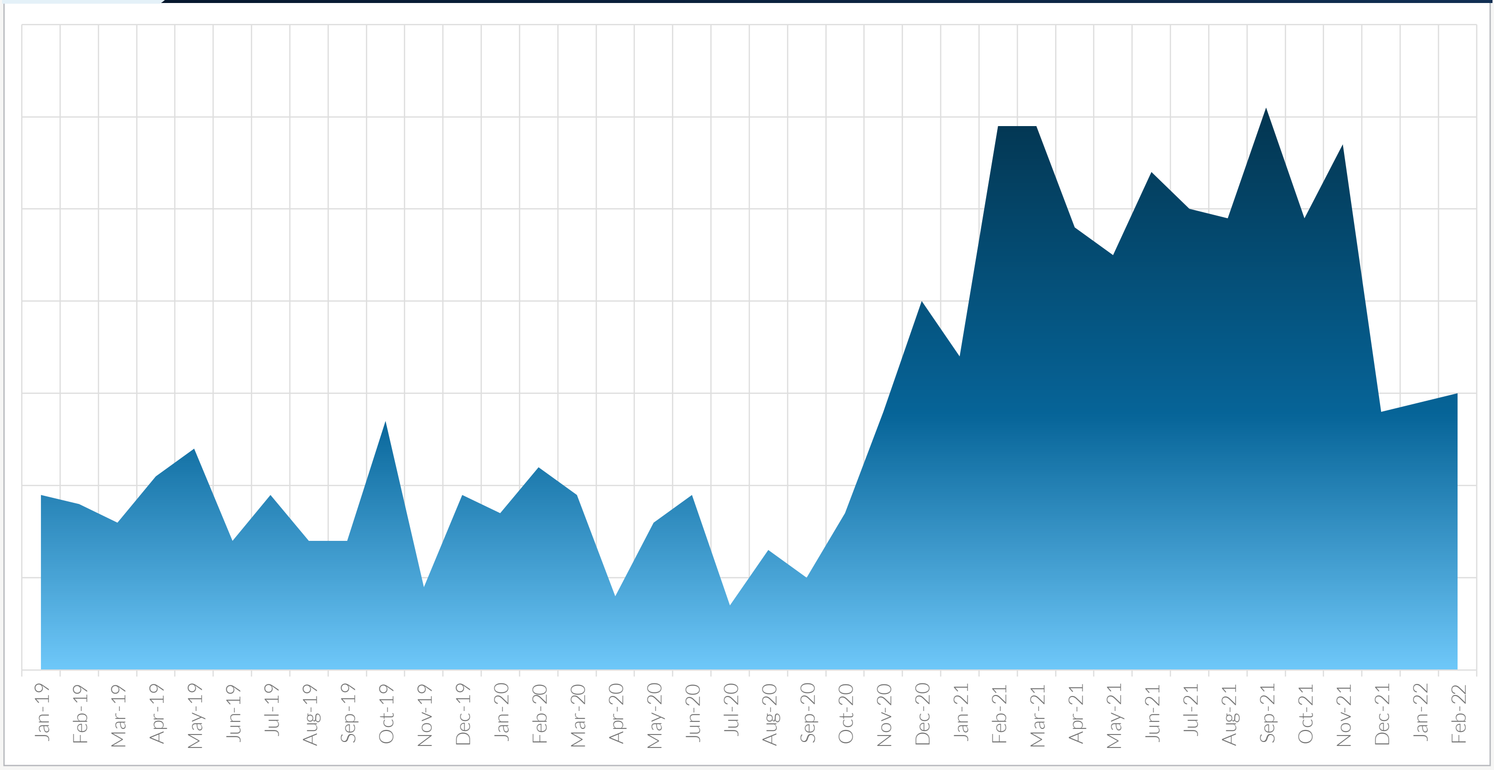
Front Lines of a Tight Labor Market: Recruitment Roles Experience Heightened Demand & Flight Risk

With businesses expanding hiring and worker resignations requiring backfills, recruitment roles experienced strong demand over the last 12 months. Hiring volumes began to trend up at the tail end of 2020 and climbed steadily across 2021, ultimately resulting in an almost threefold increase year over year (see Figure 8). The technology sector dominated this hiring trend, followed by the financial & business services and life sciences — an indicator these sectors will likely expand hiring in 2022.

Figure 8 **Recruiter Fill Volumes**



The heightened market demand is further underscored by increased conversion and voluntary term rates in 2021. While voluntary terms were low across 2020, they increased to a new high in 2021 as recruiters left existing roles likely in favor of new opportunities (see Figure 9). Conversion rates saw a similar uptick, indicating that organizations are looking to build out their FTE staff by utilizing their contingent labor pool.

While new technologies and data-driven solutions are supercharging talent acquisition in today's market, the recruiting skillset continues to be a pivotal role for most organizations for both finding and curating talent pools. Therefore, organizations must attract and retain recruiters as a central component to their overall sourcing strategy.

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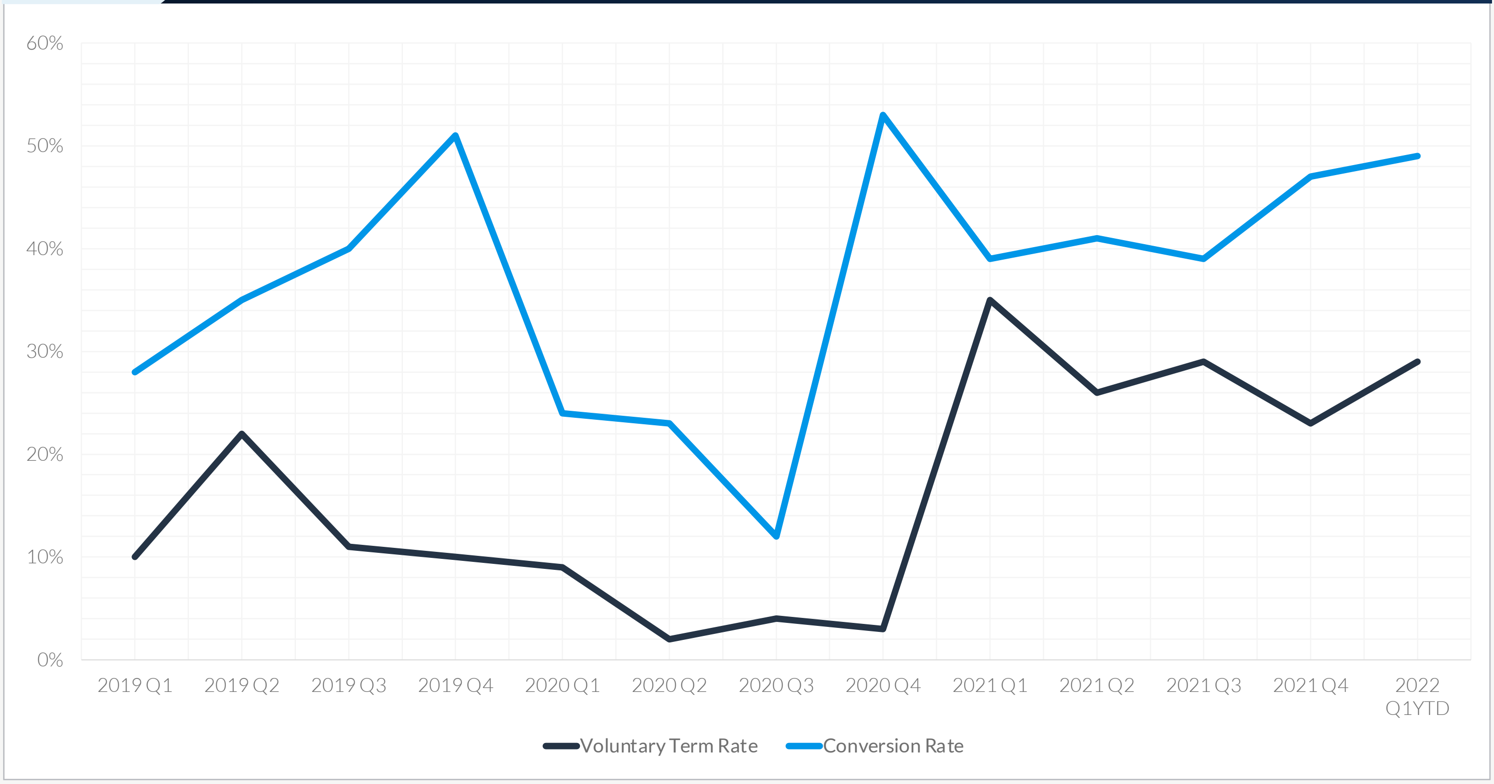
Figure 9 **Conversion and Voluntary Term Rates**



Strong Employer Reputations Result in Quality Talent and Higher Retention

For this analysis we evaluated the effectiveness of employer reputations, branding and value propositions against the ability to attract and ultimately retain quality talent. We leveraged publicly available Glassdoor scores as a proxy for an organization's reputation in the labor market and its ability to communicate its employer brand and value proposition to its employees.

The cross reference of Glassdoor scores against positive terminations — defined as workers completing their assignment or converting to FTE — yields a positive correlation. In other words, the higher the Glassdoor score, the more likely workers stay on assignment for the full duration or transition to FTE (see Figure 10).

A comparison of worker quality scores against Glassdoor scores reveals that this positive correlation is a direct result of talent quality (see Figure 11). The higher an organization's Glassdoor score, the more successful they will be at attracting high-quality talent. These high-quality workers are in turn more likely to stay on assignment and more likely to be converted to a full-time position.

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Figures 10 - 12

Employer Reputation vs. Ability to Attract & Retain Talent

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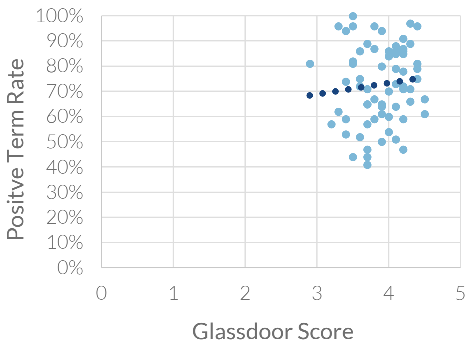
Positive Terms Against Glassdoor Scores



- Each dot represents a client in the analysis
- The dotted line represents the directional relationship between Positive Term Rates and Glassdoor scores

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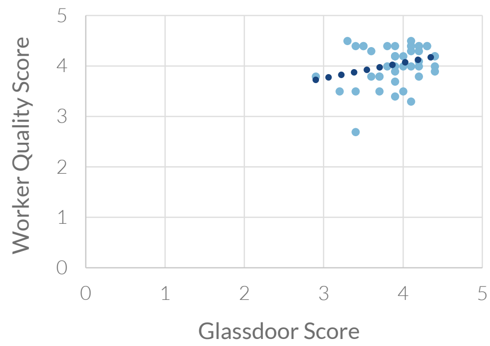
Worker Quality Scores Against Glassdoor Scores



- Each dot represents a client in the analysis
- The dotted line represents the directional relationship between Worker Quality scores and Glassdoor scores

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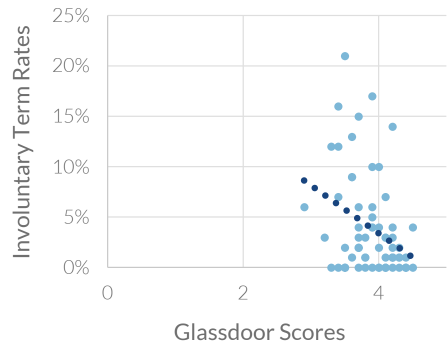
Involuntary Terms Against Glassdoor Scores



- Each dot represents a client in the analysis
- The dotted line represents the directional relationship between Involuntary Term Rates and Glassdoor scores

To analyze the inverse hypothesis, we isolated voluntary and involuntary terms to observe their effects separately. Higher Glassdoor scores exhibit a negative correlation with involuntary term rates, indicating the higher the Glassdoor score, the less likely the contract assignment will result in an untimely termination (see Figure 12). Ultimately, this is a function of talent quality, as organizations with the best employer reputations, branding and value propositions will attract the best talent, resulting in low involuntary term rates.

While better Glassdoor scores may be associated with increased talent quality that increases retention via reduced involuntary terms, they are not necessarily a foolproof tool for preventing flight of quality talent in the long term. Though a better Glassdoor score would certainly contribute toward preventing voluntary termination, there are additional prevailing factors — such as worker experience throughout assignment, manager communication, compensation competitiveness and social environment — that can impact the likelihood of a voluntary termination.

Our findings indicate that organizations should monitor their Glassdoor scores as an indirect measure of their employer reputation, branding and value proposition to attract the best talent in the market. However, they must also employ additional strategies throughout the course of assignment to promote retention. While this analysis focused on contingent labor, the results apply equally to full-time workers, and organizations should deploy similar strategies to address the entire integrated workforce.

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Retention Efforts: Focus on First 30 Days to Combat Increased Labor Volatility

Voluntary terms occurring before the scheduled end date distributed by assignment length skew heavily toward shorter assignments across all job categories (see Figure 13), which indicates that voluntary terms tend to occur earlier in the assignment rather than later. This is especially true for manufacturing roles, where 46% of voluntary terms before the scheduled end date occur within the first month of assignment (see Figure 14).

Figure 13

Assignment Length Distribution — All Job Categories Besides Manufacturing
Voluntary Terms Before Scheduled End Date

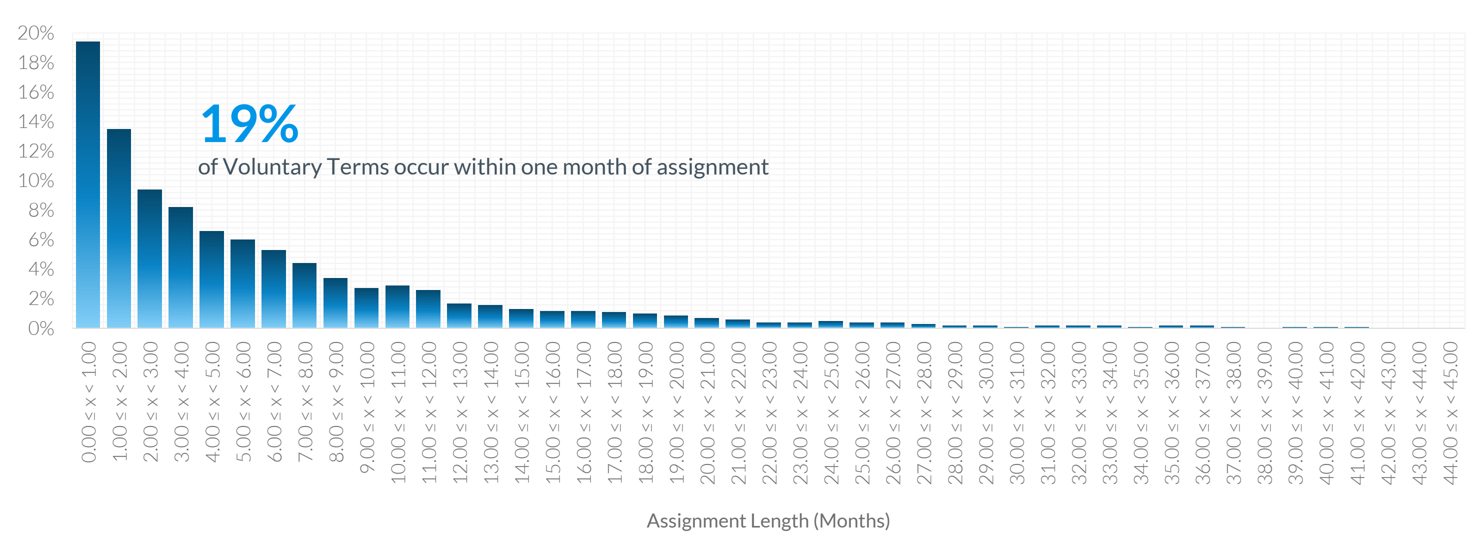
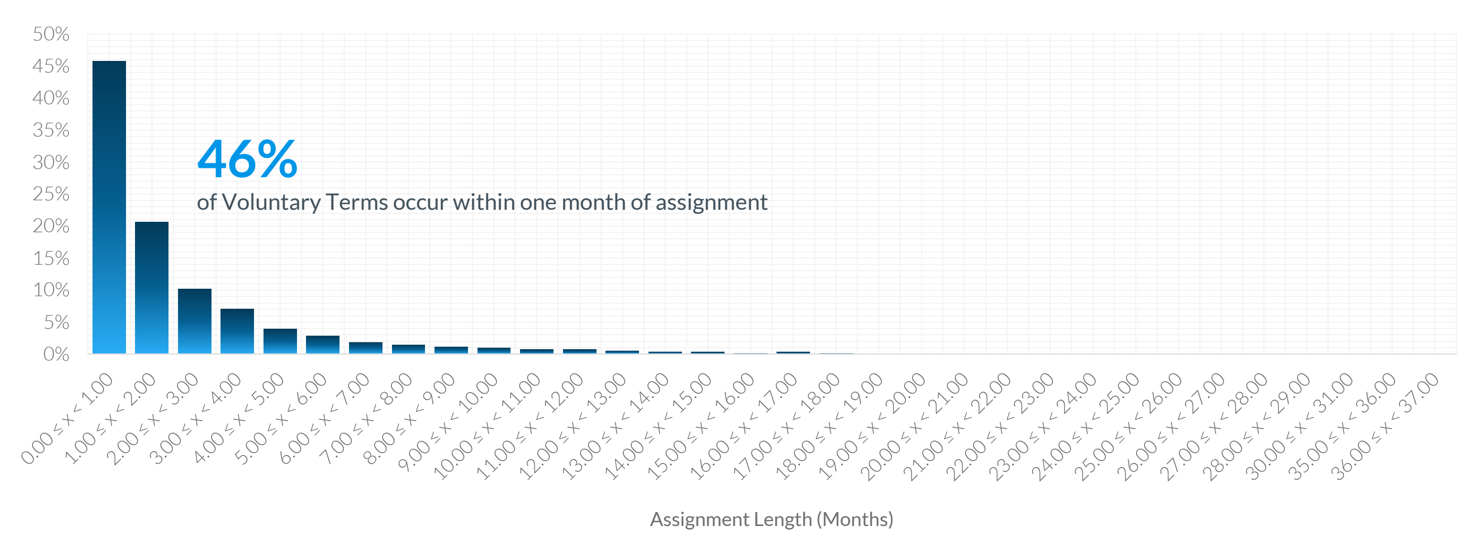


Figure 14

Assignment Length Distribution — Manufacturing Only
Voluntary Terms Before Scheduled End Date



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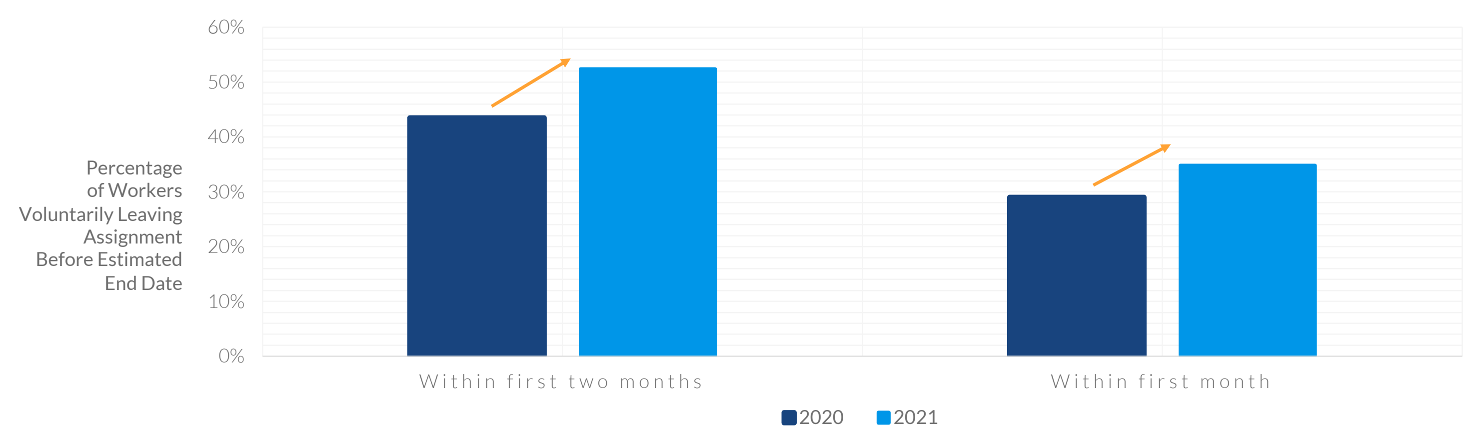
For those workers who leave before their scheduled end date, roughly one in two leave within the first two months, and one in three leave within the first month. These results are up from 2020, where 44% of workers left within the first two months of assignment and only 29% of workers left within the first month of assignment (see Figure 15). The increase marks a rise in labor volatility, wherein workers are less willing to "stick it out" on a job and more likely to receive alternative offers from other companies.

Figure 15 **Increased Labor Volatility**



This trend appears to primarily impact the light industrial, manufacturing and administrative/clerical job categories, which are known for high voluntary turnover to begin with. Job categories known to house in-demand roles such as engineering, marketing/business development and IT/technology see a lower portion of voluntary terms within the first month and a more even distribution overall. This suggests that while these roles are in demand, workers are more likely to give the role more than a month before choosing to look for a different job (see Figure 16).

Given recruiting costs and steady market competition, employers should emphasize communication and retention immediately after assignment start, rather than targeting later timeframes when many workers will have already left and remaining workers are already likely to stay. Although 90-day reviews are common across many industries, the data indicates this timeframe falls when the risk of voluntary term has already decreased substantially to about 10% for manufacturing roles and 8% for all other roles.

With this in mind, organizations should consider targeting the first 30 days of assignment for increased communication and more frequent informal reviews. Although many workers may leave a job due to skill mismatch or misaligned expectations, initial conversations can reset expectations or potentially explore alternative opportunities across the company. Increased communication and touch points early in an assignment can reduce overall turnover and ensure skills remain within the organization rather than back on the market.

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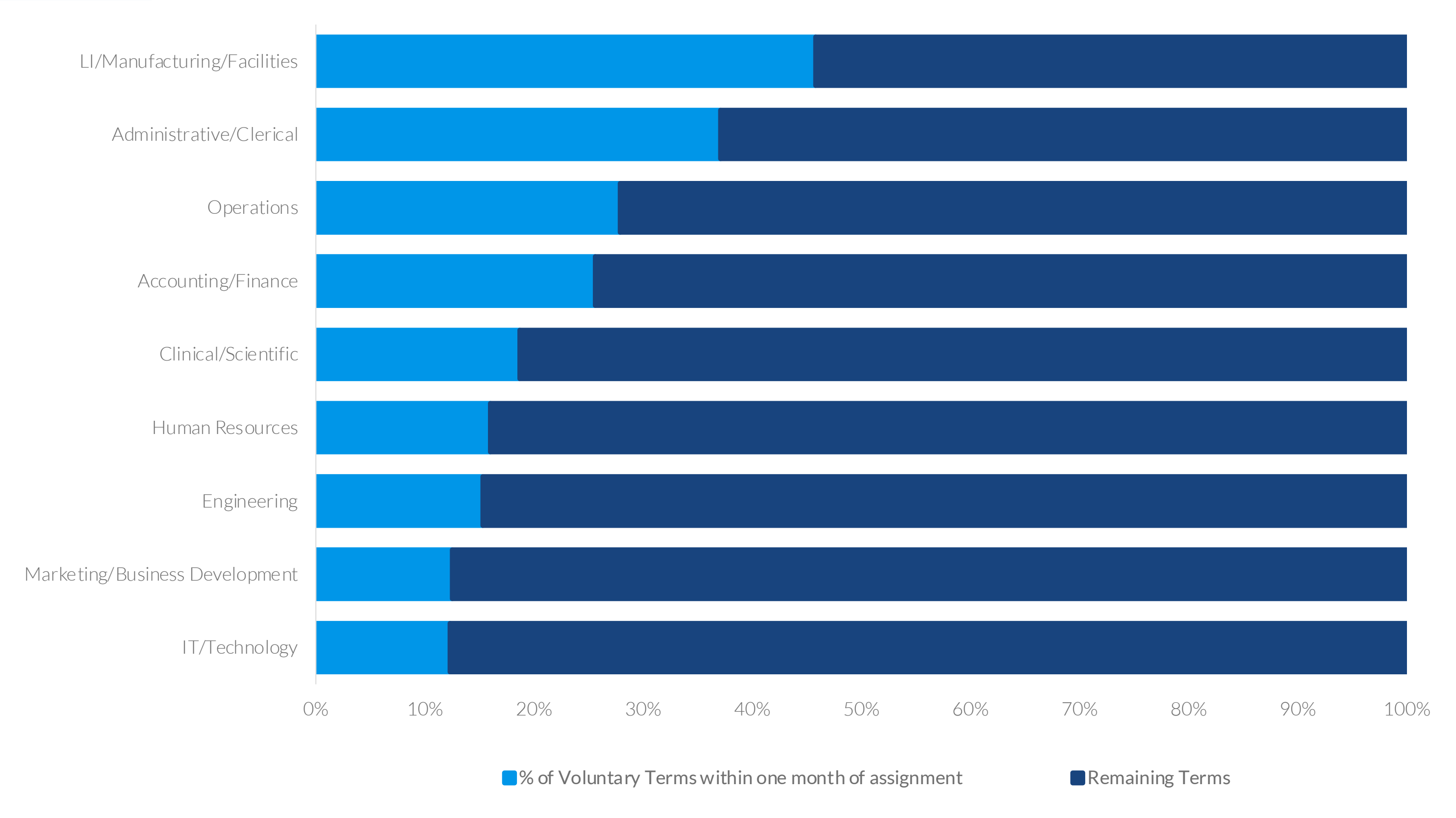
Figure 16 **Voluntary Terms Occurring Within First Month on Assignment by Job Category**



Leveraging Redeployment Against a Tight Labor Market

An average of 23% of an organization's contingent workforce naturally rolls off assignment at any given time. Given this data, redeployment is an excellent general strategy for sourcing, boasting benefits of reduced time to fill and potential cost savings.

However, during a tight labor market it's a particularly savvy strategy for uncovering hidden talent pools and retaining quality talent. Cross-client data indicates that roughly 50% of active workers are forecast to come off assignment within the next six months, with 10.4% and 12.3% rolling off assignment in April and June alone (see Figure 17).

These workers represent a substantial talent pool that will eventually walk out the door and become employed by another organization. They also represent an incredible opportunity to alleviate the lack of candidates that hiring managers are facing by leveraging internal data and redeploying known resources that have already been onboarded, are familiar with the company systems and culture, and have proven effective in their roles.

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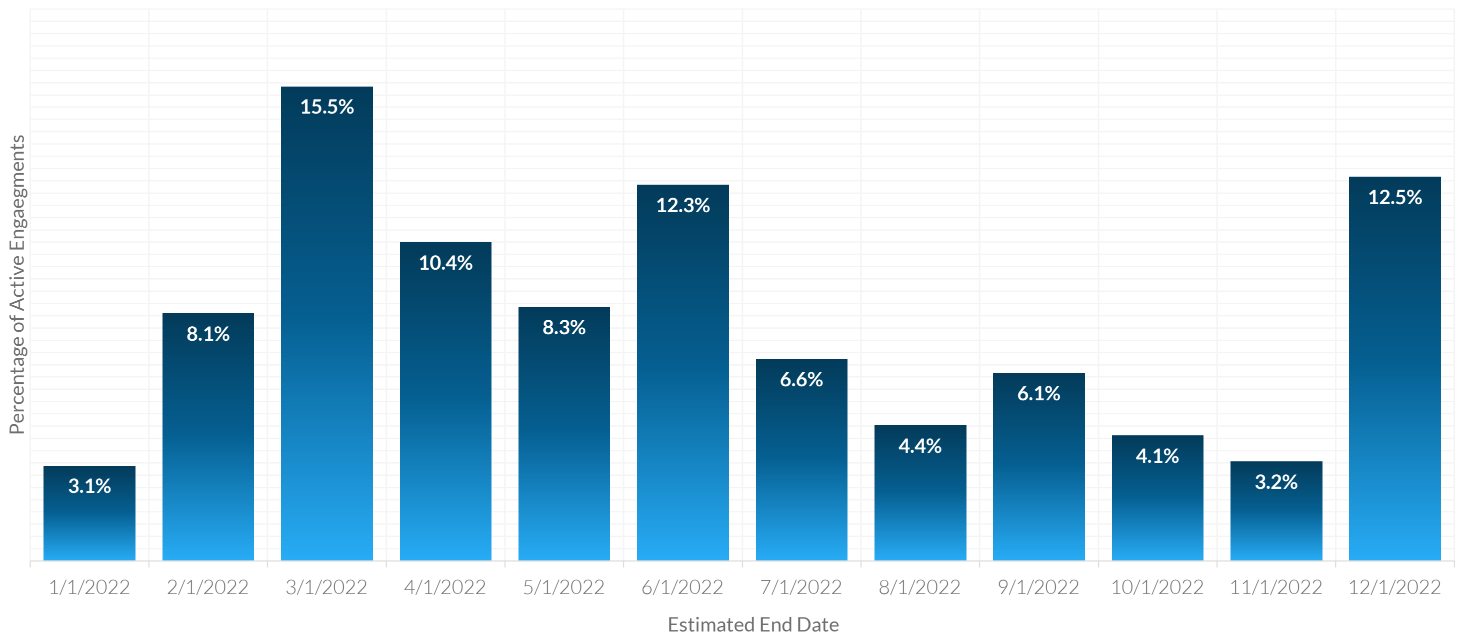
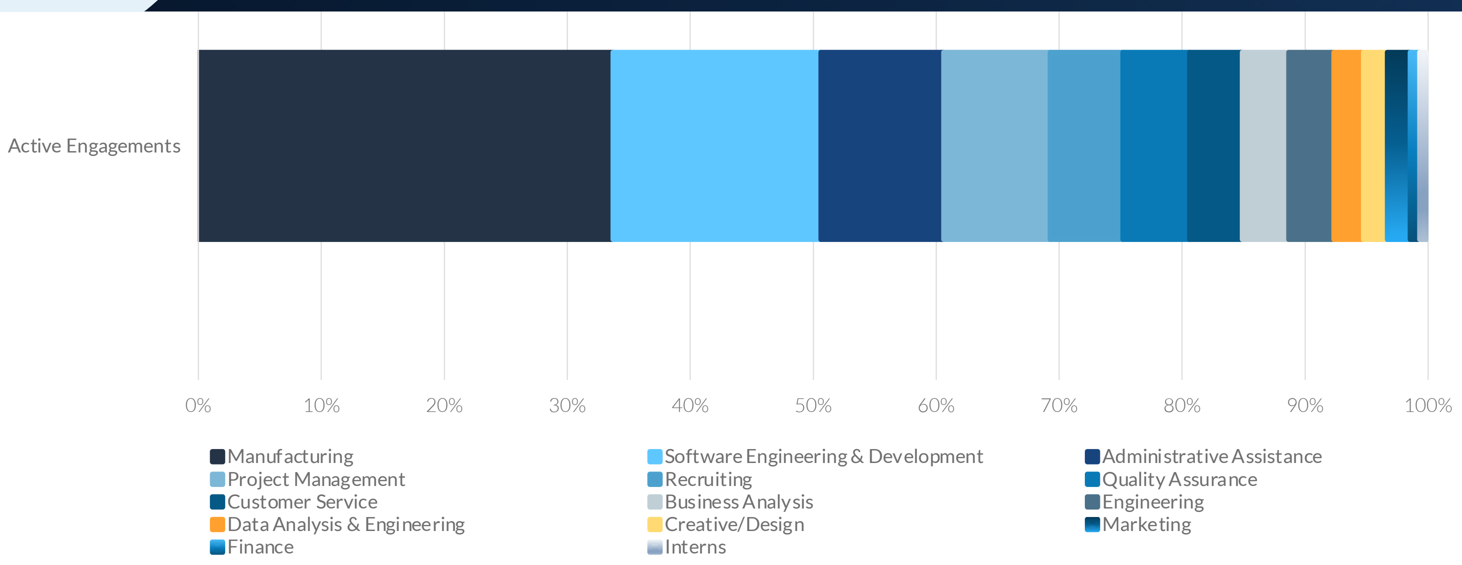
Figure 17 **Active Workers Coming Off Assignment (by Estimated End Date)**



A survey by skill profile of the talent pool coming off assignment in the next six months reveals a significant manufacturing population at 34% (see Figure 18). Software engineering and development covers 17%, indicating an excellent opportunity to redeploy a highly in-demand skillset before it leaves for another organization. Although interns make up the smallest portion of the population at 1%, they represent an occasion for upskilling and recouping the investment made onboarding, training and developing them.

Figure 18 **Active Workers Expected to Come Off Assignment January - June 2022**



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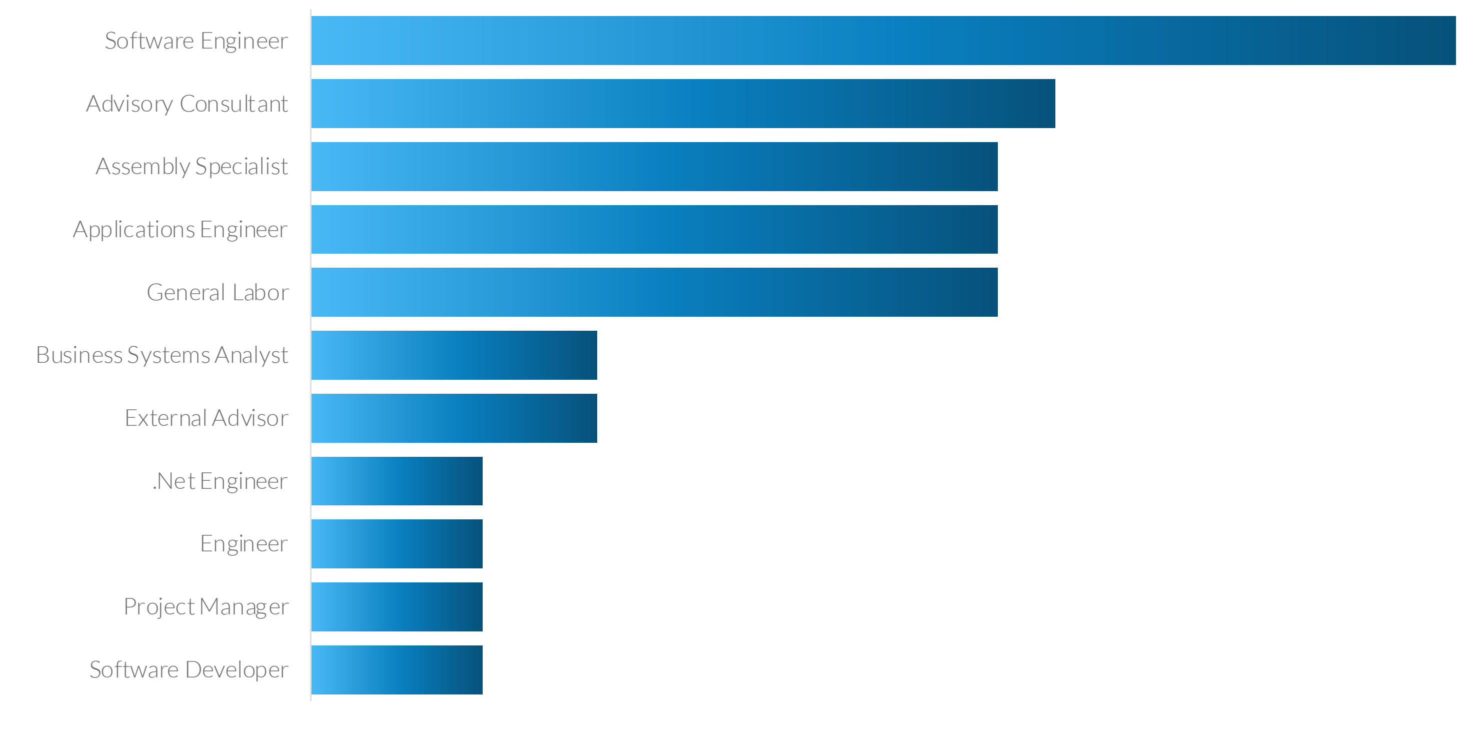
Looking across the current population, an analysis tiered first by client and then by job title indicates the average organization can expect to fill 3% of open positions with currently active workers rolling off assignment within the next two weeks. Across job profiles, 4% of job titles currently match up with a redeployment opportunity (see Figure 19). However, it's important to note that the data demonstrates a high degree of variability, with some organizations seeing up to 29% of currently open positions matching a potential redeployment and up to 50% of open positions. Potential redeployment matches that currently exist include several in-demand job titles such as software engineers and applications engineers.

Figure 19 **Top Redeployment Matches by Volume and Job Title**



Redeployment is also a strategy for reducing turnover by preventing voluntary termination shortly before the end of assignment. As contract work is temporary, contingent workers often leave their assignment early to look for their next job. In some cases, this potential disruption can be alleviated through early redeployment conversations.

Cross-client data indicates that 7.2% of all voluntary terms occurring before the scheduled end date occur within four weeks of that scheduled end date (see Figure 20). In addition, 16.3% of all voluntary terms before the scheduled end date occur within eight weeks of the scheduled end date. This time frame represents the perfect opportunity for organizations to communicate with active talent to match existing supply against demand.

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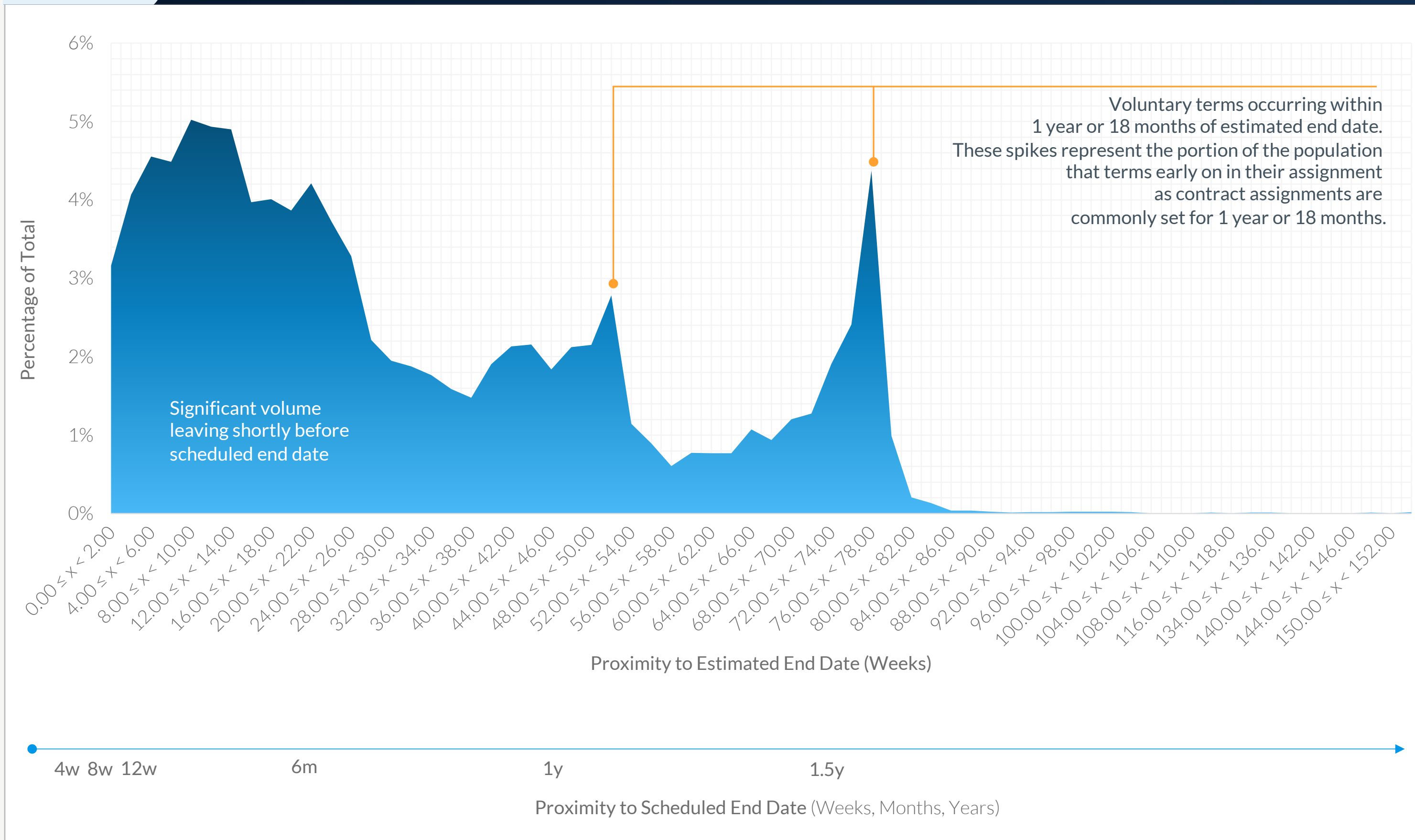
Figure 20 **Voluntary Terms Before Scheduled End Date Distributed Against Scheduled End Date Proximity**



Voluntary Terms Landscape by Geography

According to cross-client PRO data, states with high manufacturing voluntary terminations include Texas, Washington, North Carolina, Minnesota and Florida (see Figure 21). In Texas, manufacturing companies continue to expand operations, including a $1.2 billion Amazon investment to upskill more than 300,000 employees by 2025 (see Figure 22).

Amazon presence in Washington continues to grow as well, adding an anticipated 1,500 jobs in Tri-Cities within the next year. The compensation for new warehouse positions will start at $18 an hour, which is highly competitive compared to Washington's current $13.69 minimum wage. Similarly, Fayetteville, North Carolina, is anticipating more than 500 new positions starting at $15 per hour, as Amazon plans to build a new facility in the city in 2023.

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To combat state-wide manufacturing worker shortages in Minnesota, current high school students are being encouraged to apply for a new $1,000 Manufacturing Scholarship to help cover the costs of earning post-secondary certificates or degrees in manufacturing.

As a result of increased turnover rates coupled with greater competition from high-paying organizations with tremendous brand power, companies in these states will need to get creative to attract and retain manufacturing workers.

Figure 21 **Manufacturing Voluntary Terms**

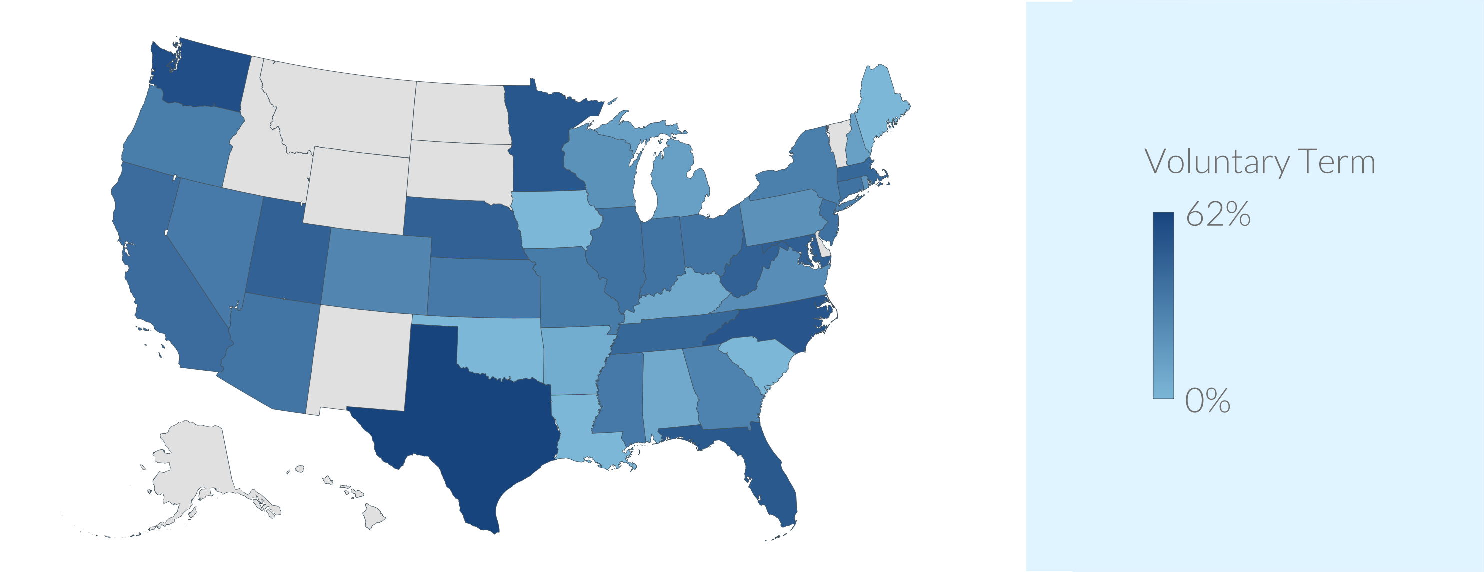
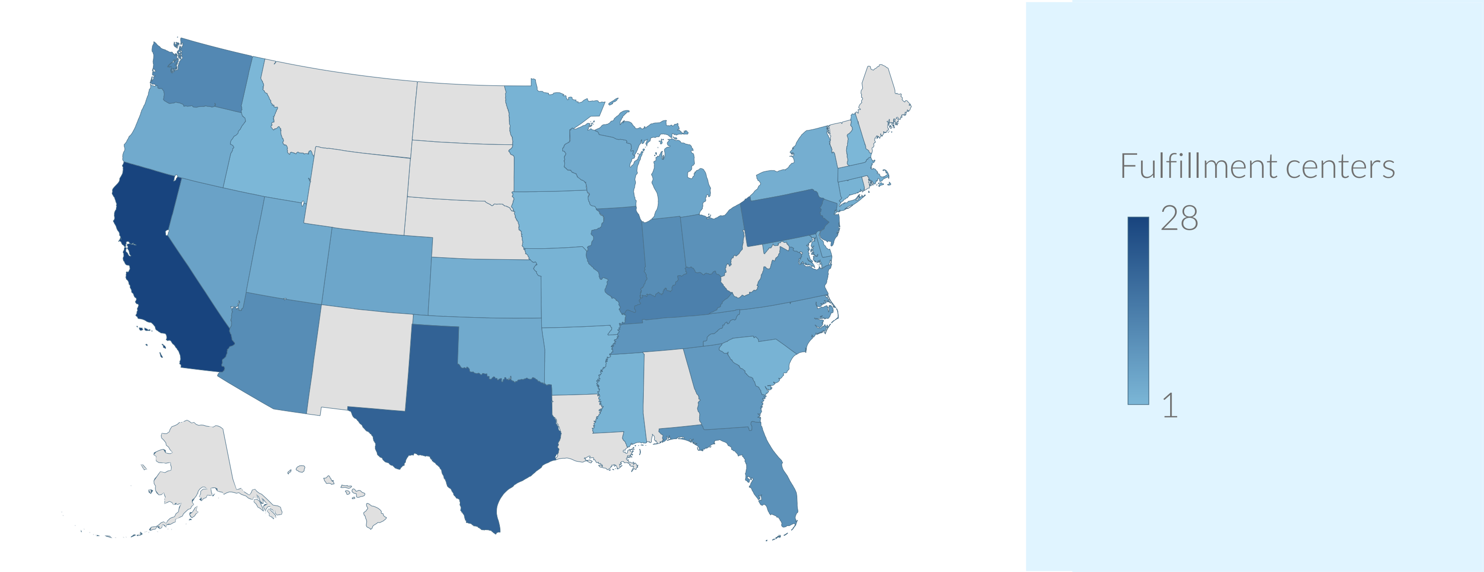


Figure 22 **Amazon Fulfillment Centers**



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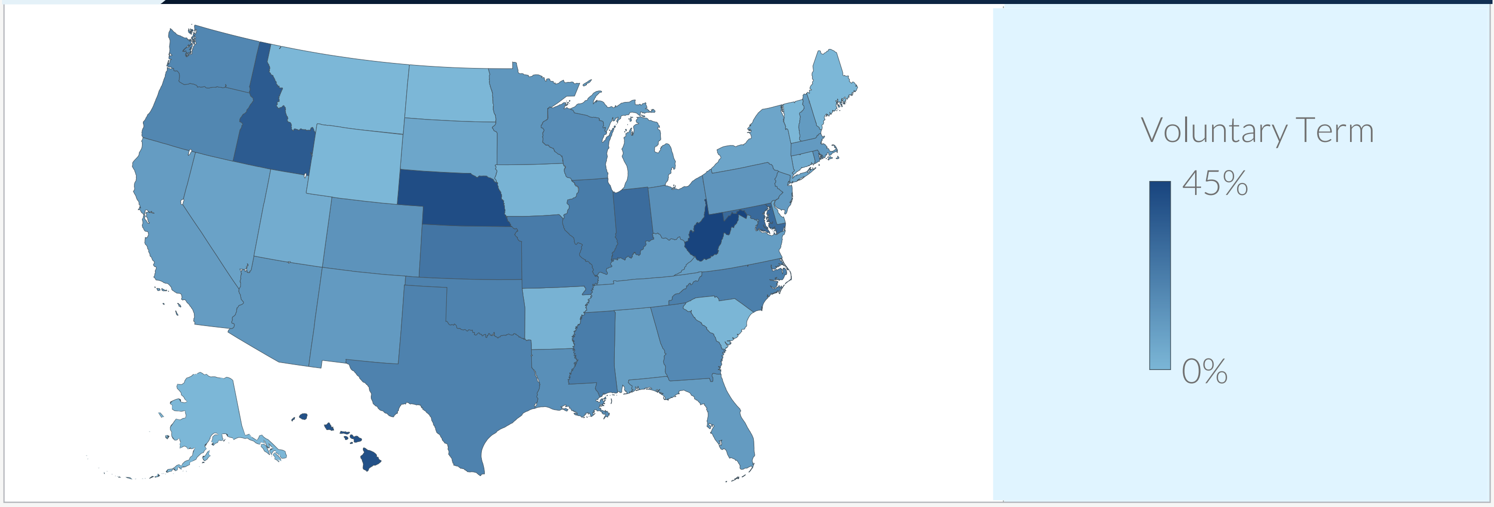
For non-manufacturing jobs, voluntary terminations are more evenly distributed across the United States due to remote work options and fewer centralized hubs, which contain the majority of non-manufacturing jobs. However, worker shortages and job-hopping continue to impact voluntary terminations.

Cross-client data displays the highest voluntary term rate, 36%, in Idaho (see Figure 23). Idaho's unemployment numbers have returned to pre-pandemic levels, and there are more than twice as many job postings as unemployed adults in the state. As a result, companies need to leverage what the labor force looks for in jobs to attract talent and utilize redeployment efforts. It's also important to note the type of worker demographic changes that impact what workers value, such as the rise in Generation Z workers, whose company expectations are different compared to the tenured workforce.

Figure 23 **Non-Manufacturing Voluntary Terms**



The Impact of DE&I

While DE&I has become a greater focus at many leading organizations in recent years, the contingent workforce is sometimes overlooked in these discussions and initiatives. Yet a focus on developing a culture that facilitates and promotes belonging amongst all employees, not just full-time, is particularly important when looking to attract, empower and equip diverse contingent talent.

For one thing, prospective candidates for contingent opportunities are more aware of employer brand than ever. In this context, an organization's value increases if it displays a commitment to diversity. Consider, for example, that 76% of female candidates rate Inclusion & Diversity as "very important" when looking at new job opportunities.[1]

The rising trend toward attracting the most diverse, skilled talent is also rooted in building a best-in-class organization. A recent analysis found that companies that were in the top quartile for ethnic and cultural diversity outperformed those in the bottom quartile by 36% in profitability.[2]

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Utilizing Diversity Data

To understand their current state of DE&I, help track diversity trends and draw key insights to inform future DE&I strategy, savvy companies are beginning to leverage diversity data, dashboards and targeted analysis. The first step is collecting diversity data, but many organizations are uncertain where and how to start.

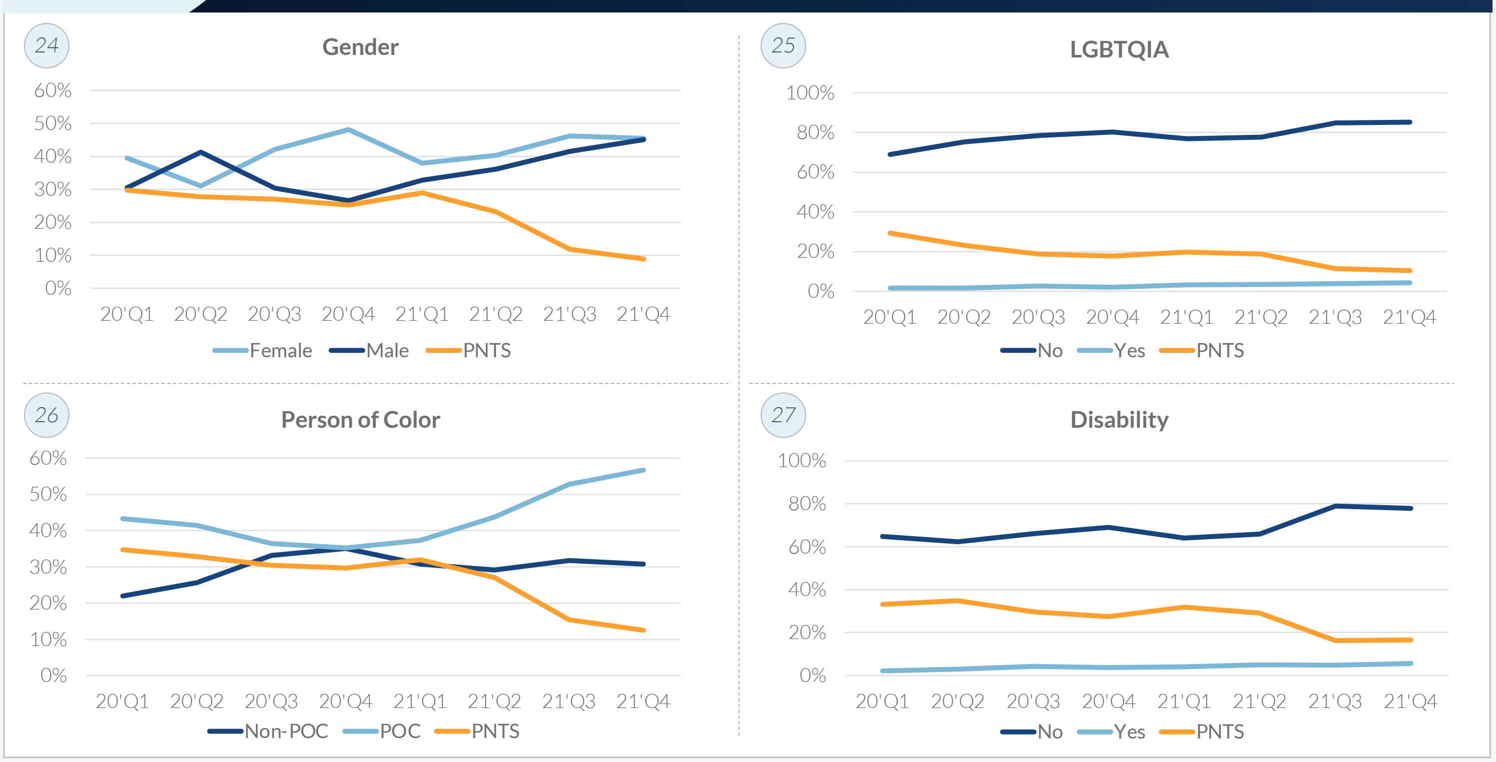
An analysis of cross-client data suggests that communication, education and trust can have a significant impact on increasing organization-wide DE&I. PRO's conscious efforts to promote DE&I through its PRO Unites solution have resulted in more workers choosing to actively participate in DE&I surveys across clients. For example, in 2020, almost 30% of workers declined to state their gender. Now, less than 10% decline to state their gender when surveyed (see Figures 24-27).

Although DE&I data has always been anonymous, we believe this shift is a result of employers communicating their commitment to DE&I and fostering inclusivity. Employees understand the importance of pooling this information and are less likely to feel it will be used against them. Below are YoY rates for workers who chose "Prefer Not To Say" (PNTS) when selecting a DE&I category:

- Gender: 31% (2020) vs. 9% (2022)
- LGBTQIA: 29% (2020) vs. 9% (2022)
- Person of Color: 32% (2020) vs. 22% (2022)
- Disability: 31% (2020) vs. 21% (2022)

The level of worker comfort with revealing this information is a key indicator of how inclusive an organization's culture is. In a marketplace where it's difficult to attract and retain great talent, fostering a supportive, inclusive workplace can help build world-class organizations.

Figures 24-27 **Diversity Survey Responses**



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Looking Ahead

As 2022 progresses, the scarcity of workers, expanding skills gaps and high inflation levels are likely to result in increased volatility in the overall talent and financial markets. Furthermore, as workers rethink the definition of work and become more selective about employers, retention will continue to be a challenge.

Given these obstacles, organizations looking to win the war for talent should re-examine their approach in a number of areas:

- **Speed & Flexibility:** In a volatile marketplace, strive to properly balance employee and non-employee talent to deliver the right skills, at the right time and the right cost.
- **Cost & Compliance:** As the increase in remote work leads to new locations, position your organization to leverage these geos to lower costs and expand talent pools. Also, proactively protect your business from a tax and compliance perspective.
- **Insight & Data:** Take steps to be more instrumented, predictive and optimized for decision support against your talent objectives versus counting on instinct and legacy approaches.
- **Worker Experience:** With the average workday growing since the pandemic began, deploy advanced analytics to monitor overtime utilization, worker attrition and more.
- **DE&I:** If your focus has been on FTEs, begin actioning your strategy for diversity and inclusion across your expanded workforce.

By rethinking current processes, tapping third-party experts and leveraging the deep talent intelligence sources available today, organizations will be better positioned to identify ways to cultivate and grow programs, exceed their contingent workforce goals, and surpass broader organizational objectives.

This report has been developed by PRO's NorthStar HCM team, which is comprised of 50+ MBAs, PhDs, CPAs and Consulting Business Analysts. The NorthStar HCM team analyzes program data and provides actionable cost saving, efficiency and process improvement strategies for Fortune 1000 clients. If you're interested in learning more about how PRO is helping organizations implement winning contingent workforce programs globally, please contact a PRO representative at **800.291.1099** or email at **info@prounlimited.com.**

Footnotes:

[1]Werklabs, "What Matters Most: Attracting, Engaging and Retaining Women in Tech"
[2]McKinsey, "Diversity Wins: How inclusion matters"

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