



You Can't Go Home Again: The Workforce Trends HR Needs to Address In the Coming Year



HRO Today Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. These reports are focused briefs that can be used to support business decisions and further discussion among industry practitioners and thought leaders. This report addresses the North American market.

Our latest report examines workforce planning—specifically, the anticipated change in hiring over the next 12 months, changes in remote vs. onsite work for those new hires, and how the mix of contingent labor and permanent employees will change during that time. Additionally, our findings explore the challenges faced with recruiting blue-collar positions since the outbreak of the COVID-19 pandemic.

This study was sponsored by Broadleaf Results, a leading provider of total talent management services. The sponsor of the study was not revealed to study participants.



Methodology

Between May 11 and May 31, 2021, a series of email invitations were sent to subscribers of *HRO Today* Magazine and *HRO Today* newsletters to take part in an online study. Surveys were sent to manager-level or above professionals within their respective Human Resources departments. In total, there were 108 respondents. All survey respondents were from North America and screened to ensure they were personally knowledgeable about both their company's permanent and contingent recruiting strategies.

Key Takeaways

The economic recovery from the COVID-19 pandemic is like nothing in recent history. The coronavirus brought a red-hot economy to its knees overnight. But the recovery will not be as abrupt, and workforce planning will be more challenging than ever. How organizations manage the post-pandemic business environment will define not only their employer brands with their customers, but with their potential employees, as well.

As offices reopen, companies will have to evaluate what workforce mix makes the most sense for their company. Will they utilize a mix of permanent employees, contract workers, and independent contractors? Will their workplace be based in the office, remotely, or involve a hybrid mix of the two?

Continued government stimulus programs have decreased the immediate need to work. For nearly one-half of survey respondents (49.3%), recruiting for blue-collar positions is anticipated to be more difficult, while over one-in-five (21.7%) indicating much more difficult. Among those indicating it would be more difficult, over three-quarters (75.7%) felt that government stimulus programs have decreased the immediate need to work. Two-thirds (67.6%) indicated more job openings from which candidates can choose, while nearly one-half (45.9%) felt a challenge is childcare issues.

Organizations are planning to increase the size of the workforce. In our study, nearly three-quarters (71.4%) of participants told us they anticipate an increase in hiring in the next 12 months compared to the prior 12 months, which is 13 times more than the percentage that foresees a decrease (5.5%).

There will be more new employees working remotely. Moving towards a post-pandemic environment, over two-thirds (71.0%) anticipate more will be working remotely—and of that, nearly one-quarter (23.3%) feel significantly more will be doing so.

There is going to be a moderate shift towards more permanent employees vs. contingent labor. While most survey respondents (55.6%) indicate there will be no change in the permanent to contingent labor mix within their organizations in the next 12 months, over one-third (34.5%) felt there would be more hires compared to only about 10% leaning toward a greater utilization of contingent labor.

Employers expect a moderate increase in total compensation for employees, but very little increase for contingent labor. The vast majority of respondents (82.7%) expect an increase in total compensation for permanent employees in the next 12 months. The average increase will be 4%. For contingent labor, there is also an overall net increase in compensation, though it will likely be about one-half of what is anticipated for permanent employees.

We are in it for the long haul. Respondents were asked how long they feel their current job recruiting environment would last. Most (57.3%) consider it to be a long-term event, lasting more than one year.

The need for more resources will be pervasive. Study participants were asked to identify the additional resources they will need to manage their recruiting needs for the foreseeable future. The four areas of greatest need are employee engagement, talent development, compensation review and changes, and permanent employee recruiting.

Detailed Findings

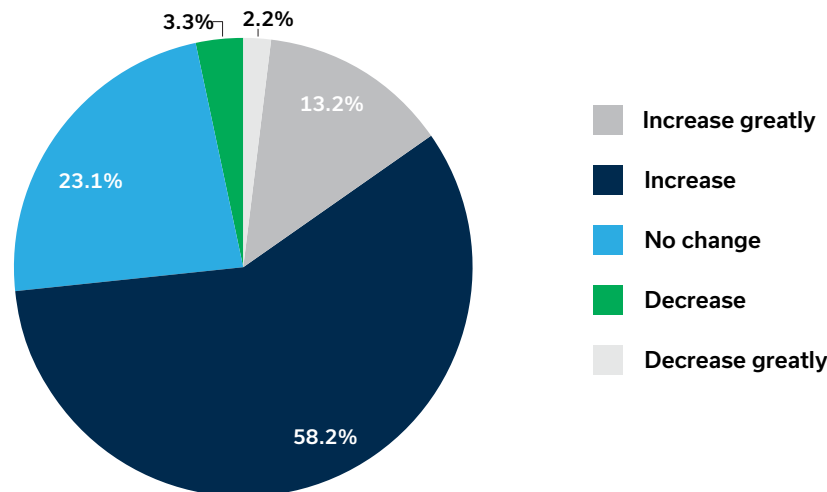
Anticipated Level of Change in Hiring

What level of change do you anticipate in hiring over the next 12 months compared to the prior 12 months?

Study participants were asked what level of change in hiring they anticipated over the next 12 months as compared to the previous 12 months. Nearly three-quarters of respondents (71.4%) anticipate an increase in hiring, which is 13 times more than those that anticipate a decrease (5.5%).

Trading Economics revealed some encouraging insight about the 2021 jobs outlook in the United States. The number of job openings in the United States rose by 597,000 from the previous month to a total of 8.1 million jobs in March 2021, the highest level in over 20 years and well above predicted market expectations of 7.5 million. Jobs were created in several industries—most notably led by hospitality and food services (+185,000); state and local government education (+155,000); and arts, entertainment, and recreation (+81,000).¹

Anticipated Level of Change in Hiring



Anticipated Change in Remote vs. Onsite Work for New Hires

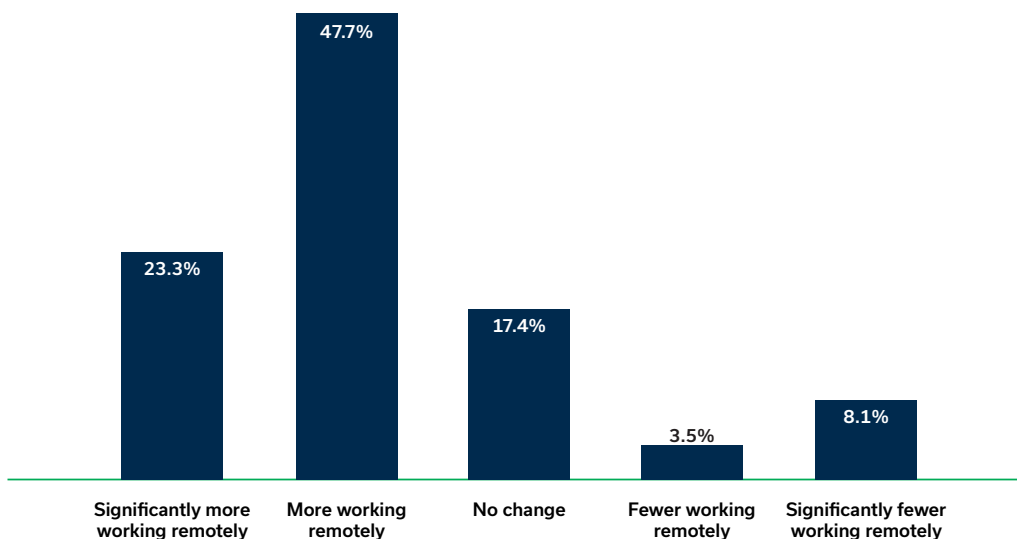
For new permanent hires, how do you anticipate the percentage of remote work vs. onsite work will change compared to traditional company practices?

Due to the worldwide pandemic, many organizations—at least temporarily—shifted from an onsite to remote workplace structure. Respondents were asked to indicate how they anticipated work environments will change for new permanent employees. Over two-thirds (71.0%) anticipate more will be working remotely, and of that percentage, nearly one-quarter (23.3%) feel significantly more will be doing so. This information covers a broad interpretation. While it is clear that remote work will be more prevalent in the future, this could involve a rotated workforce with some scheduled remote and some onsite for certain periods, or designated days of remote work. Further, organizations continue to monitor how productivity and engagement are impacted by remote work as a long-term solution.

With the COVID-19 pandemic less prominent in the United States, a hybrid model that allows employees to work from home part-time seems to be gaining favor among companies and workers.

A *USA Today* study conducted in mid-May 2021 found that 40% of Americans prefer to work from home full-time, compared with 35% who seek a home-office hybrid and 25% who wish to return to the office full-time. Workers cite a variety of concerns about going back to the office, including losing the flexibility they have enjoyed while teleworking, getting re-accustomed to their pre-pandemic routines, and health worries.²

Anticipated Change in Remote vs. Onsite Work for New Hires



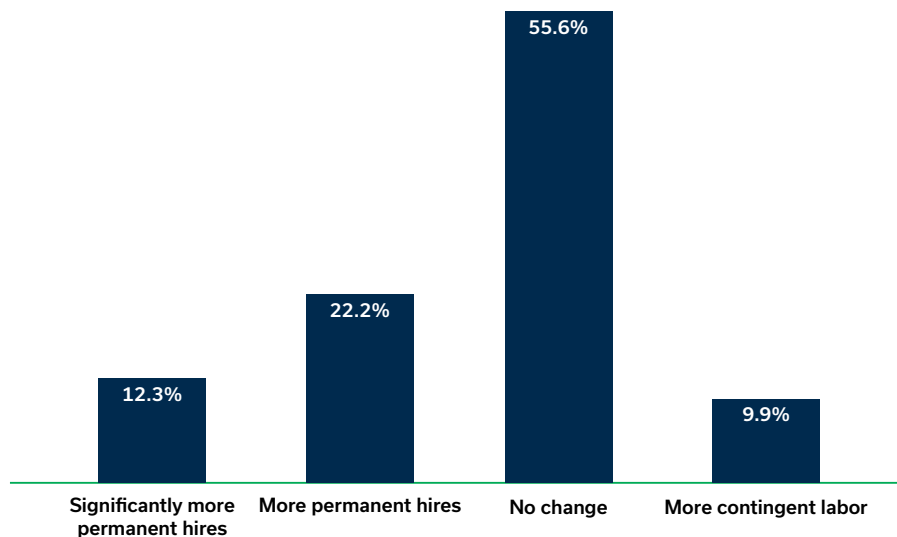


Anticipated Change in Employees vs. Contingent Workforce

How will the ratio of new permanent employees vs. new contingent labor change in the next 12 months compared to the 12 months before the COVID-19 pandemic?

Study participants were asked to estimate how the ratio of new permanent employees to new contingent labor in their organization will change in the next 12 months compared to the 12 months prior to the pandemic. Most (55.6%) indicated no change, meaning the workforce composition of these two groups will be about the same. But over one-third (34.5%) felt there would be more hires, versus only about 10% leaning towards more contingent labor. While it depends upon the workforce size of the respondent set, the conclusion can be made that overall, there will be an increase in the proportion of permanent hires compared to contingent labor.

Anticipated Change in Employees vs. Contingent Workforce





Expected Change in Compensation

Permanent Employees

How do you expect total compensation to change for permanent employees in the next 12 months?

Respondents were asked their expectations for a change in total compensation for permanent employees in the next 12 months. The vast majority (82.7%) expect an increase in total compensation for permanent employees in the next 12 months, while no one anticipated a decrease. Total compensation involves more than salary—it also includes benefits and bonuses, as well. The primary takeaway? Employee compensation is expected to rise. On average, the change in permanent employee compensation is anticipated to be 4.0%.

According to the Bureau of Labor Statistics (BLS), the median wage for workers in the United States in the fourth quarter of 2020 was \$984 per week or \$51,168 per year (assuming 52 weeks of work per year).³ Wages were 5.7% higher than a year earlier. Further, employers expect a moderate health plan cost increase next year of 4.4%, on average compared to this year, according to early results from HR consultancy Mercer’s National Survey of Employer-Sponsored Health Plans 2020.⁴ Overall, the cost of full-time employees is expected to increase at a moderate rate.

Expected Change in Compensation Permanent Employees

	Total
Increase 1-5%	64.0%
Increase 6-10%	12.0%
Increase 11-20%	6.7%
No change	17.3%
Decrease (net)	0.0%

Expected Change in Compensation

Contingent Labor

How do you expect total compensation to change for contingent workers in the next 12 months?

The majority of survey participants (57.1%) anticipate no change in compensation, which is more than three times as many that indicated they anticipate no change for permanent employees (see prior graph). Over one-third (37.1%) anticipate an increase in compensation, though most of that is in the 1-5% category. Only about 5% anticipate a decrease in compensation. While our survey predicts an overall net increase in compensation, it will likely be far less than what is anticipated for permanent employees.

On average, the anticipated change in contingent labor compensation is 2.0%, or about half that of permanent employees. Contingent labor cost estimates vary considerably, depending upon the nature of the jobs being performed. But survey data suggests a very modest increase in compensation, which is entirely based on billed rates, not benefits.

Expected Change in Compensation Contingent Labor

	Total
Increase 1-5%	27.1%
Increase 6-10%	2.9%
Increase more than 11%	7.1%
No change	57.1%
Decrease (net)	5.7%



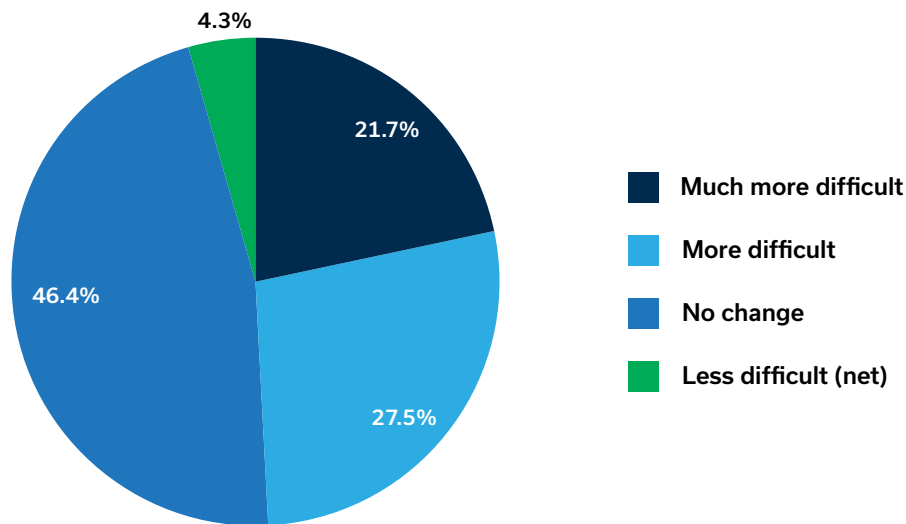
How Recruiting Blue-Collar Positions Has Changed

How has recruiting for blue-collar positions changed now compared to the 12 months before the pandemic?

For nearly one-half (49.3%) of respondents, recruiting for blue-collar positions is more difficult now than 12 months before the pandemic. Among that group, over one-in-five (21.7%) indicated it was much more difficult.

The need for blue-collar positions is not the same in every industry. For example, the manufacturing, transportation, and construction industries all have a much greater need for blue-collar workers than IT or accounting, for example the anticipated difficulty in recruiting for these roles will be most strongly felt in those industries with the greatest reliance on them as part of the workforce.

How Recruiting Blue-Collar Positions Has Changed



Why Recruiting for Blue-Collar Positions is More Difficult

Why do you feel it is more difficult?

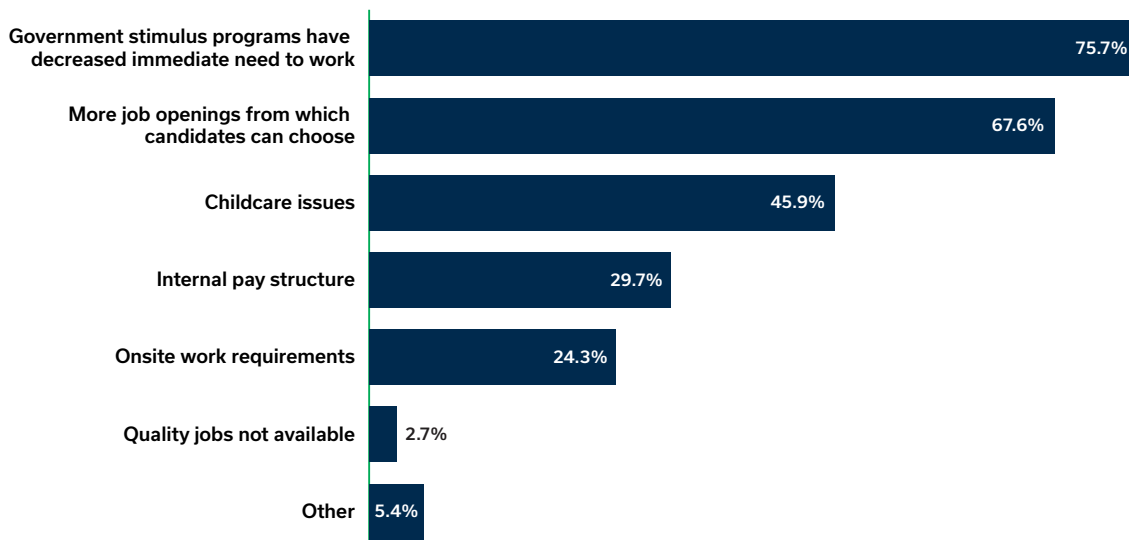
Base: Respondents that feel recruiting for blue-collar positions has become more difficult now compared to the 12 months before the pandemic.

Study respondents who felt blue-collar job recruiting would be more difficult now compared to the 12 months before the pandemic were asked why they felt the change would occur. Over three-quarters (75.7%) felt that government stimulus programs have decreased the immediate need to work. They believe the incentive for employment has declined. There is some evidence to support that contention. “The disappointing jobs report makes it clear that paying people not to work is dampening what should be a stronger jobs market,” said the U.S. Chamber of Commerce.⁵

Two-thirds (67.6%) of participants felt that more job openings from which candidates can choose are a reason why hiring will be more difficult. The May 11, 2021 Job Openings and Labor Turnover Survey (JOLTS) reported an all-time high number of job openings, surging to 8.1 million at the end of March—which points to an economy that is moving forward. As with job losses, workers in certain industries are facing a steeper uphill battle. In the construction space along with the arts, entertainment, and recreation industry, there were more than two unemployed workers per job opening.⁶

Nearly one-half of respondents (45.9%) indicated that childcare issues would also create hiring challenges. This concern has already had a greater impact on women when compared to their male counterparts.⁷

Why Recruiting for Blue-collar Positions is More Difficult





How Long Current Job Recruiting Environment Will Last

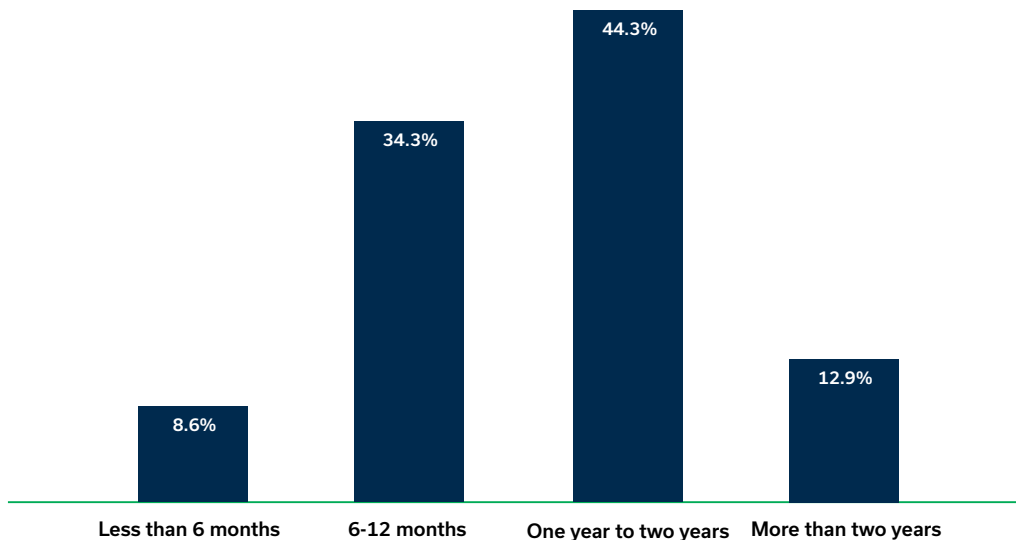
How long do you feel your current job recruiting environment will last?

Respondents were asked how long they feel their current job recruiting environment would last. Most (57.3%) consider it to be a long-term event that will last more than one year.

In June 2021, Nonfarm payrolls in the United States increased 850,000 up from 583,000 in May. The unemployment rate, however, rose to 5.9% against the 5.6% expectation.⁸ While the increase is encouraging, economists feel there are still giant holes in America’s economic recovery as the coronavirus remains in the driver’s seat.

With vaccination rates slowing even as local economies fully reopen, the job market is reorienting itself into a new normal that assumes the virus might linger for the foreseeable future—a shift that labor experts say requires investment in a wide swath of workers if their skills are to reflect this new reality. An analysis by the nonpartisan Congressional Budget Office found that employment is not anticipated to recover fully until 2024, when it predicts a jobless rate of 4.2%.⁸

How Long Current Job Recruiting Environment Will Last



Additional Resources Needed to Manage Recruiting Needs

What additional resources do you anticipate you will need to manage your recruiting needs for the foreseeable future?

Study participants were asked to identify the additional resources they will need to manage their recruiting needs for the foreseeable future. Employee engagement was selected by over one-half (56.9%) of them. Throughout the pandemic, employee engagement has been a major concern among corporate leaders. But employee engagement did not drastically decline overall in 2020, and it even reached a new record high multiple times throughout the summer before leveling off throughout the rest of the year.⁹

So how will engagement be impacted going forward? While the pandemic required many employees to pivot their roles and skills, this short-term change will not be enough to keep them motivated in the future. Stalled growth is one of the main reasons employees quit their jobs. As we enter the next phase of work, employees will expect both longer-term solutions and clearer pathways for professional growth.¹⁰

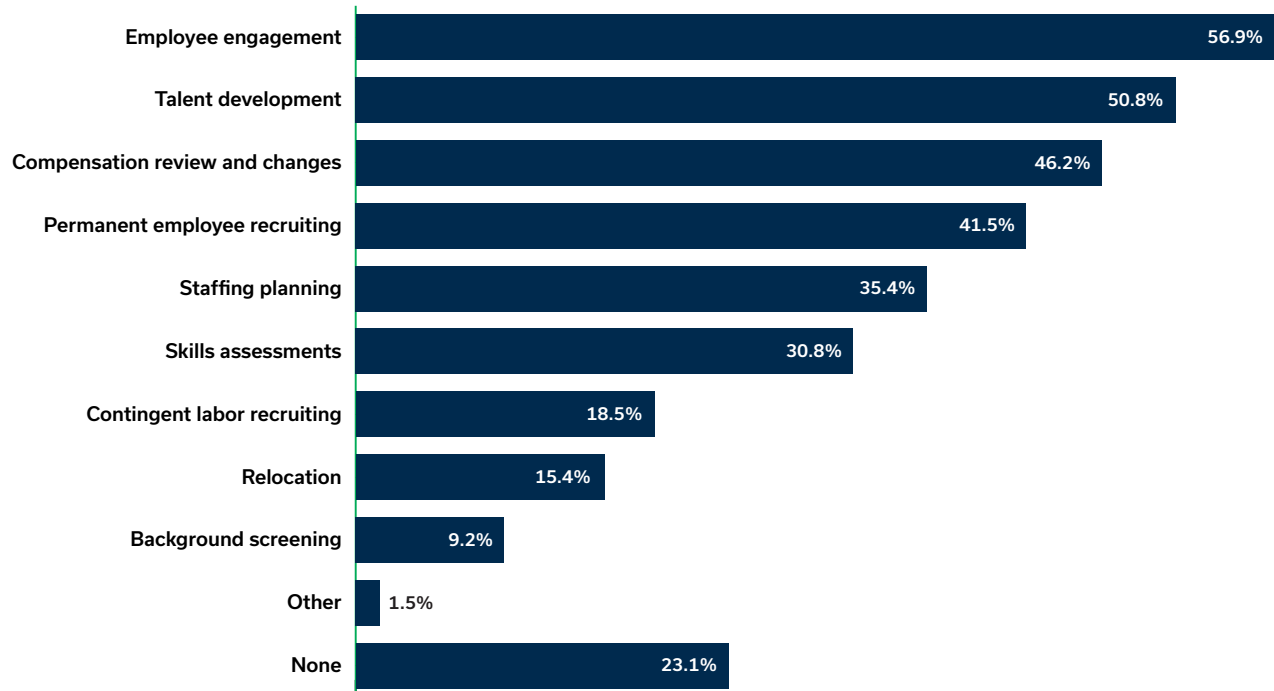
According to survey results, talent development is another resource sought by over one-half of respondents (50.8%). This finding is consistent with a study from the World Economic Forum. According to the World Economic Forum, over one-half of all employees will require significant upskilling as early as next year. Evolving technology requires new skills, resulting in dynamic job requirements. Upskilling fills this skill gap through ongoing education and also addresses the need for career growth, employee satisfaction, engagement, and reduced turnover—helping to keep the organization competitive.¹¹

But despite the acknowledged need and great benefits of upskilling, there has been very limited progress in employee upskilling programs. The 2020 *HRO Today* Top Concerns of CHROs report revealed that fewer than one-in-six CHROs believe significant progress in upskilling has been accomplished.¹²

Another area also had a high need for the foreseeable future: compensation review and changes for permanent employees. Findings stated in the survey showed that 82.7% of respondents expect an increase in total compensation for permanent employees in the next 12 months. With that degree of change, it is hardly surprising that organizations are seeking advice from compensation experts.

Permanent employee recruiting was also high on the list of needs for additional resources. This is consistent with prior study findings shown previously that nearly three-quarters (71.4%) anticipate an increase in hiring, and most economic forecasts support that. Most economic forecasters expect very strong GDP growth in 2021 as the \$1.9 trillion American Rescue Plan works its way through the economy and more people are vaccinated. The consensus is that real GDP will increase about 6% between the fourth quarter of 2020 and the fourth quarter of 2021. That level of growth means monthly payroll employment gains over the next nine months could average between 700,000 and one million per month and talent acquisition teams will have to manage this increased demand.¹³

Additional Resources Needed to Manage Recruiting Needs



Conclusions

Regardless of industry or job type, recruiters feel their task is going to become more challenging in the next 12 months. Nearly half of HR executives believe recruiting blue-collar jobs has become more difficult, and the majority of them blame continued government stimulus programs for reducing the immediate need to work. Compounding that, nearly three-quarters of companies plan to increase hiring in the next 12 months. As employers face greater demands from candidates for increased remote work and a shift toward more permanent than contingent labor, these challenges will require additional support in recruiting, employee engagement, talent development, and compensation review. These challenges will require additional support in recruiting, engagement, talent development, and compensation review.

Notes

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