



**Winning the Talent Race:**  
HOW COMPANIES RECRUIT  
AND RETAIN PEOPLE  
THEY NEED TO SUCCEED

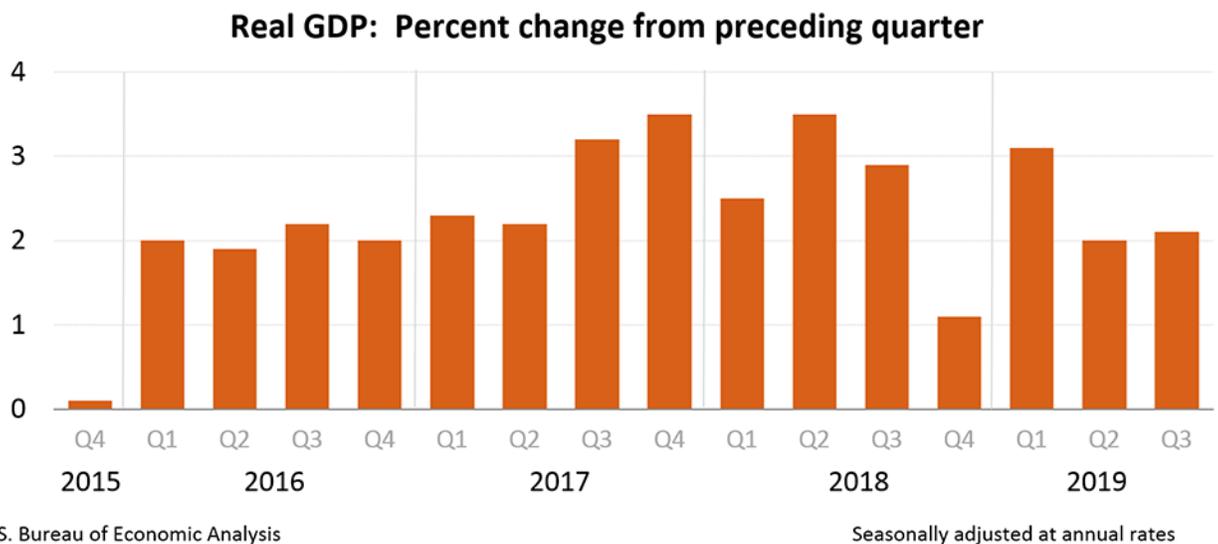
The news media often covers a shortage of talent in industries like technology and financial services including the great lengths some companies go to recruit and retain their winning team. Their war chest of resources can include offering employees signing bonuses, equity, beautiful office spaces, meals, generous bonuses and more. But what about Main Street industries like skilled trades, retail, manufacturing and construction? How do they attract and keep the talent they need for success? And how can they succeed with limited resources?

There are more than 30 million small and medium size businesses (SMBs) in the U.S. representing 99.9% of the total businesses.<sup>1</sup> These companies employ nearly 59 million employees or 47.5% of the total U.S. workforce.<sup>2</sup> Many SMBs are local or regional organizations that are still owner-operated, high-touch and very personalized in their service delivery. These companies thrive on repeat business from a select set of customers—relationships built upon the continued delivery of quality goods and services. This is simply not possible without dedicated people.

This guide focuses on how to attract and retain the skilled labor you need to maintain the quality and timely delivery of your goods and services. We'll cover what is happening on both the demand and supply side of the equation, attempt to project the implications of those trends and finally outline tactics companies can do to combat those challenges.

## Growth of U.S. Economy

According to the U.S. Bureau of Economic Analysis, the U.S. economy has grown steadily at a consistent rate of 2% to 3% since 2016.<sup>3</sup>



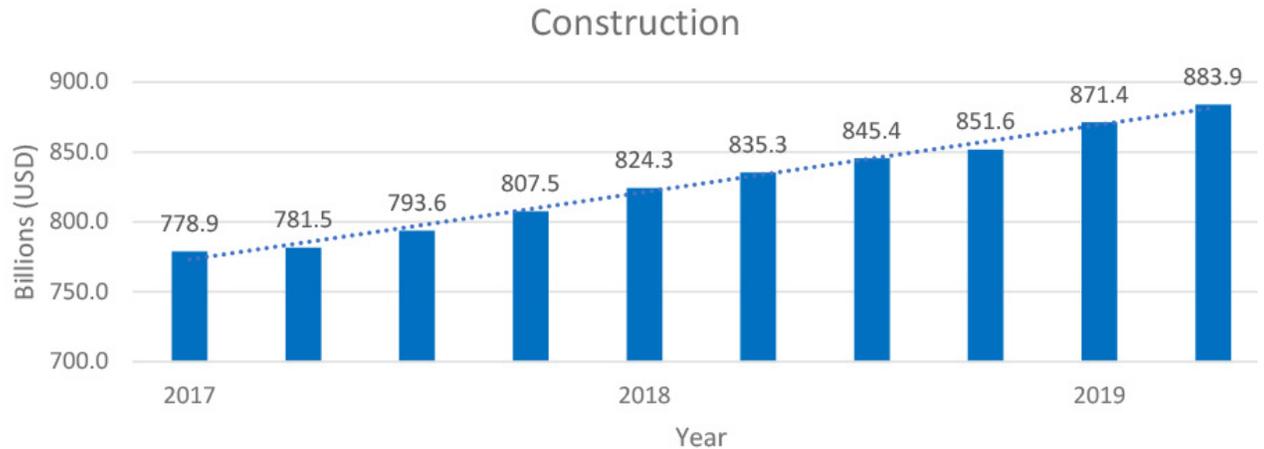
Data source: "Gross Domestic Product, Third Quarter 2019," U.S. Bureau of Economic Analysis, (accessed November 26, 2019), <https://www.bea.gov/data/gdp/gross-domestic-product>.

<sup>1</sup>"2018 Small Business Profile," U.S. Small Business Administration Office of Advocacy, (accessed November 26, 2019) <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>.

<sup>2</sup>"2018 Small Business Profile," U.S. Small Business Administration Office of Advocacy, (accessed November 26, 2019) <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-All.pdf>.

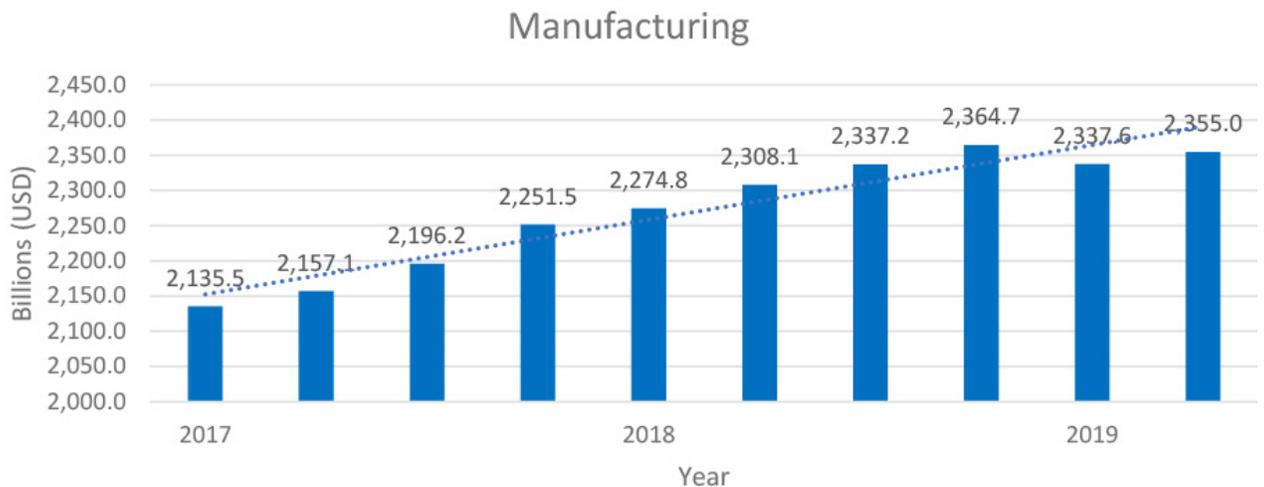
<sup>3</sup>"Gross Domestic Product, Third Quarter 2019," Bureau of Economic Analysis, (accessed November 26, 2019) <https://www.bea.gov/news/2019/gross-domestic-product-3rd-quarter-2019-advance-estimate>.

Whereas overall economic performance is the composite of many different industries, of note are those sectors that are typically referred to as the “blue- or gray-collar market.” For example, U.S. construction GDP increased to \$883.9 billion in the second quarter of 2019 from \$871.4 billion in the first quarter of 2019.<sup>4</sup> Demand for construction operators and workers is projected to grow by 10% to 11%, respectively, a much faster pace compared to the 5% average for all occupations.<sup>5</sup>



Data source: “News Release,” Bureau of Economic Analysis, (accessed November 26, 2019) [https://www.bea.gov/system/files/2019-10/gdpind219\\_2.pdf](https://www.bea.gov/system/files/2019-10/gdpind219_2.pdf).

In other sectors like manufacturing, the country is experiencing even stronger performance. U.S. manufacturing GDP increased to \$2,355 billion in the second quarter of 2019 from \$2,178 billion in the first quarter of 2019.<sup>6</sup>



Data source: “News Release,” Bureau of Economic Analysis, (accessed November 26, 2019) [https://www.bea.gov/system/files/2019-10/gdpind219\\_2.pdf](https://www.bea.gov/system/files/2019-10/gdpind219_2.pdf).

<sup>4</sup>“News Release,” Bureau of Economic Analysis, (accessed November 26, 2019) [https://www.bea.gov/system/files/2019-10/gdpind219\\_2.pdf](https://www.bea.gov/system/files/2019-10/gdpind219_2.pdf).

<sup>5</sup>“Occupational Outlook Handbook,” Bureau of Labor Statistics, (accessed November 26, 2019) <https://www.bls.gov/ooh/construction-and-extraction/construction-equipment-operators.htm#tab-6>; <https://www.bls.gov/ooh/construction-and-extraction/construction-laborers-and-helpers.htm>.

<sup>6</sup>“News Release,” Bureau of Economic Analysis, (accessed November 26, 2019) [https://www.bea.gov/system/files/2019-10/gdpind219\\_2.pdf](https://www.bea.gov/system/files/2019-10/gdpind219_2.pdf).

These trends are seen across similar industries. Demand for plumbers, pipefitters and steamfitters is expected to grow by 14% between now and 2028, nearly three times the average growth rate for all occupations.<sup>7</sup> The need for carpenters is expected to grow by 8% over that same period.<sup>8</sup> This growth is adding to a tremendous demand for labor.

## Labor Market Trends

For the first time since the Department of Labor began tracking job turnover almost two decades ago, the number of open jobs (7 million) exceeds the number of people seeking jobs (5.9 million).<sup>9</sup> A study conducted by The Conference Board projects that blue-collar labor shortages will continue.<sup>10</sup> Employers are seeing some of the greatest challenges finding workers in fields like construction, manufacturing and skilled trades.<sup>11</sup> This is not expected to change in the foreseeable future.

Data source: "Unemployment Level," Federal Reserve Bank of St. Louis, (accessed November 26, 2019)



<https://fred.stlouisfed.org/series/UNEMPLOY#0>.

To compound the problem, many of these types of jobs are held by baby boomers who were born between 1946 and 1964 and are now reaching retirement age. Approximately 10,000 baby boomers retire each day, which also impacts the labor supply for these skilled positions.<sup>12</sup> The median age of a construction worker in 2017 was over 40 years old. In apprentice carpentry, the median age is 27 while according to Bill Irwin, executive director of Carpenters International Training Fund, the ideal age is 19.<sup>13</sup> Looming retirements for workers in these industries could result in huge shortages as younger generations move into other career paths.

IBISWorld studied the top five sectors exposed to labor shortages in 2018 and the impact

<sup>7</sup>"Occupational Outlook Handbook," Bureau of Labor Statistics, (accessed November 26, 2019) .

<https://www.bls.gov/ooh/construction-and-extraction/plumbers-pipefitters-and-steamfitters.htm#tab-6>.

<sup>8</sup>"Occupational Outlook Handbook," Bureau of Labor Statistics, (accessed November 26, 2019)

<https://www.bls.gov/ooh/construction-and-extraction/carpenters.htm#tab-6>.

<sup>9</sup>"Job Openings and Labor Turnover Summary," Bureau of Labor Statistics, (accessed November 26, 2019)

<https://www.bls.gov/news.release/jolts.nr0.htm>.

<sup>10</sup>"Press Release," The Conference Board, (accessed November 26, 2019)

<https://www.conference-board.org/press/pressdetail.cfm?pressid=7622>.

<sup>11</sup>"Top Five Sectors Exposed to Labor Shortages in 2018," IBISWorld, (accessed November 26, 2019)

<https://www.ibisworld.com/industry-insider/analyst-insights/top-five-sectors-exposed-to-labor-shortages-in-2018-1/>.

<sup>12</sup>Barbara A. Friedberg, "Are We in a Baby Boomer Retirement Crisis?," Investopedia, updated September 23, 2019,

<https://www.investopedia.com/articles/personal-finance/032216/are-we-baby-boomer-retirement-crisis.asp>.

<sup>13</sup>Paul F. P. Pogue, Bridging America's Gap, (accessed November 26, 2019)

<http://www.bridgingamericasgap.org/why-do-we-have-a-skilled-trade-shortage/>.

is heavy across construction, retail, food services and manufacturing.<sup>14</sup> The construction industry continues to demand skilled labor according to a survey by the National Association of Home Builders, with a record 82% of builders reporting labor shortages as a significant problem.<sup>15</sup> The U.S. Department of Education reports there will be 68% more job openings in infrastructure-related fields than there are people willing to fill them.<sup>16</sup> The manufacturing industry faces a similar outlook. It is projected that almost half of the 2.4 million open manufacturing jobs could remain unfilled in 2028 because of shifting skillsets, baby boomer retirements and misperceptions about the job.<sup>17</sup>

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## Education Trends

In 2018, almost 69.1% of high school graduates chose to attend a college or university, up from 66.7% in 2017.<sup>18</sup> Over the last 10 years, this number has remained consistent between 66 and 70%.<sup>19</sup> While this is great for meeting the market demands of technology, financial services, life sciences and other “white-collar” positions, statistically it leaves fewer than one-third of high school age adults available for classic trades such as construction or manufacturing.

Traditionally, vocational schools were an alternative to academic four-year colleges. Vocational schools trained students in technical skills required to perform tasks geared toward a skilled trade. However, they saw a large drop in enrollment in the 1980s and ‘90s in large part due to the push for high school graduates to attend four-year academic institutions.<sup>20</sup> This has manifested in a shortfall in skilled labor seen today.<sup>21</sup> The shift to two- or four-year colleges and general perceptions of jobs in labor-intensive industries by younger generations converges in a decline of interest in trade schools or apprenticeships. A 2017 survey found that only 3% of job seekers were interested in the construction trade.<sup>22</sup>

<sup>14</sup>“Top Five Sectors Exposed to Labor Shortages in 2018,” IBISWorld, (accessed November 26, 2019) <https://www.ibisworld.com/industry-insider/analyst-insights/top-five-sectors-exposed-to-labor-shortages-in-2018-1/>.

<sup>15</sup>“Top Five Sectors Exposed to Labor Shortages in 2018,” IBISWorld, (accessed November 26, 2019) <https://www.ibisworld.com/industry-insider/analyst-insights/top-five-sectors-exposed-to-labor-shortages-in-2018-1/>.

<sup>16</sup>“Advancing CTE in State and Local Career Pathways,” Perkins Collaborative Resource Network, (accessed November 26, 2019) <http://cte.ed.gov/initiatives/advancing-cte-in-state-and-local-career-pathways-system>.

<sup>17</sup>“2018 Skills Gap in Manufacturing,” Deloitte, (accessed November 26, 2019) <https://www2.deloitte.com/us/en/pages/manufacturing/articles/future-of-manufacturing-skills-gap-study.html>.

<sup>18</sup>“Economic News Release,” Bureau of Labor Statistics, (accessed November 26, 2019) <https://www.bls.gov/news.release/hsgsec.nr0.htm>; [https://www.bls.gov/news.release/archives/hsgsec\\_04262018.htm](https://www.bls.gov/news.release/archives/hsgsec_04262018.htm).

<sup>19</sup>Lauren Camera, “College Enrollment Stays Flat, Continuing a Decade-Long Trend,” U.S. News, published April 25, 2019, <https://www.usnews.com/news/education-news/articles/2019-04-25/college-enrollment-stays-flat-at-69-continuing-a-decade-long-trend>.

<sup>20</sup>Matt Krupnick, “After decades of pushing bachelor’s degrees, U.S. needs more tradespeople,” The Hechinger Report, published August 29, 2017, <https://hechingerreport.org/after-decades-of-pushing-bachelors-degrees-u-s-needs-more-tradespeople/>.

<sup>21</sup>Matt Krupnick, “After decades of pushing bachelor’s degrees, U.S. needs more tradespeople,” The Hechinger Report, published August 29, 2017, <https://hechingerreport.org/after-decades-of-pushing-bachelors-degrees-u-s-needs-more-tradespeople/>.

<sup>22</sup>“A new blueprint for America’s construction trades,” CBS News, published October 1, 2017, <https://www.cbsnews.com/news/labor-shortage-a-new-blueprint-for-americas-construction-trades/>.

Some states are acutely aware of the impact that lack of labor is having on the economy and are attempting to reverse the trend. In California, there is a \$6 million campaign underway to revive vocational education and an additional \$200 million in spending to rebrand, re-educate and deliver on these programs.<sup>23</sup> Colorado became the first state to offer a statewide apprenticeship program to stem the shortage in workers for middle-skilled jobs in the state.<sup>24</sup> Nationwide, almost 11,000 new apprentice programs have been developed in just the last five years.<sup>25</sup> However, the challenge to close the gap remains acute as it may take a long time before we see the impact of these efforts. The reality in the short-term is that these industries will continue to face a labor shortage until these programs ramp up and get enough people trained.

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## The Impact of the Labor Shortage on Small Business

Unfilled labor positions at small and medium size firms have a real impact leading to longer project timelines, inability to respond to opportunities, reduced quality of service or product and, ultimately, lost revenue. As Chip Rogers, president and chief executive of the American Hotel and Lodging Association, puts it, “The single greatest challenge facing our industry is filling essential jobs to ensure the quality service and amenities our guests expect and deserve.”<sup>26</sup>

The challenges are not limited to small and medium size businesses. For Lowes Home Improvement, the problem affects their ability to serve their retail customer base. Lowes is projecting that by 2028 the shortage in the skilled trades will exceed 3 million to fill open positions.<sup>27</sup> Large franchises like Dunkin Donuts are facing the same challenges with the former CEO saying the labor shortage is the biggest problem facing the restaurant industry.<sup>28</sup> While this is an industry-wide problem, it is the smaller businesses that are hardest hit as they have limited funding to devote to recruiting and retention tactics compared to larger firms. Indeed, these shortages will cross all trades including electricians, carpenters and plumbers.<sup>29</sup>

The National Restaurant Association released a state of the industry report with almost 85% of respondents saying they plan to devote more resources to recruiting and retaining employees in 2019 than in 2018.<sup>30</sup> A 2018 Deloitte study is even more dire stating that the manufacturing shortage of 488,000 positions will grow to 2.4 million by 2028 in that sector alone.<sup>31</sup> This puts at risk almost \$454 billion in manufacturing GDP.<sup>32</sup>

In short, virtually every study or report by governmental and private entities clearly indicates that the stress and pressure we are seeing today is only going to increase.

<sup>23</sup>Matt Krupnick, “After decades of pushing bachelor’s degrees, U.S. needs more tradespeople,” The Hechinger Report, published August 29, 2017, <https://hechingerreport.org/after-decades-of-pushing-bachelors-degrees-u-s-needs-more-tradespeople/>.

<sup>24</sup>“Are apprenticeships more lucrative than a college degree?” PBS News Hours, published August 30, 2017, <https://www.pbs.org/newshour/education/twitter-chat-apprenticeships-lucrative-college-degree>.

<sup>25</sup>“Registered Apprenticeship National Results,” U.S. Department of Labor, accessed November 26, 2019, [https://www.doleta.gov/oa/data\\_statistics.cfm](https://www.doleta.gov/oa/data_statistics.cfm).

<sup>26</sup>Karen Schwartz, “Thriving Hotel Industry Scrambles for Workers,” New York Times, updated September 9, 2019, <https://www.nytimes.com/2019/09/09/travel/hotel-jobs.html?smid=nytcore-ios-share>.

<sup>27</sup>Aine Cain, “Lowe’s has come out swinging in the war for talent with a new campaign to fill millions of skilled trades jobs,” Business Insider, published April 25, 2019, <https://www.businessinsider.com/lowes-skilled-trades-gap-2019-4>.

<sup>28</sup>Alicia Kelso, “Even with more teenage workers, restaurants struggling to fill positions,” Restaurant Dive, published April 10, 2019, <https://www.restaurantdive.com/news/even-with-more-teenage-workers-restaurants-struggling-to-fill-positions/552392/>.

<sup>29</sup>Brenda Richardson, “Labor shortage is creating challenges to finding qualified contractors for home repairs,” Washington Post, published April 19, 2018, [https://www.washingtonpost.com/realestate/when-expert-tradespeople-are-hard-to-find/2018/04/18/f668d874-2d4b-11e8-8688-e053ba58f1e4\\_story.html](https://www.washingtonpost.com/realestate/when-expert-tradespeople-are-hard-to-find/2018/04/18/f668d874-2d4b-11e8-8688-e053ba58f1e4_story.html).

<sup>30</sup>Alicia Kelso, “Even with more teenage workers, restaurants struggling to fill positions,” Restaurant Dive, published April 10, 2019, <https://www.restaurantdive.com/news/even-with-more-teenage-workers-restaurants-struggling-to-fill-positions/552392/>.

<sup>31</sup>“2018 Skills Gap in Manufacturing,” Deloitte, (accessed November 26, 2019) <https://www2.deloitte.com/us/en/pages/manufacturing/articles/future-of-manufacturing-skills-gap-study.html>.

<sup>32</sup>“2018 Skills Gap in Manufacturing,” Deloitte, (accessed November 26, 2019) <https://www2.deloitte.com/us/en/pages/manufacturing/articles/future-of-manufacturing-skills-gap-study.html>.

## What Can SMBs Do?

TriNet works with thousands of small and medium size businesses to deliver full-service HR solutions. We reached out to our internal network of customers to uncover how they are faring in the race for talent with more than just a competitive salary. We spoke with seven clients who all demonstrated a lower average turnover than reported by the Bureau of Labor Statistics. These clients also demonstrated a high absolute worksite employee growth.

On the topic of challenges related to recruiting and retaining talent in these gray- and blue-collar industries, they consistently told us that they are experiencing similar challenges as demand for workers continues to increase with the limited supply. They are acutely aware of the impact it has to their business and are working every day to get ahead of the problem because everyone is pulling from the same labor pool.

Our clients shared with us some tactics that have kept them ahead of the recruiting and retention cycle in this tight labor market. Here is what we learned:

### **Build a Pipeline:**

Companies that are successful at attracting and retaining talent view the process like a sales executive building territory for defined and repeatable business. They are aware of all the resources and use them to build a “talent pipeline.” This goes far beyond having a list of “prequalified” individuals to investing in infrastructure and community so talent is not only available, but that the organization is one of the first to be considered by the candidate.

We spoke with Charles at Endurance Builders, a general contractor in the Houston market, to understand their recruitment strategy. Charles works closely with The University of Houston and Texas A&M, both of which have Construction Science degrees where he serves as guest lecturer. Endurance Builders also participates in job fairs with both schools maintaining presence with department heads and students seeking intern positions. While this takes time, it provides an avenue demonstrating expertise and gives the students insight into the realities of working not only with Endurance Builders, but also in the open market.

Endurance Builders also provides internships and summer programs that not only round out the educational experience for the student, but also “serves as an incubator within the universities and keeps the pipeline open for future hires.” Charles believes that interns are an important part of the company because, “you invest in the interns, train them and allow them to grow with the organization. The career path of an intern is a straight up trajectory.”

Phase Change Energy Solutions has found similar success in recruiting talent by tapping into relationships with the local community. In addition to apprenticeships at the local colleges, Phase Change Energy Solutions provides a pre-apprenticeship program for high schoolers, so they can be exposed to the trade early on and learn more about the industry.

For a niche player like Massage Envy Rancho Cucamonga, who primarily hires massage therapists, the exact skillset they want in a worker is a given. Where do you find massage therapists? While there are plenty of massage therapists in California, many of them may not have active state certification. In addition to posting on a job board like Indeed, they “headed to the local schools that had courses in massage and massage therapy” to find the exact skillset they needed.

<sup>30</sup>Alicia Kelso, “Even with more teenage workers, restaurants struggling to fill positions,” Restaurant Dive, published April 10, 2019, <https://www.restaurantdive.com/news/even-with-more-teenage-workers-restaurants-struggling-to-fill-positions/552392/>.

<sup>31</sup>“2018 Skills Gap in Manufacturing,” Deloitte, (accessed November 26, 2019) <https://www2.deloitte.com/us/en/pages/manufacturing/articles/future-of-manufacturing-skills-gap-study.html>.

<sup>32</sup>“2018 Skills Gap in Manufacturing,” Deloitte, (accessed November 26, 2019) <https://www2.deloitte.com/us/en/pages/manufacturing/articles/future-of-manufacturing-skills-gap-study.html>.

## Offer Rich Benefits:

It's no secret that one of the most effective ways to attract talent is to offer competitive and rich benefits packages that goes beyond health care to include dental, vision, flexible spending accounts, 401k matching and health spending accounts. It's also demonstrated to be a very strong tool for retention. In a Willis Towers Watson employee satisfaction study, 78% of employees said they are more likely to stay with their employer because of their benefits program.<sup>33</sup>

For companies competing heavily for workers in a limited labor supply, some make it their primary selling proposition. At Spare Parts Specialists, Sarah manages recruitment and makes sure that any job posting begins with a list of all the potential benefits. They offer unique benefits like 100% company-paid health insurance for select health plans and company-paid life insurance to distinguish the company as a first-rate employer.

Phase Change Energy Solutions understands that manufacturing may not be as appealing to the modern workforce, so the company boosts recruitment efforts by offering a robust benefits package that includes competitive time off, pet insurance and discount programs. Danielle, a CFO in the auto repair industry, tells us her company offers great benefits packages to attract workers from competing shops "because the technician skills are extremely in high demand and in low supply." Compared to dealerships, they offer more generous time off and work/life balance because that represents a cultural shift that is harder for their competition to implement.

Larger companies are moving towards strong benefits packages as the main attraction for talent. A review of Glassdoor's 2019 Best Places to Work: Employees' Choice finds that places like Trader Joe's, Wegmans and John Deere ranked in part because of their extensive benefits options.<sup>34</sup> Employee reviews regularly cite tuition reimbursement, flexible scheduling, competitive salaries and time off as benefits that employees appreciate and value.

## Corporate Culture:

Never underestimate the importance of corporate culture. Today's candidates have a broad array of tools to decipher the inner workings of a company including Glassdoor, LinkedIn, Facebook and more. Culture sounds like an intangible company trait, but there are ways to embody it throughout the organization. A study conducted by Deloitte shows that 94% of executives and 88% of employees believe a distinct workplace culture is important to business success.<sup>35</sup> This has come up in conversations with our customers and it becomes increasingly important in remote or rural areas. But what constitutes workplace culture exactly?

At BEKO Technologies, Corp. culture is manifested in behavior through all aspects of work, even if it's not outlined anywhere. Melanie emphasized that "people work smarter, not harder. We value work/life balance and are very family-focused." She tells us when an employee faced a family emergency, they came together to outline a plan that addressed the immediate needs of the individual and the best way that BEKO Technologies, Corp. could be there for support. BEKO Technologies, Corp.'s culture permeates the organization and manifests in the way employees treat each other and their work.

<sup>33</sup>"Results of 2018 Employer/Employee Satisfaction Survey," Willis Towers Watson, accessed November 26, 2019, <https://www.willistowerswatson.com/en-US/insights/2018/08/employee-and-employer-satisfaction-with-group-benefit-marketplaces-survey-results>.

<sup>34</sup>"2019 Best Places to Work: Employees' Choice," Glassdoor, (accessed November 26, 2019) [https://www.glassdoor.com/Award/Best-Small-and-Medium-Companies-to-Work-For-LST\\_KQO,43.htm](https://www.glassdoor.com/Award/Best-Small-and-Medium-Companies-to-Work-For-LST_KQO,43.htm).

<sup>35</sup>"Core beliefs and culture," Deloitte, (accessed November 26, 2019) <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-core-beliefs-and-culture.pdf>.

Other times it means rolling out a program that exemplifies the company's mission. Because Four Sigmatic wants employees to live out the brand, the company has corporate wellness programs in which they encourage employees to participate. Companies cannot just “talk the talk” to attract employees but need to truly “walk the walk” to show that they live out these values.

Massage Envy Rancho Cucamonga takes a similar approach. Given the unique skills required as a massage therapist, the supply pool is relatively limited with the consolidation and closure of schools coupled with a high turnover as a result of the physically demanding job. However, they have been able to reverse the turnover trend for massage therapists by instilling a culture of empowerment, respect and teamwork.

Charles and his co-founders created Endurance Builders based on cultural experiences they had in common. They wanted to replicate the positive culture they so enjoyed at other firms while building on cultural demands of an evolving labor base. In doing so, they created a culture rooted in open communication across the organization—from junior employees to partners and executives. Charles says, “You can't ask a dumb question. The only thing you can do that is silly is not tap into the knowledge that exists.” As a result, junior employees feel supported and comfortable taking on big responsibilities. An open door promotes increased engagement, retention remains high. Listening and staying connected across the organization plays a key role in building a sense of unity among employees at every level.

Melissa at Phase Change Energy Solutions summed it up nicely: “My whole job is to understand the why and approach recruiting holistically.” She says this allows her to speak to candidates in terms that are meaningful to them and ensure there is a match with the company culture. This brings a level of flexibility in how the company approaches hiring. As we discussed previously, manufacturing is not necessarily appealing to the modern workforce, so employers aim to attract through pay, benefits and overall workplace culture. Executives are hands on and invested and communication follows an open-door policy. Similarly, Danielle noted the importance of understanding what appeals to mechanics, knowing that it can be unique for each person, and is always trying different ways to reach or retain candidates.

Overall, we found that the fundamentals of workplace culture are rooted in putting the employee first, whether that is offering a holistic benefits package that matters to the employee or making sure their career goals are addressed. When employees are valued and are treated like human beings, they will stay and bring in others from their network who might be a good fit. This is not to say that your culture needs to be idealistic in nature, but you can be genuine about it even if it is motivated by business needs.

## Workplace Flexibility:

Like culture, workplace flexibility is important and deserves its own category as a driver of recruiting and retention tactics. PwC performed a global generational study and discovered that employees across all generations feel strongly about a flexible work schedule and would be willing to give up pay and delay promotions to get it.<sup>36</sup> While this is a major aspect of workplace flexibility and clearly supported as a retention tactic, we also found that workplace flexibility communicates a lot about how employers handle employee-related concerns.

Four Sigmatic provides a great example of how sensitively handling employee concerns helped to retain key talent and demonstrated the company put employees first. Four Sigmatic retained talent by matching an employees' strengths and development goals with the needs of the business.

Your employees are your business, so it is important to treat them accordingly. Companies should establish appropriate policies and standards that can meet the needs of their employees.<sup>37</sup>

## Compensation Strategy:

A competitive salary goes a long way in attracting and retaining workers. Bonuses are often used to incentivize employees to work harder and stay longer. However, offering higher pay to attract talent can be a double-edged sword. For example, manufacturing companies are ready to pay more to attract and retain talent, but they also see skilled workers leaving their organization for higher pay elsewhere.<sup>38</sup> So while it is important to ensure that salary stays competitive for the industry, the companies we spoke to often cushion it with very rich benefits or a strong workplace culture to sweeten the deal. You should think of compensation as encompassing the monetary and nonmonetary aspects that cannot be easily replicated by a competing firm.

Our customers use different compensation strategies to help keep employees. Danielle tells us they are continuously striving to achieve the right motivations to keep valuable mechanics. For example, certifications are a necessary part of the mechanic's license, so the company pays for training and teaching modules and reimburses for the cost of the exam if they pass, helping to keep them in the role for as long as possible.

Referrals are another important part of compensation strategy. Typically, we categorize referrals as a great way to build a pipeline of qualified candidates as with Endurance Builders getting the word out on campuses through interns. So how are referrals a great way to enhance your compensation strategy for current employees? Offer your employees a referral bonus. Referral programs help keep employees involved in the cycle of hiring and retaining talent with an added incentive of a bonus or an extra vacation day. Perhaps more important than the actual referral bonus is promotion so that your employees are aware of the program.<sup>39</sup>

<sup>36</sup>"PwC's NextGen: A Global Generational Study," PwC, (accessed November 26, 2019) <https://www.pwc.com/gx/en/hr-management-services/publications/assets/pwc-nextgen.pdf>.

<sup>37</sup>Ashira Prossasck, "Struggling to Retain Millennials and Gen Z? Here are 4 Reasons Why," Forbes, published September 30, 2019, <https://www.forbes.com/sites/ashiraprossack/2019/09/30/retain-millennials-genz/#428c31d5220f>.

<sup>38</sup>"2018 Skills Gap in Manufacturing," Deloitte, (accessed November 26, 2019) <https://www2.deloitte.com/us/en/pages/manufacturing/articles/future-of-manufacturing-skills-gap-study.html>.

<sup>39</sup>Jeff Hyman, "Let's Toast the Holy Grail of Hiring," Forbes, published January 30, 2019, <https://www.forbes.com/sites/jeffhyman/2019/01/30/grail/#59bce2451ad5>.

## Implement Professional Development

Often overlooked, professional development plays an integral role in keeping employees happy and motivated, resulting in longer tenure with the company. Generally, millennials and Gen Z place a high value on learning,<sup>40</sup> but workers of any age can appreciate knowledge and growth that accompanies a professional development program. Programs do not have to be time intensive or require a large budget. We spoke with Sarah at Spare Parts Specialist who found training to be extremely important in growing their team.

Phase Change Energy Solutions implemented a strong professional development program as part of their retention strategy. They have lunch and learn sessions, establish professional development plans and develop quarterly goals so that employees understand what is expected of them and what is needed to move higher in the company.

Looking through the Glassdoor list of 2019 Best Places to Work: Employees' Choice, we found that large companies like ABC Supply and Kimpton Hotels has established a process for growth opportunities. Employees report that outlining professional development programs and processes to promote from within make them feel valued and invested in because they are looking at them with a long-term plan.

Increasingly, manufacturing, skilled trades and construction organizations are developing programs that build a culture of professional development as a retention strategy.

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## Moving Forward

The macro economic conditions of labor demands and the corresponding labor supply are hardly favorable to talent acquisition. Even more concerning is the out-year trends indicate an escalating problem. Businesses today that demand skilled trades to operate need to orient their perspective to a new mindset and develop attraction/retention strategies as a core competency.

Every company is unique and so is every employee. Think about what matters to your business and how it has become what it is today with the resources available. Consider the makeup of your workforce and understand what they are looking for, particularly as they may vary by background and experience. One overarching theme that we've found with our customers is that recruiting and retention are inextricably linked and neither happen in a vacuum. Thinking about the pipeline as a recruiting tool ultimately relies on people who embrace the workplace culture and are willing to refer others in their network. Employees are attracted to strong HR programs that include a comprehensive benefits offering—but they end up staying because they see a path for growth. Both recruiting and retention need to be part of the business cycle and should be thought of as a single entity.

The customers we spoke with found success even in a very challenging labor environment. This is because they had a long-term vision that allowed for adaptation to a changing workforce. They are intentional and strategic in the way they approach recruiting and retention and they understand the needs of a new generation of workers. In a high-growth, limited-supply labor market, businesses need to design more relevant recruitment and retention programs geared toward a limited labor pool.

<sup>40</sup>Ashira Prossasck, "Struggling to Retain Millennials and Gen Z? Here are 4 Reasons Why," Forbes, published September 30, 2019, <https://www.forbes.com/sites/ashiraprossack1/2019/09/30/retain-millennials-genz/#428c31d5220f>.

## About TriNet

TriNet (NYSE: TNET) provides small and medium size businesses (SMBs) with full-service HR solutions tailored by industry. To free SMBs from HR complexities, TriNet offers access to human capital expertise, benefits, risk mitigation and compliance, payroll and real-time technology. From Main Street to Wall Street, TriNet empowers SMBs to focus on what matters most—growing their business.

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