Executive Perspectives

Investing to Win Talent

July 2021
LABOR BOTTLENECKS LEAD TO MORE CAREER CHANGES

After record layoffs during the COVID-19 pandemic, many workers are opting out of the workforce as global labor force participation dropped by hundreds of millions. Hiring demand has spiked as economies recover, leading to labor bottlenecks that will be resolved differently in each talent segment (e.g., wage, industry, region).

Many employees are reconsidering their fit with their current job after a challenging year. They are asking for greater recognition and flexibility while looking for alignment of values with their employer on topics that matter, such as diversity and environment.

INVEST TO RETAIN AND WIN TALENT

Amid increased calls for greater compensation, companies should also invest in talent by prioritizing employee value proposition improvements that re-recruit current employees and attract new talent. Companies should innovate flexible working models, embrace digital tools that enable connectivity, and reimagine diversity, equity, and inclusion (DEI) as a powerful investment to unlock the potential of their employees across a broad array of identities throughout their careers.
## Summary

### Investing to Win Talent

<table>
<thead>
<tr>
<th>TALENT TRENDS</th>
<th>IMPLICATIONS FOR LEADERS</th>
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<tbody>
<tr>
<td>1. Global labor force participation is 3 pp below average,(^1) resulting in a smaller labor pool</td>
<td>Companies must re-recruit current talent and attract new talent by investing in improved employee value proposition</td>
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<tr>
<td>2. Strong hiring recovery is causing labor bottlenecks as labor demand outpaces supply</td>
<td>1. Co-create flexible working models with current employees, tailored to specific roles</td>
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<tr>
<td>3. Decrease in pandemic-era employee well-being is reflected in 56% considering a job change(^2)</td>
<td>2. Embrace digital tools for connectivity and collaboration from the C-suite to the frontline</td>
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<td>4. Employees now rank compensation and flexibility as most important workplace factors(^2)</td>
<td>3. Invest in building a DEI capability that supports employees’ diverse identities throughout their careers</td>
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<td>5. &gt;50% would decline a job if the company did not have same environmental/diversity views(^3)</td>
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Source: ILO, Future Forum, BCG analysis and case experience
The past year has reshaped the global talent market

<table>
<thead>
<tr>
<th>Global trends</th>
<th>Example data</th>
<th>Flexible models</th>
<th>Societal impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs lost</td>
<td>Of global workers were <strong>laid off or forced to reduce working time</strong> due to COVID-19</td>
<td><strong>76%</strong></td>
<td><strong>70%</strong></td>
</tr>
<tr>
<td>Recruiting</td>
<td>Open to <strong>looking for other positions</strong> within the next year while 20% are already <strong>actively looking</strong>¹</td>
<td><strong>68%</strong></td>
<td></td>
</tr>
<tr>
<td>Retraining</td>
<td>Of workers are willing to <strong>retrain</strong> to obtain skills for a <strong>completely new job</strong></td>
<td></td>
<td></td>
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<tr>
<td>Flexible models</td>
<td>Are looking for added flexibility in <strong>where they work</strong>¹</td>
<td><strong>56%</strong></td>
<td></td>
</tr>
<tr>
<td>Societal impact</td>
<td>Say that companies’ <strong>diversity and climate views</strong> have become more important to job search</td>
<td></td>
<td></td>
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</tbody>
</table>

### Jobs lost

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>55%</td>
</tr>
<tr>
<td>China</td>
<td>23%</td>
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</tbody>
</table>

### Recruiting

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>63%</td>
</tr>
<tr>
<td>France</td>
<td>54%</td>
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</tbody>
</table>

### Retraining

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>77%</td>
</tr>
<tr>
<td>US</td>
<td>50%</td>
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</tbody>
</table>

### Flexible models

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>79%</td>
</tr>
<tr>
<td>Japan</td>
<td>73%</td>
</tr>
</tbody>
</table>

1. Based on knowledge worker survey only

Sources: BCG Decoding Global Talent (2021) for jobs lost, retraining, and societal impact; BCG/Slack Future Forum Pulse Survey, conducted April 26-May 6, 2021. Number of respondents = 10,541 knowledge workers across US, Australia, Germany, Japan, France, and the UK.
Global labor force participation is 3 pp below average, resulting in a smaller labor pool

Global labor force participation\(^1\) dipped during the pandemic

- Proportion of working-age population that engages actively in the labor market, either by working or looking for work.
- Data was provided in 5-year bands so representative groups were selected – early career 25-29, mid-career 35-39, later career 60-64

Sources: International Labour Organization, BCG/BHI, BLS, NBER, BCG Center for Macroeconomics

Increased childcare requirement has impacted mid-career and particularly working mothers

- Virus fears have affected later career and those with manual or service jobs
- Government unemployment stimulus leads to lower participation especially for early career and lower wage segment of workers

Shock of past year led global workers to reconsider value of their work, causing some to sit out and wait for higher pay or improved conditions

Change in labor force participation rate relative to June ’18 (pp)

1. Proportion of working-age population that engages actively in the labor market, either by working or looking for work. 2. Data was provided in 5-year bands so representative groups were selected – early career 25-29, mid-career 35-39, later career 60-64

Sources: International Labour Organization, BCG/BHI, BLS, NBER, BCG Center for Macroeconomics
Strong hiring recovery is causing labor bottlenecks as labor demand outpaces supply

In the US, job openings have recovered and started to make up for the pandemic dip

Globally, companies are struggling to fill roles and are acting to improve hiring and retention

Hiring: American companies are beginning to offer signing bonuses for lower-wage jobs that did not previously offer signing bonuses (e.g., housekeepers, movers, fast-food employees)

Retention: European banks and other high-wage employers worked with regulators to allow increased bonus pool

Immigration: Singapore and Australian governments are under pressure to reopen borders to allow flow of skilled migrant workers (who make up 30+% of workforce in both countries)

Labor bottlenecks

Recovering hiring rates have not been matched by a recovery of labor force participation. Labor bottlenecks are expected until labor supply normalizes with demand, but recovery will vary by segment/region (e.g., in the US, wages are growing faster for lower-wage jobs\(^1\) [4.4%] than higher-wage\(^1\) jobs [2.9%], implying deeper bottlenecks in lower-wage jobs)

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1. As of June 1, 2021. Based on 12-month moving averages of monthly median wage growth rates for first-quartile versus fourth-quartile wages, computed hourly.

Sources: BLS, BHI Center for Macroeconomic, Federal Reserve, press search.
Of knowledge workers are open to considering other positions in the next year with 20% actively looking for a new role today.

Employee well-being has declined over the past year…

Of employees saw decreases in well-being compared with only 23% who saw increases.

Largest decreases were seen by manual and service workers, as well as employees below the manager level.

56% of knowledge workers are open to considering other positions in the next year with 20% actively looking for a new role today.

### Importance of workplace factors ranked according to a Future Forum\(^1\) study as of May 2021

<table>
<thead>
<tr>
<th>Rank</th>
<th>Factor</th>
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<tbody>
<tr>
<td>1</td>
<td>Rewards (pay, benefits, recognition)</td>
</tr>
<tr>
<td>2</td>
<td>Flexibility</td>
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<tr>
<td>3</td>
<td>Relationships with coworkers</td>
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<tr>
<td>4</td>
<td>Workload</td>
</tr>
<tr>
<td>5</td>
<td>Relationship with manager</td>
</tr>
<tr>
<td>6</td>
<td>Autonomy of work</td>
</tr>
<tr>
<td>7</td>
<td>Alignment of job with values</td>
</tr>
<tr>
<td>8</td>
<td>Career advancement opportunities</td>
</tr>
<tr>
<td>9</td>
<td>Development opportunities</td>
</tr>
<tr>
<td>10</td>
<td>Company trajectory</td>
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</tbody>
</table>

- Short-term benefits such as financial compensation and recognition rose in importance during pandemic.
- Relationships continue to remain top priorities throughout the pandemic.

Employees are asking for increased flexibility:
- 92% in *when* they work
- 76% in *where* they work

Remote working allows new models as some seek to work from lower-cost domestic locations or internationally.

Flexible talent models can also increase the use of remote gig workers.

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1. Future Forum consortium was launched by Slack and is also led by BCG, Herman Miller, and MLT.

Source: Future Forum Pulse Survey, conducted April 26-May 6, 2021. Number of respondents = 10,541 knowledge workers across US, Australia, Germany, Japan, France, and the UK.
Employees will not accept jobs if employers do not match their personal beliefs

Would exclude companies that do not match beliefs in environmental responsibility

52%

Would exclude companies that do not match beliefs in diversity, equity, and inclusion (DEI)

51%

>50% would decline a job if the company did not have same environmental/ diversity views, especially important over the last year

Respondents said diversity and climate have become more important factors over past year to their job search

7 in 10

Younger respondents are more willing than older respondents to exclude companies that do not match their beliefs across environment and DEI

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1. Percentage of respondents who agree with that statement “I would exclude companies that do not match my beliefs in environmental responsibility/diversity and inclusion.”
2. Respondents who agree that “The issue of environmental responsibility/diversity and inclusion became more important to me over the last year.”
3. For environment, 55% ages 21-30 would exclude companies that do not match beliefs versus 49% for ages 60+. For DEI, 54% ages 21-30 would exclude companies that do not match beliefs versus 47% for ages 60+. Source: Dec. 2020 BCG/The Network web survey and analysis. Number of respondents = 208,807
Companies must re-recruit current talent and attract new talent by investing in improved employee value proposition

Challenging global labor markets require companies to improve their employee value proposition by first catering to current talent

While increasing wages is the key and immediate lever among 5 offerings to improve employee value proposition, companies should consider **culture, working model, and people** next:

1. **Rewards**
   Compensation, benefits, and recognition for work

2. **Culture**
   Collaborative environment with a strong focus on growth and (remote) development

3. **Working model**
   Flexibility in when and where employees work, work-life balance, and workspace

4. **People**
   Diversity of team and relationships/affiliation with coworkers

5. **Purpose**
   Company’s reputation, values, type of work, and views on societal issues

Source: BCG analysis and case experience
Co-create flexible working models with current employees, tailored to specific roles

Of respondents in a talent management survey say working with current employees to address needs and expectations is the key success factor in competition for talent.

Creating working models with employees offers benefits:
- Improved internal buy-in once future model is launched
- Ability to customize using input from specific roles and functions

85% Of respondents in a talent management survey say working with current employees to address needs and expectations is the key success factor in competition for talent.

Companies should use an iterative process that leverages input from current employees to develop and implement flexible talent models:

1. C-suite announces flexible working models as priority and that voices of all employees will be included in development process (e.g., via surveys, advisory panels).

2. Organization leaders brainstorm flexible working initiatives. They should test feasibility and crowdsourcing new ideas from frontline employees to prioritize initiatives (e.g., hybrid collaboration, flexible hours).

3. Launch experiments for flexible working initiatives with small teams to test and measure efficacy.

4. Collect feedback from both managers and their teams. Repeat experiments or move to other initiatives.

Sources: BCG Creating People Advantage (2021), BCG case experience.

Example:
Software company embraced nonlinear workday by setting team-level agreements about "core team collaboration hours" while allowing individual flexibility for other hours.

Process example:
Technology company completed co-creation process with employees on initiatives such as location-agnostic roles, which allowed them to reach a larger potential talent pool.
2.2 Embrace digital tools for connectivity and collaboration from the C-suite to the frontline

Leaders must rethink connections with the advent of more remote/hybrid collaboration in order to unlock potential and enable a strong talent culture

1. Retrain managers/leaders on digital tool fluency and provide resources on how to lead in a remote/hybrid world (e.g., online empathy)

2. Align in-person team time to work on collaborative activities while saving other activities for remote team time

3. Ensure managers are experimenting and building muscle through daily use of digital tools (e.g., virtual training platforms, coffee chat pairing, or asynchronous working like Trello)

4. Track metrics and reward successes when new models are preserving productivity, innovation, and satisfaction

Digital tools need to be deployed alongside leadership and culture change to ensure that new ways of working are sustained.

Example

At a large insurer, managers created virtual team sessions where agents encourage one another or make suggestions in private chats as they make sales calls. Team leaders can provide live feedback in private breakouts from the team room.

41% Believe technology will significantly disrupt their role

Strong digital tools important for digital skills future

As technology continues to evolve, leaders must invest time to upskill themselves and their teams on digital tools, unlocking team’s potential in a digital talent future. Continue evolving connections as external digital talent is hired.

Sources: BCG/Future Forum White Paper, BCG Decoding Global Talent (2021), BCG case experience
Invest in building a DEI capability that supports employees’ diverse identities throughout their careers

DEI leaders have evolved programs beyond simple segmentation. They integrate DEI into their processes and initiatives by treating DEI as a capability to develop

3 steps for companies to ensure a step change in DEI:

1. **Redefine why DEI is beneficial and should be developed as a capability**

Winning and maintaining talent can be a key differentiator. Thus, DEI can be approached as a strategic capability.

Reframe benefits of DEI initiatives around their ability to enable employees to thrive individually and collaborate effectively.

2. **Reset who to segment into talent identities and adapt over course of career**

Consider full multiplicity of identities and evolving work and life contexts that shape employee experiences in the workplace (e.g., only child of aging parents, career switcher).

Build a comprehensive understanding of underlying needs at critical intersections of identity and context where employers can shape outcomes.

3. **Reinvent how to customize offerings in a practical, data-driven manner**

~1/3 of employees found none of 50 common DEI initiatives to be highly effective, reinforcing need to identify initiatives that more fully address employee needs.

Develop holistic initiatives that recognize the diversity of needs within any demographic group and look beyond near-term tactics and benefits to shape an enduring ecosystem of support.

**DEI examples:**

*Food & beverage company* revamped diversity mentorship program to include accompanying cultural transformation that measured outcomes and improved diversity in pipeline to engage and prepare diverse leaders.

*Service company* expanded assistance for caregivers during COVID-19 to encompass broader types of caregiving by creating a support network to account for additional responsibilities and needs.

Source: BCG It’s Time to Reimagine Diversity, Equity and Inclusion article (2021).
Companies around the world grapple with challenging labor markets while thinking through their talent model

As of 15 July 2021

A global worker shortage means millions of jobs and not enough applicants

Employers are offering bonuses for roles that usually don’t see such perks

Over 50% of hospitality workers wouldn’t return to their old jobs for any reason

After pandemic and Brexit, UK begins to see gaps left by European workers

Four-day week ‘an overwhelming success’ in Iceland

As office life beckons again, the pandemic’s digital nomads weigh benefits of a return

CEO pay increasingly tied to diversity goals

Hybrid work: What the office could look like now
Additional perspectives on talent

- **Decoding Global Talent, Onsite and Virtual**
- **Creating People Advantage 2021**
- **Future Forum: Investing in a Flexible, Inclusive, and Connected Workforce**
- **Decoding Global Ways of Working**
- **It’s Time to Reimagine Diversity, Equity, and Inclusion**
- **Amplified Calls for Racial Equity Need Amplified Responses**
- **Decoding Global Reskilling and Career Paths**
- **Building the On-Demand Workforce**
- **I Want to Work but I Don’t Want a Job: Why Flex Jobs Are Next Big Thing for the Future of Work**

Source: BCG
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