

More Companies Are Holding on to Their Employees – and Vice Versa. Here's How to Capitalize on This Labor Market.

Opinions expressed by Entrepreneur contributors are their own.

The labor market has found a new normal – again. After the dramatic swings of the Covid-19 pandemic, as well as a bevy of buzzwords, the market has settled into a pattern we've never seen before. If it lasts, businesses will have to think about human resources in a whole new way.

First, we had “The Great Resignation,” then “Quiet Quitting,” which was quickly followed by “Quiet Hiring.” And now we're in an unprecedented situation that some economists are calling “The Great Stay.” It's an unusual moment in time given how workers are holding onto their jobs and companies are holding onto their workers.

In February, new hires amounted to just 3.7% of existing payrolls and quits totaled just 2.2%. The last time the sum of these two percentages was so small was in December 2017, when the unemployment rate was 4.1%. To see this little churn in the labor market with an even lower unemployment rate – only 3.9% – is unprecedented in the data we have, which go back to 2001. Usually, churn falls when the unemployment rate rises. But right now, we're still near the all-time low for the unemployment rate.

One reason for this lack of churn is the uncertainty that still plagues the economy. The path of interest rates, the upcoming elections, the wars in Gaza and Ukraine and the possibility of corrections in asset markets are all on the minds of managers, workers and investors. Businesses are also concerned that if they let workers go in such a tight labor market, they'll have a hard time hiring when they need workers again. In the meantime, even expert opinions on the future of the economy aren't carrying much weight, since so many forecasters were wrong about a recession coming last year.

So what's a business leader to do? The best approach is to take the labor market at face value and adjust strategy accordingly. This means thinking about new hires and existing workers as partners for the long term. Here are some ways to do it.

Related: Where Will the Economy Go Next? What to Watch For in 2024

1. Plan recruiting efforts to account for lower attrition

Workers are holding onto their jobs for longer. In the Bureau of Labor Statistics's most recent figures, the median job tenure of American workers had bottomed out at 4.1 years after a long decline. With fewer people walking out the door, you don't need as many walking in. You can spend more time searching for candidates for a given position, but that doesn't mean you can be choosier – there's still stiff competition for the best hires.

2. Invest more in training

The longer workers stay with you, the more benefits you receive when they pick up knowledge and skills. To reap these benefits over the longest period of time, you have to start

investing in training as early as possible.

You can be savvy about the types of training you offer, too; boosting workers' ability to use equipment, software, and processes that are unique to your business raises their value to you but doesn't necessarily make them more likely to change jobs. But if you're having trouble attracting workers, you might want to offer training on skills that are in high demand across the labor market. Then you can figure out how to make them stay – which might help you to discover why you had trouble attracting them in the first place.

3. Shift the mix of benefits

Training isn't the only way to invest in workers. Helping them to build their human capital through subsidies for education also makes them more valuable. Again, you can be savvy about the kinds of education you'll support, such as part-time MBAs for potential managers or skills-specific degree programs for individual contributors.

Investing in workers also means keeping them healthy and happy. Comprehensive medical benefits including exercise programs, mental health services and wellness care can make a big difference, as can free healthy meals and paid time off. Businesses that offer support for growing families, such as paid parental leave, are also more likely to hold onto workers for longer.

4. Structure incentives differently for retention

Holding onto workers was such a challenge in the past several years that some businesses offered retention bonuses after as few as three months. With workers less likely to leave, these incentives can be pushed back. Laddering incentives can also encourage workers to stay longer. For example, if a worker's

bonus for staying two years was 50% more than the bonus for staying one year, then the worker might be more likely to hang around rather than start from the bottom rung at another business.

Related: Don't Lose Those Talented Team Members. 3 Ways to Hold on to Them.

5. Explore long-term options in all areas

Workers increasingly think of their labor supply as a portfolio of different kinds of jobs and flexible work, and business leaders can do the same – especially in this labor market. Just as there are ways to take advantage of long-term relationships with permanent employees, there are also big benefits from commitment and consistency among temporary and flexible workers. Reducing turnover and deepening experience in these groups can raise productivity. Our surveys of workers on the Instawork platform suggest that more than half can commit to stay with the same business for at least three months working full-time hours.

Matching these workers with businesses looking for long-term staffing – in all of its forms – is a critical task in the current labor market. It's also one that will have benefits far into the future, as workers deepen their skills and receive steadier incomes via more committed relationships with businesses.

<https://www.entrepreneur.com/leadership/the-era-of-quiet-quitting-is-over-heres-how-to-take/472388>