

2018 WORKPLACE TRENDS REPORT:

Building Your Roadmap to Business Success

SETTING A COURSE FOR BUSINESS SUCCESS

Competition for talent in California is only getting more intense, and many employers are looking for guidance on which path to take to engage and retain top-performing employees.

Nelson's annual Workplace Trends Survey measures the trends impacting California employers, helping companies build a roadmap to business success. Key insights from our 2017 Survey are summarized on the following pages of Nelson's 2018 Workplace Trends Report, which will help your company understand current trends to avoid wrong turns and accelerate your progress on the road to growth and prosperity.



KEY INSIGHTS

1

ATTRACTING KEY TALENT IN CALIFORNIA IS ONLY GETTING MORE DIFFICULT.

As predicted in Nelson's 2017 Workplace Trends Report, survey participants again named "talent acquisition and management" the number one business challenge their businesses currently face.

2

OVERALL, BUSINESS IS GOOD.

While growth may be slowing somewhat, it may actually be approaching a more sustainable level than the rapid growth that has occurred over the past several years. Employers reported strong economic confidence and being better able to predict and adapt to current growth trends—but they also reported that they're still struggling to find the right people with the right skillsets.

3

EMPLOYERS NEED TO PAY ATTENTION TO RETENTION.

This year, more employers reported that new-hire salaries were holding steady or rising. This reveals that wages—mostly stagnant since the recession—are beginning to creep up, at least for new hires. Despite this, only 2% of employers reported having a standard salary increase of 5% or more for current employees. Employers need to be cautious of higher turnover rates caused by employees switching jobs in search of salary increases.



OVERALL:

To chart a course for business success, employers must make the most of an economic landscape ripe with opportunity by building a productive, engaged team. However, it's nearly impossible to accomplish this without understanding current local and industry-specific market trends. This understanding will help employers focus efforts not only on offering appropriate new hire salaries and benefits but also adjusting these offerings for current employees to avoid turnover.



2018 WORKPLACE TRENDS REPORT:

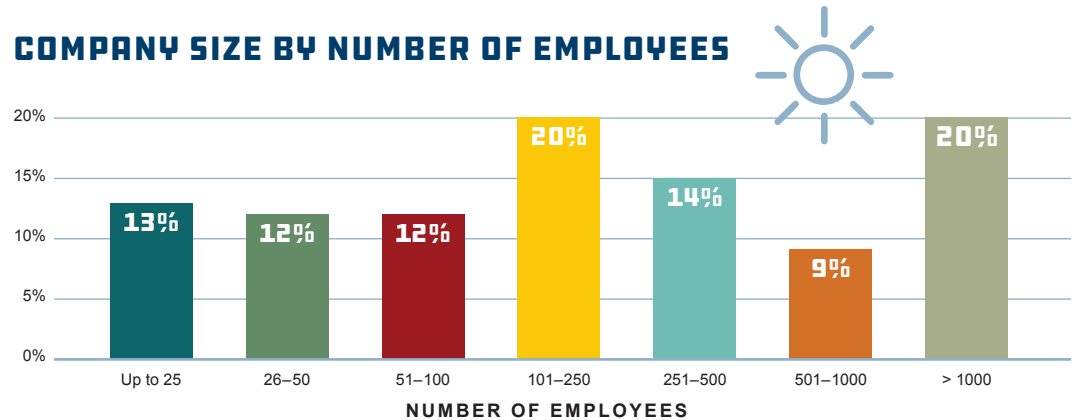
Company & Participant Profiles

Thought leaders at more than 650 companies located in 20 counties throughout California participated in this year's annual Nelson Workplace Trends Survey, conducted in the summer of 2017. Demographic information was collected to understand the companies represented, the participants surveyed, as well as the characteristics of the participants' departments.

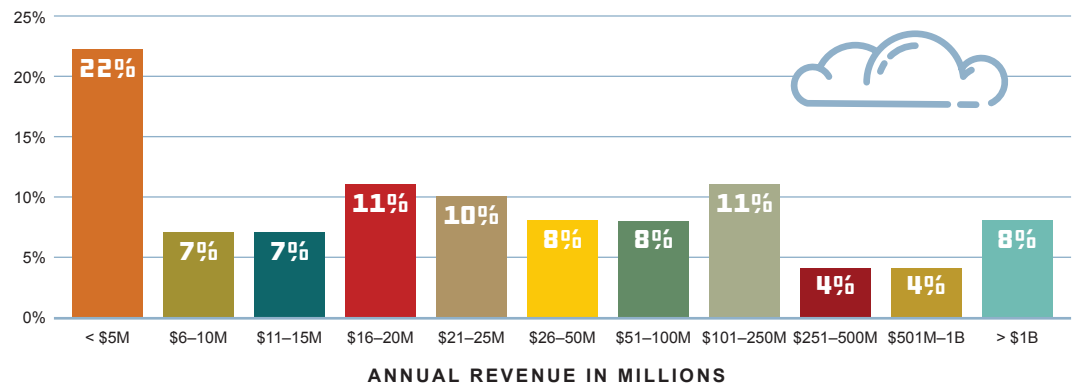
COMPANY PROFILES

Participants represented public, private, and non-profit organizations across a broad cross section of more than 100 industries, including manufacturing, financial services, technology, healthcare, food and beverage, consumer packaged goods, wine and beverage, biotechnology, professional services, legal services, construction, and many more.

COMPANY SIZE BY NUMBER OF EMPLOYEES



COMPANY SIZE BY ANNUAL REVENUE



PARTICIPANT & DEPARTMENT PROFILES

Survey respondents ranged from individual contributors to supervisors and managers to C-level executives and company owners.

3 OUT OF 4

participants said they managed people.



**PROFESSIONAL
CONTACT/FRIEND**

was the most common way respondents found their current roles. About 25% of participants found their current roles through a staffing company or executive search firm.



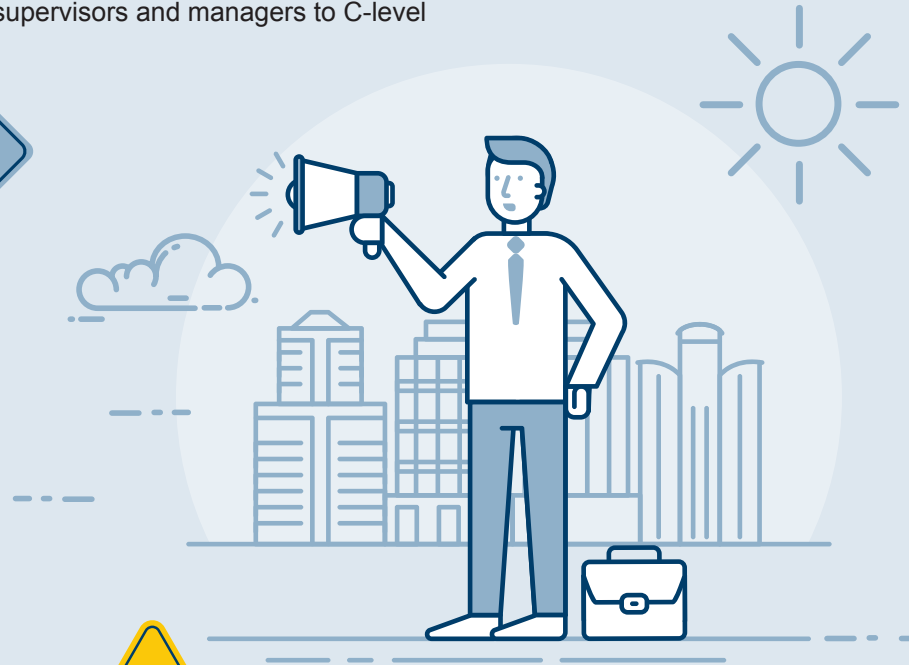
3-6 YEARS

was the average tenure in survey respondents' departments.



7.6 OUT OF 10

was the average department employee morale.



Employees aren't likely to recommend working for employers unless their morale scores are at least 8 out of 10. This means that, on average, employees in these departments were not likely to promote working for their organizations—which could foreshadow possible retention challenges ahead in the road for those employers.

2018 WORKPLACE TRENDS REPORT:

Economic Outlook

Unemployment rates have continued to decline through most of 2017. However, while average U.S. hourly earnings increased 2.5% from mid-2016 to mid-2017, the Federal Reserve estimates a healthy wage growth rate to be 3-3.5%, meaning wages haven't quite kept up with economic gains. This has left employers questioning whether it's necessary to raise wages. But as talent becomes even more scarce, employers must avoid shifting resources from retention to acquisition, or turnover (and therefore acquisition challenges) may start to rise.

ECONOMIC CONFIDENCE & REVENUE

7 OUT OF 10

was the reported economic confidence level—20% higher than last year's report. This year, 96% of all participants reported a moderate or high confidence level.

TOP BUSINESS CHALLENGES

- 1 Talent acquisition/management
- 2 Competitive pressures
- 3 Talent retention

PARTICIPANTS REPORTING MEETING OR EXCEEDING REVENUE EXPECTATIONS

LAST YEAR
88%

THIS YEAR
74%

PARTICIPANTS REPORTING GROWTH OR STABLE REVENUE TO DATE

LAST YEAR
71%

THIS YEAR
79%

More participants this year reported that revenue remained stable or grew compared to last year, while fewer participants reported meeting or exceeding revenue expectations. This slight drop may be attributed to expectations shifting even higher this year, not to underperformance.

UNIQUE CALIFORNIA ECONOMIC LANDSCAPE

EXPECTED OUTCOMES OF LEGALIZED RECREATIONAL MARIJUANA

- 1** More tax revenue
- 2** More clarity regarding marijuana use-related HR policies and employer requirements
- 3** More marijuana-related traffic incidents and/or citations for driving under the influence

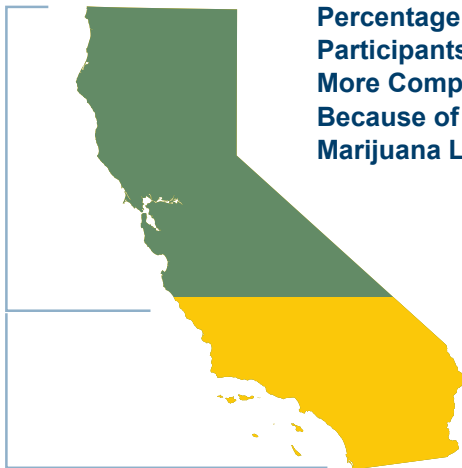
NORTHERN CALIFORNIA

93%

SOUTHERN CALIFORNIA

73%

Percentage of Participants Expecting More Competition for Talent Because of Recreational Marijuana Legalization



7% of Colorado employers dropped marijuana testing from their pre-employment tests since recreational use for adults was legalized in the state, according to a December 2016 survey by the Mountain States Employers Council. That percentage was higher in major metropolitan areas—about 10% of employers in Denver and Boulder. California may expect to see a similar response in 2018.

TAKEAWAYS:

California's economy is extremely diverse and unique, so the impact of legalized recreational marijuana may be slightly more unpredictable than in more geographically and economically homogenous states. For example, of survey respondents who predicted a resulting impact on talent availability, **93% in Northern California believed there will be more competition for talent, while only 73% in Southern California said the same.** This may be attributed to different geographic economic impacts, with Northern California focusing more on production and manufacturing of cannabis-related products and Southern California focusing more on consumption and tourism.

2018 WORKPLACE TRENDS REPORT:

Recruiting Engaging & Retaining Top Talent

According to a 2017 survey of C-level executives from the Association of International Certified Professional Accountants, 20% of respondents lost out on top candidates and 52% have had to settle for less-than-ideal candidates because of competition for skilled candidates. This year's Workplace Trends Survey shows how California's unique economic conditions and considerations are impacting employers' recruiting efforts.

RECRUITING CHALLENGES

Companies are continuing to report recruiting challenges, presenting even more roadblocks standing in the way of business success.

1 OUT OF 3

companies reported a 2017 turnover rate above 10%.

66%

of companies increased California headcount in 2017. Of those, 57% increased headcount by more than 5%.

HALF

of companies reported losing a candidate or having to pay more specifically because of the rising cost and diminishing availability of housing in California. 1 in 5 companies reported both losing a candidate AND having to pay more.

PARTICIPANTS REPORTING AT LEAST SOME DIFFICULTY RECRUITING

LAST
YEAR
84%

THIS
YEAR
91%

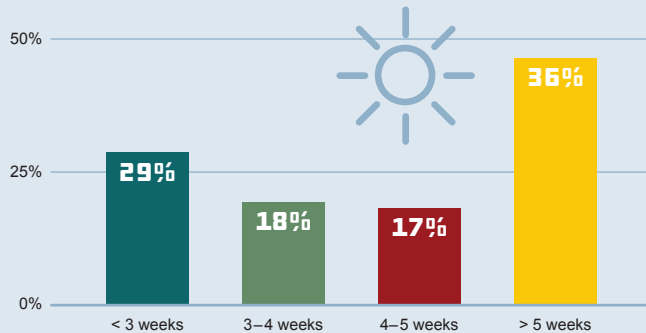


In 2017, slightly more companies reported lower headcount growth than in 2016. This could be an expected adjustment the year following strong growth but could signal slight economic slowing to a more sustainable level.



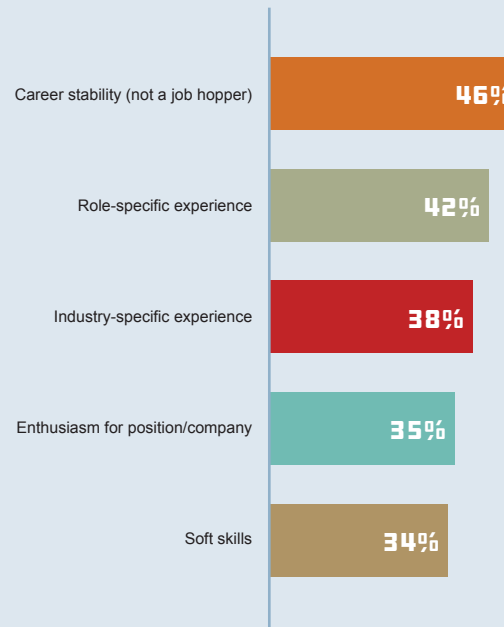
EVALUATING TALENT

AVERAGE LENGTH OF TIME BETWEEN DECISION TO HIRE AND OFFER ACCEPTANCE



Nearly 2/3 of companies reported that the **average length of time between being approved to hire someone new and an offer being accepted by a candidate was less than 5 weeks**. For employers, this means candidates you're considering may be off the market very soon—and many good candidates will be considering multiple offers. Be sure you're keeping up with traffic when it comes to timeliness of the interview and offer process or you may be left in the dust with your top candidates.

MOST IMPORTANT DECIDING FACTORS FOR CANDIDATE SELECTION



While companies reported significant recruitment challenges, many also indicated they remain very selective about candidate quality. **Role and industry-specific experience were reportedly important, but career stability topped the list as the most important factor companies use to decide between candidates.** With candidates changing jobs more frequently to seek compensation increases and average tenure in each position declining, **employers may need to broaden their filters when it comes to tenure and career track requirements for new hires.**

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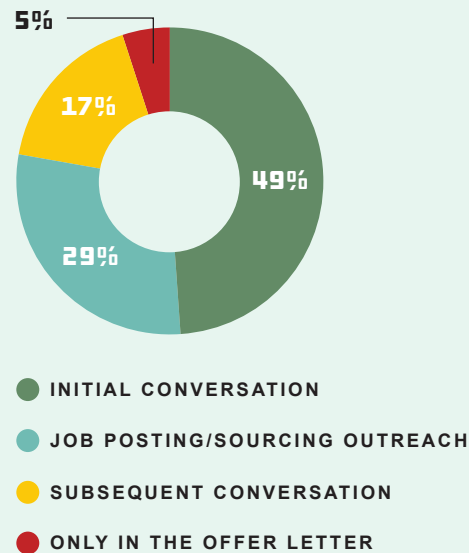
Recruiting Engaging & Retaining Top Talent

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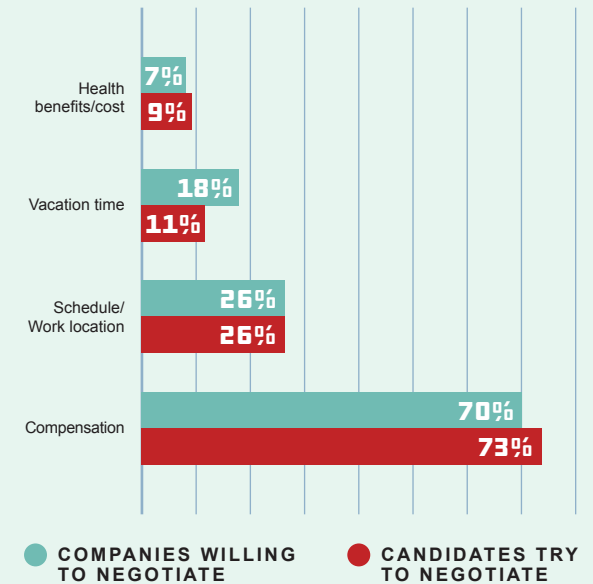


MAKING THE OFFER

FIRST COMPENSATION DISCUSSION



JOB OFFER ASPECTS NEGOTIATED



Nearly 75% of companies reported that candidates most often sought to negotiate compensation in 2017. However, while **only 11% of companies reported that candidates tried to negotiate vacation time**, **18% of companies indicated they were willing to negotiate vacation time**. If your company is willing to negotiate aspects of a job offer other than compensation, bring up these possibilities in candidate conversations. Candidates may consider factors other than salary when they evaluate your offer.

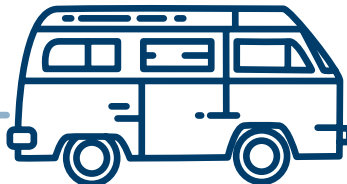
More employers are understanding the importance and efficiency of broaching the topic of compensation earlier in conversations with candidates; nearly 80% discussed compensation no later than an initial conversation. If your company is still waiting until later to bring up compensation, you may want to update your process so those conversations happen earlier.

MANAGING & RETAINING TALENT

For many decades, companies tied compensation increases to results of annual performance evaluations. But more recent research has showed that this association can be detrimental to engagement. Many HR experts now recommend employers go the route of separating the two. This allows more focus to be placed on regular, real-time feedback (instead of a once-yearly evaluation), which helps keep employees more engaged.



A recent LinkedIn study found that the average number of jobs college graduates hold within five years of graduation nearly doubled from the late 80s (1.6 jobs) to the mid 2000s (2.85 jobs). In 2014, Forbes reported that employees who stay in companies longer than two years get paid 50% less over the course of their careers. Less worker loyalty can lead to increased recruiting and training costs for employers, so employers need to consider retention efforts.



4 OUT OF 5

companies reported not associating compensation with performance evaluations.

ONLY 53%

had a formal annual review or progress updates process.



86%

of companies reported offering a 401(k) or other retirement fund.

68%

of companies that offered a 401(k) offered some sort of match, with **20% of those companies offering a match of more than 25%.**

ONLY 2%

of companies offered an annual standard salary increase for current employees of **5% or more.**

2018 WORKPLACE TRENDS REPORT:

Recruiting Engaging & Retaining Top Talent

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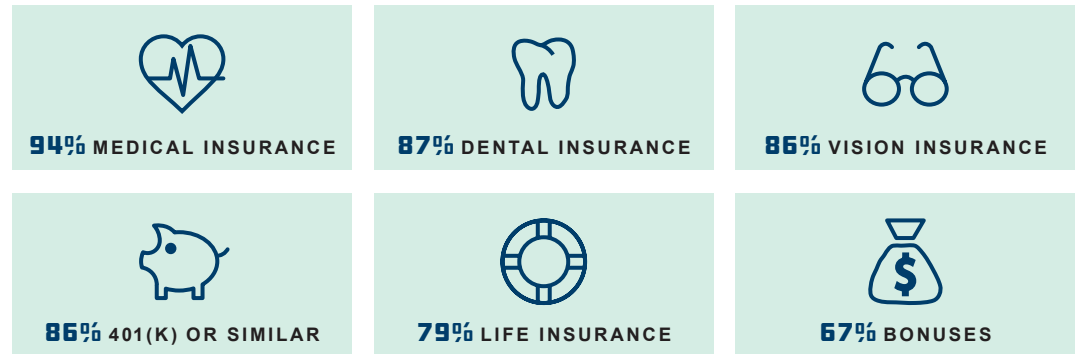
72%

of companies reported offering **some type of flexible work arrangements**. This is slightly up from last year, meaning this trend is not going away anytime soon as employers continue to pursue creative solutions for attracting and retaining talent.

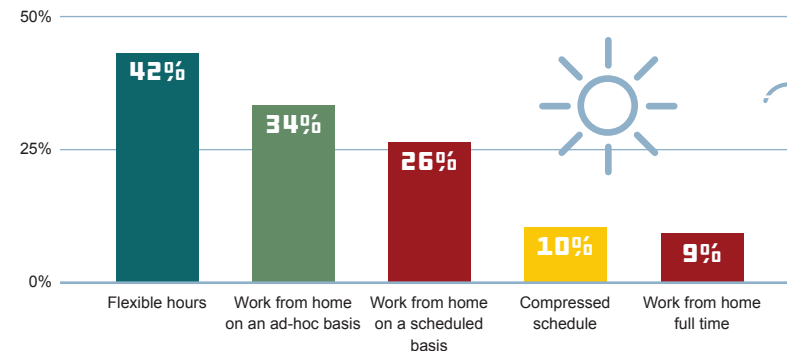


BENEFITS & SALARY

BENEFITS OFFERED



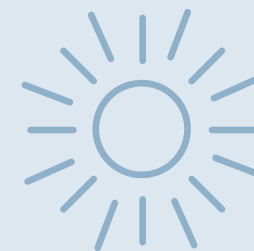
FLEXIBLE WORK ARRANGEMENTS OFFERED



Benefit offerings reported this year were very similar to last year, with a few exceptions. **The percentage of companies offering a 401(k) or similar retirement account was up by 18%.** As economic growth continues to remain strong, employers need to constantly be aware of shifting expectations for salary and benefit offerings, such as 401(k) accounts and matches being offered at a rate higher than during the recession. Employers can also use benefits information as a powerful recruitment tool.

Don't be afraid to tout your unique benefits in recruitment materials, and ask current employees to rate and review your company and benefit offerings on employer review sites like Glassdoor.

Final Destination



MORE THAN HALF

of companies surveyed reported offering 2017 salaries that were the same or lower than the previous year.



63%

report being willing to pay more than budget to attract top talent.

To stay on course with business goals, employers need to carefully consider the impacts of adjusting new-hire salaries as they weigh the opportunities and costs of also increasing investment in retention strategies.

As the market continues to shift and new factors come into play that drive California employers into uncharted territory, it becomes more important for businesses to understand the full competitive landscape to be able to plot courses for talent engagement, retention, and business success. Nelson can help your company understand which paths can lead to prosperity—and which may be fraught with peril. Find detailed salary information throughout the rest of this Advisor and Salary Guide to capitalize on current trends, avoid detours, and point you down a path towards business success.

BE A PART OF SHAPING NEXT YEAR'S WORKPLACE TRENDS SURVEY RESULTS

Are you interested in being a part of identifying and defining the trends driving change for California employers? Ask your Nelson representative how you can be a part of this year's Workplace Trends Survey, with results published in Nelson's 2019 Advisor and Salary Guide. Also be sure to share with your Nelson representative any trends you're interested in seeing examined in next year's survey.