



A recession won't close the talent gap

Companies with more connected, transparent, and equitable talent agendas can recruit, build, and retain more high performers

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Introduction

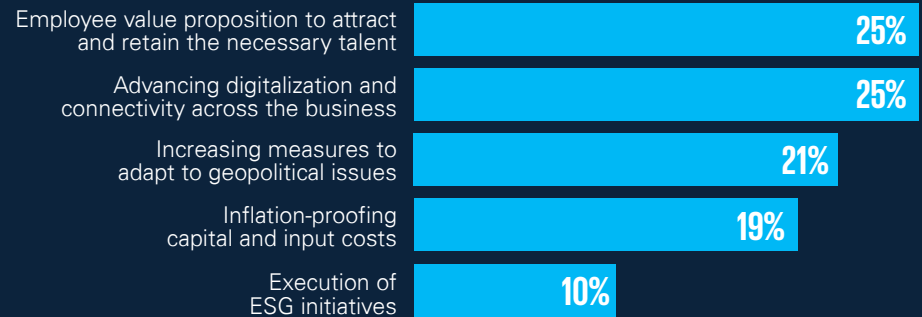
The economists at KPMG expect a mild recession to begin in the first quarter of 2023, and the subsequent recovery in 2024 should be relatively robust. They also believe continued interest rate hikes will cause unemployment to rise, but not too steeply.¹ Competition for workers remains intense—the U.S. Bureau of Labor Statistics reports that job openings have remained above 10 million since June 2021, up from about 7.5 million before the COVID-19 pandemic.²

Many employers tell us that a recession would loosen the job market, but we think that’s unlikely, at least for people with the most valuable skills, knowledge, and experience. Indeed, we believe the companies working hard now to identify, hire and retain talent will be in better positions to seize growth opportunities after the downturn—especially if they understand fundamental changes in employee attitudes.

Many senior executives recognize this challenge. In our 2022 survey of 1,325 chief executive officers (CEOs) of companies worldwide with more than USD500 million in revenues, about four in ten said they had frozen hiring, and nearly half were considering workforce reductions over the next six months in light of the economic downturn.³ But to drive growth over the longer term, these executives believe attracting and retaining talent will be as important as digital and connectivity advances (Exhibit 1).

Most chief human resource officers (CHROs) know that the landscape has

Exhibit 1. Top priorities to drive growth over the next three years



Source: KPMG 2022 CEO Outlook

changed. For example, in the recent KPMG American worker survey of more than 2,250 workers, 90 percent said work-life balance would be an essential factor if they were looking for a new employer or career opportunity.⁴

In our 2022 survey of 300 CHROs and their equivalents, 61 percent said they needed to alter their employee value propositions (EVPs). Asked about the most essential elements of the EVP, about half cited culture and company values and purpose, and roughly a third named fair pay and flexible working arrangements. Their current consensus is that a company’s culture, values, and purpose must be integrated into how it operates, how its people operate, and the employee experience—rhetoric alone will not move people.⁵

In short, the need for highly capable people has never been more urgent, but yesterday’s approaches to attracting, building, and retaining talent are obsolete.

We believe that a more human-centric, purpose-driven talent agenda is required to develop, nurture, reward, and retain what so many organizations call their “most valuable assets.”

In this paper, we describe how companies are best using a modern talent agenda to identify, recruit, build, and retain the exceptional talent required to outperform in a more competitive marketplace.



¹ “Chartbook: A Wonderful World? 2023 Outlook KPMG Economics,” January 3, 2023

² November 2022 Job Openings and Labor Turnover Survey, US Bureau of Labor Statistics

³ KPMG 2022 CEO Outlook

⁴ KPMG American worker survey: Summer 2022 Pulse

⁵ “The future of HR: From flux to flow,” KPMG International

How a modern talent agenda pays off during all economic conditions

Companies adapting to new realities in the talent market are gaining various competitive, financial, and strategic advantages. Their employees tend to be more engaged and, therefore more productive. Engagement also reduces turnover, preserving vital institutional and cultural knowledge, while avoiding the costs of identifying, recruiting, and onboarding new hires.

Meanwhile, upskilling and reskilling in-house talent is far more cost-effective

than bringing in new people, who typically need about a year to reach peak performance. The average starting salaries of external hires are also 18 percent to 20 percent higher than those of internal candidates hired to fill similar vacancies.⁶

An effective talent agenda, aligned to organizational strategy, helps employees manage their careers, develop their skills for today and tomorrow, and get the coaching and recognition they need to engage. It gives managers a clearer

view of talent pipelines and helps them use analytics to identify, recruit, and retain talent in their business units with better coaching and succession planning. And it helps the human resource team provide insights, assessments, and recommendations for talent decisions, employee development, and career paths.



⁶ Erik van Vulpen, "Internal vs. External Recruitment: Benefits, Costs & Best Practices," Academy to Innovate HR

How to build a connected, transparent, and equitable talent agenda

We have found that progress toward a connected, transparent, and equitable talent agenda spurs creativity and innovation, leading to deeper employee relationships. In our experience, organizations of all kinds are more successful when employees' interests and unique skills intersect with their work and accomplishments on the job.

We believe senior leaders can build this kind of talent agenda by communicating a clear vision, aligning leaders across the organization, and changing mindsets by doing more to treat employees as individuals with unique needs and potential.

All insurers rely heavily on data to make underwriting decisions. Aviva, a leading insurance and financial services company based in the UK, recognized that it could find real value in its employee insights. Danny Harmer, Aviva's chief people officer, says Aviva was in the good habit of reviewing basic employee data, but this was not necessarily helping drive decisions around employee attraction and retention. Building the right team of experts, Harmer is now bringing different data sets together, and her team is

hypothesizing, finding answers, and acting on what they learn. They recently looked into the impact of remote working on performance and careers, for example.

“I asked how many colleagues were coming into the office, and we sorted them by seniority, location, role, function, and gender,” she explains. “We compared the results to our recent pulse survey on employee engagement, and to performance ratings and promotions.”

Harmer says early investigation shows that men are working on-site more than women—and that disengagement correlates with non-office attendance. “This scares me—particularly around female attendance. I wonder what will happen to our gender pay gap three to four years from now.”

Thanks to deeper insights revealed by advanced analytics, Harmer now has a new hypothesis to explore: that some women may be staying home more due to caring responsibilities. If so, she aims to use her new tools to determine how can Aviva support them better.



How to modernize the talent agenda

In helping companies modernize their talent agendas, we recommend a four-step process:

Design with the future in mind



Conduct a market scan of future-state skill and roles across domains and provide guidance on a talent vision and tailor a capabilities framework to today's marketplace. Senior leaders may have a clear idea of what they need from the workforce, but many can improve results by learning more about what the workforce needs from the company. Shifting to an employee experience viewpoint can unlock powerful insights into what people need, what motivates them to boost productivity, roadblocks to progress, and more.

Understand the present



Through surveys, interviews, and focus groups, senior leaders can understand their teams' strengths and maturity in the newly identified competencies. At KPMG, for example, employees self-assess their proficiencies and experience across a wide variety of skills to help resource managers staff client engagements.

Spot opportunities



Analyze capability gaps identified in the skills assessment and identify actions to close them and make the vision a reality, such as new opportunities for employees to enhance their skills in career acceleration programs such as stretch assignments, mentorships, and rotations.

Shape the future



Develop an execution roadmap that defines talent priorities, activities that support employee and career development, and approaches to integrate employee groups into the talent landscape. Learning architectures may need to be broader and more personalized, for example, to include video "micro-learning" for specific tasks and gamification for millennials. Rewarding people for experimenting, rather than punishing them for failure, can help spur innovation, as can focusing more on impact and outcomes than on organizational scripts.

As a company makes progress toward a modern talent agenda, improvements emerge across the organization. Employees enjoy their work more because leaders connect with them to discuss their careers. Leaders build stronger, more effective teams by connecting with employees more frequently and earlier in their careers. An online talent marketplace connects job seekers and employees with the organization, integrating job opportunities, career navigation, skill-building programs, and other offerings. This connected platform provides the HR department with

valuable insights into skills, capabilities, and needs across the organization.

At Genentech, a biotech company based in San Francisco, the need for flexibility and agility has led to demand for an internal skills-based talent marketplace. The company needs to fluidly assign people with the right skills to projects—or “gigs”—in a dynamic environment. To help achieve this, employees must regularly update their profiles on the company’s Human Capital Management (HCM) system, with their latest skills and capability information, building the database for a talent marketplace.

“Their HCM record provides everything a hirer needs to know,” explains Cori Davis, Genentech’s chief people officer. “So it’s in everyone’s interest to keep their records refreshed.” When opportunities are advertised internally, a meaningful conversation is encouraged between the candidate, their manager, and the hirer. “The aim is to ensure a sensible, manageable outcome that benefits everyone involved,” says Davis.



The three pillars of a modern talent agenda

Based on our research and experience serving organizations across industries, we've found that companies can significantly improve their talent systems by making advances in three areas: connecting employees to customized career paths and learning; improving transparency about opportunities and career paths; and making systems fairer to employees, customers, and the business.

01

Create a connected talent ecosystem

In a connected talent system, employees use a talent marketplace to take ownership of their career journeys. Using a connected talent marketplace, they can explore and pursue continuous and shared learning programs based on a skills matrix and mapped to roles, internal and external resources, and a learning library. The latest portals can even provide employees with predictive suggestions. More than a sixth of respondents to our American

worker survey, asked about their reasons to keep working at their organizations, cited opportunities to learn and gain skills in their current roles, for future roles, or access to high-quality training and learning opportunities.

We find that more employees across industries are interested in exploring career possibilities not only with upward mobility, but also with lateral moves and even roles in different functions.

Expanding career opportunities can help a company remain an employer of choice and keep workers engaged. Only about six in ten respondents to our American worker survey said they clearly understood career opportunities across their organizations. KPMG research confirms that more than 85 percent of high-performing organizations use learning to improve productivity, compared to just 55 percent of low performers.⁷

02

Empower with transparency

An ideal system is transparent, helping employees understand all available opportunities and how to seize them. It includes seamless career mapping based on a standardized skill assessment matrix that links individual and organization goals. With coaching, regular feedback, and clear communication, employees can maintain a solid understanding of how their skill development translates to individual achievements and business objectives. And by implementing a modern talent agenda, managers will know more about

their colleagues' unique career profiles and can connect with them regularly to discuss opportunities to use or build skills. The right technology is essential; about 40 percent of HR leaders consider automating HR service delivery and harnessing digital technology beyond core HR systems to be priorities.⁸

Today's hybrid environments are well-positioned to improve support for workers and the flow of feedback, which many say is too infrequent. In fact, our American worker survey revealed that employees

working partially or fully remotely are more likely to have access to sponsors, advocates, and information than workers who spend most of their time in the office. And that feedback is vital in today's hybrid environments since remote work can make it more challenging to provide on-the-spot encouragement or correction. Positive reinforcement that might have once been delivered informally, such as in a hallway after an in-person meeting, must now be more deliberate.

⁷ "Training's role in productivity: Optimize your approach," KPMG ebook

⁸ "The future of HR: From flux to flow," KPMG, Nov. 2022

An equitable system balances the needs of employees, customers, and the business. It gives all workers access to development and advancement opportunities across the organization, provides them with paths to grow their skills, and helps them understand how their work has a purposeful connection to the business and its customers. In the U.S., 70 percent of employees say they would be at least somewhat likely to leave their current employers and accept an offer with a new company that's known for investing in employee learning and development.⁹

Starbucks doesn't just take employee wellbeing seriously. The global coffee brand goes out of its way to lead on the issue and think differently about how to support its staff, whom it refers to as "partners."

“If we find new and unique ways to support our partners in what they want and need, they'll be more engaged and excited to connect with our customers,” says Ron Crawford, Starbucks' vice-president of Global Benefits. “We know instinctively that investing in our partners' health drives a return in terms of productivity, engagement and customer experience,” he adds.

Leaders in the KPMG Human Capital Advisory practice agree. To create a single, human-centered, connected, and tailored employee experience across platforms and systems—and meet the strategic goals of an ever-changing business—HR must work differently and build capabilities continuously.

Hope, especially hope for a sharp spike in unemployment, is not a business strategy. Organizations of all kinds are modernizing their talent agendas to attract, retain, and inspire the skilled, hardworking people who drive success.



⁹ Employee survey and interviews conducted by The Harris Poll in 2019 on behalf of Instructure (How to get today's employees to stay and engage? Develop their careers)

How KPMG can help

Companies need effective ways to capture data and information across the talent ecosystem that will empower business leaders to test and validate hypotheses. With its deep bench of professionals, KPMG helps employers create modern analytics and behavior change teams and transform talent agendas. We offer a range of compelling advantages:



Restructure with purpose

The right operating model paired with the right leadership and the right talent can have a material impact on your bottom line. With today's current economic uncertainty, KPMG can help you determine the best structure and the employee skill requirements to drive your business objectives.



Enable leadership effectiveness

Your business requires leaders to possess specific competencies and the ability to work within your unique culture. Leveraging KPMG's Modern Leadership Framework, KPMG can identify leader models for your business supported with the right tools to build your future leaders—succession planning, leadership development programs, and apprenticeship models.



Maximize employee performance

Employees work best when they know what they are accountable for and how they fit within the larger picture. Transparent and equitable talent frameworks empower the kind of career development solutions that can make that happen. KPMG helps you define the unique employee brand that will help you recruit top talent. KPMG can also assist you in building career architectures that enable your business to retain, engage, and grow that top talent.



Upskill your top talent

With the increased pace of digitalization, AI, and analytics, jobs are evolving quickly. The pace of formal education is not keeping up with the capabilities you need to stay ahead in the market. KPMG helps you deconstruct jobs to look at alternative labor models so you can free up time and capacity to upskill your existing employee population and build future-oriented capabilities.



Embrace digitalization

Automation transcends job types, creating the opportunity to re-imagine roles, jobs, and career paths. KPMG can help you deconstruct jobs into core skills and architect career paths of the future that increase employee productivity and engagement.

¹⁰ For more, please see "Industry analysts recognition and accolades" at [KPMG.com](https://www.kpmg.com)

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We would like to thank our contributor:

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