TALiNT Partners

cornerstone

Saying good riddance to 2023 and a cautious welcome to 2024!

Trends in the Talent Solutions sector

As we head towards the end of the year, one of our favourite observations has been that 2023 feels like it's been just a month too long. Undoubtedly, it's been a long and tough year for many – for talent solutions providers, staffing firms, and especially in-house TA teams; market conditions are strange right now. There continues to be low unemployment and seemingly high demand and yet hiring volumes, especially in Q4, are sharply down. On the face of it this is especially confusing in an economy where inflation has halved and interest rates have stabilised and look likely to trend lower, but in fact, it's not confusing at all, it is pretty logical.

Right now, most CEOs and CFOs say things aren't going badly, but they're not going well, so they're doing nothing. And it's the same with candidates.

In an economy where things seem to be getting better, but it hasn't translated yet into increased confidence, they will tend to stay put. But as we know, things constantly evolve so our last Talent Solutions Leader's session of the year brought together a range of executives from across the sector to discuss and debate what 2024 might hold for us.

In advance of our session, we had conducted a survey to compare the outlook between providers and clients with some fascinating results.

Demand for Talent Solutions per region

First up, is a look at demand by region, as seen in Figures 1 (a) and (b) below. Most interestingly the biggest gap between expected demand between providers and clients is in the UK. With somewhat unusually, clients being much more positive about levels of activity. Providers seem to have taken a pretty clear view that the UK market is going to be essentially flat whereas clients are twice as positive about growth – that's a fair old difference in anyone's book – so maybe think carefully before pulling back on marketing and BD spend too quickly?

What is the outlook for demand for talent solutions services (RPO, MSP, SPW, talent advisory, total talent) across global markets in 2024?

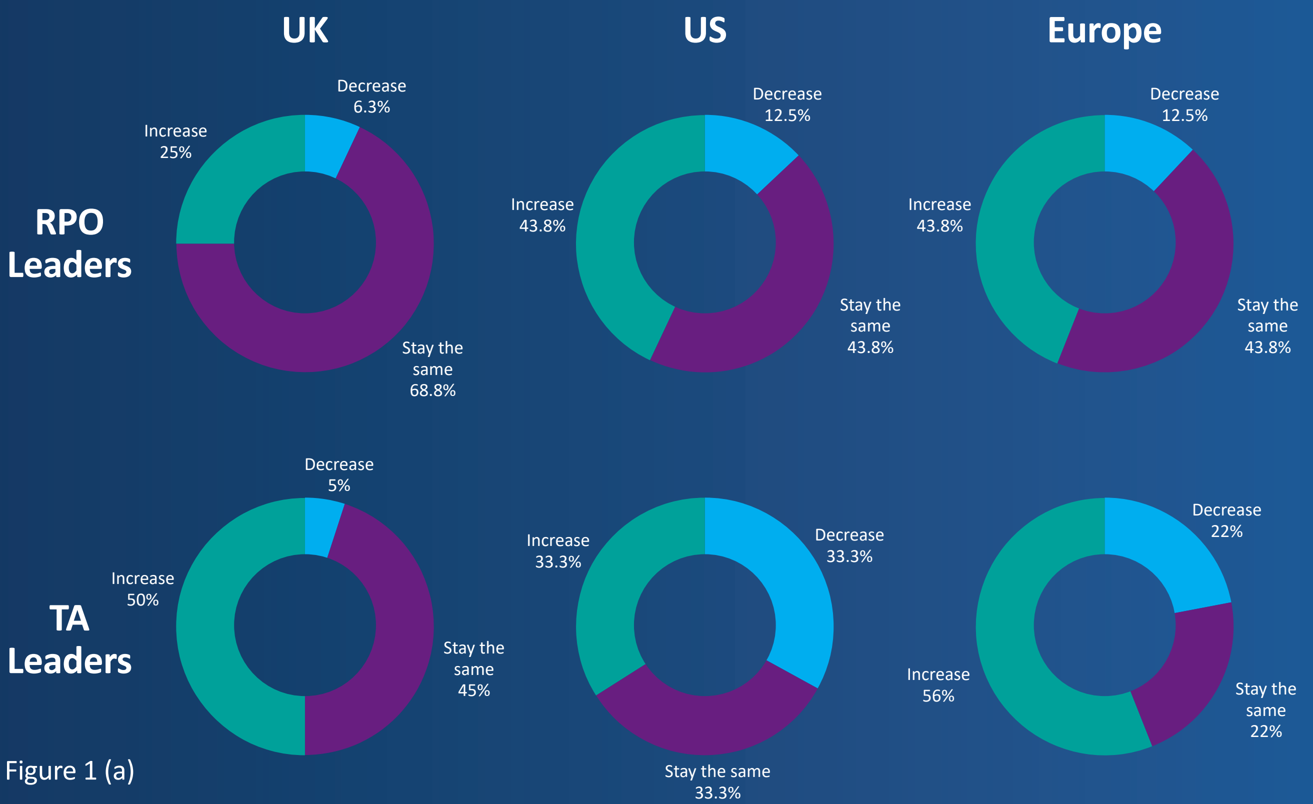

Figure 1 (a)

Views across all other markets are broadly similar

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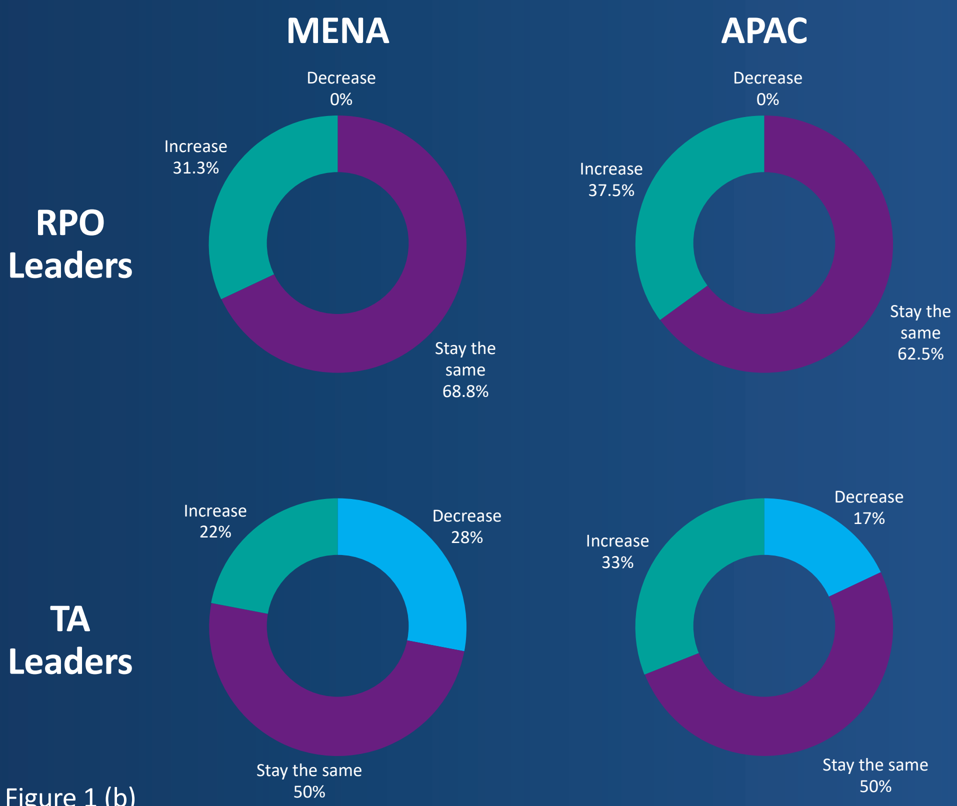

Figure 1 (b)

Turning to activity by service as referenced in Figure 2 below, again throws up some predictable results, most obviously that contingent hiring looks to remain strong. Given that employers generally have both a long term and short term strategies to grow their contingent workforces this isn't surprising.

What was perhaps more surprising was the difference in perceived demand for enterprise RPO. Both groups were fairly aligned on sensing a reduction on use of enterprise contracts but 1 in 5 employers seem to be looking to increase their use versus providers thinking it's 1 in 16!

In contrast, providers may be exaggerating their clients' demand for project RPO requirements. This would suggest a level of agility between the provision of the two services is going to be important.

What is the outlook for demand for talent solutions services by service line?

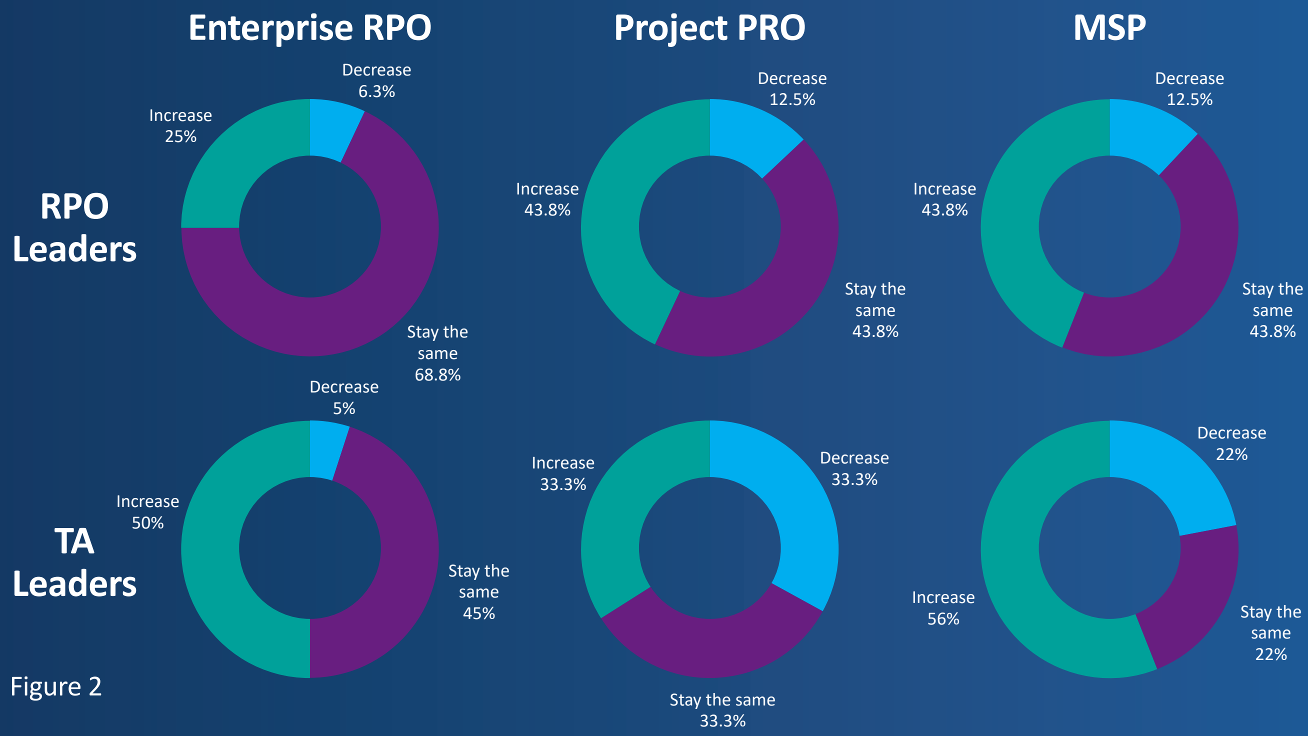

Figure 2

Shift in employers

Now we get to perhaps the most surprising result of the survey: The disparity between clients' interest in 'total talent' and providers' view of whether this will increase – simply put clients appear 8 times more interested in this service than suppliers think as seen in Figure 3 below.

And whilst the survey didn't explore the exact definition of 'Total Talent' (which could be a write up all on its own!) there is clearly a higher level of demand for a conversation around the topic than most talent solutions providers realise.

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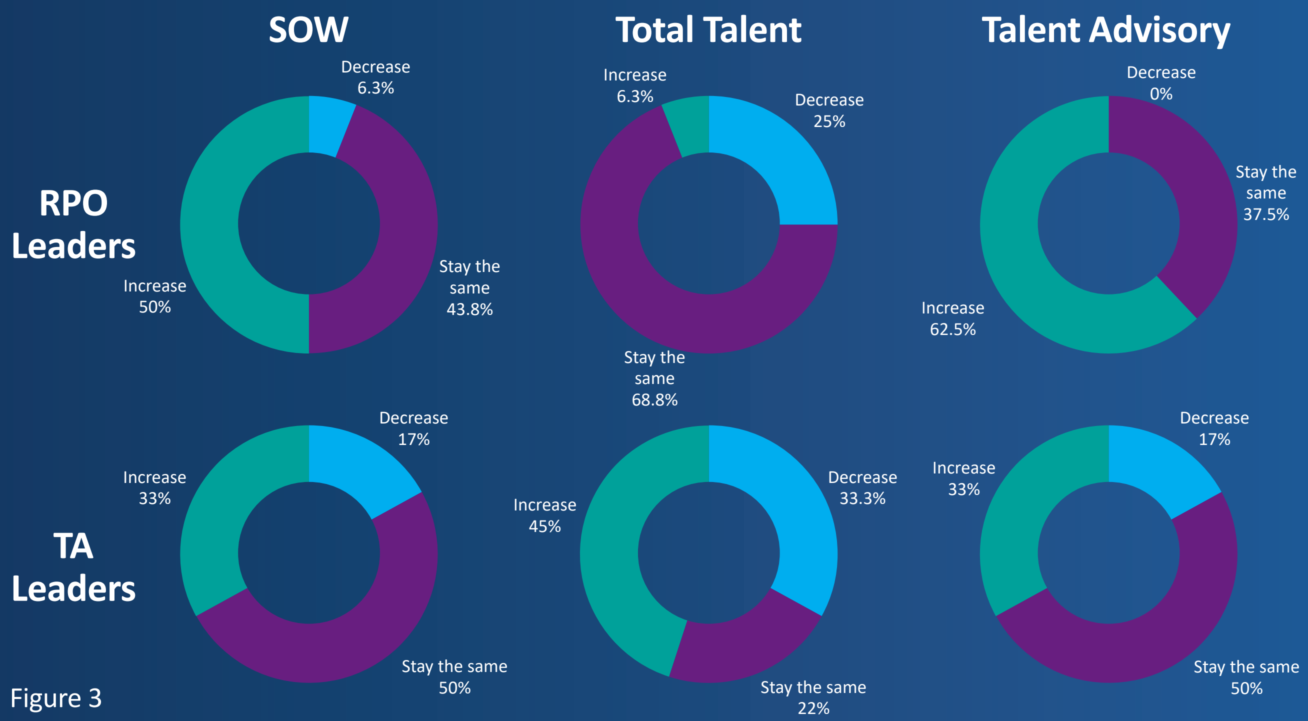

Figure 3

So, whilst our survey perhaps highlighted questions we should be asking about the market in 2024 and beyond, the session debate tried to find some of the answers. Here are a few key thoughts:

One component of 'total talent' that most agree on is a move to skills-based hiring

From a talent attraction perspective there is a shift towards skills-based hiring.

Technology helps organisations find the hard-to-reach talent. But how do recruiters find the skills needed/ wanted that traditionally aren't found in a CV? How do we help an organisation find what skills they have already within the organisation? It takes a combination of employees' learnings, historical work experience, and the employer empowering the employee's ability to develop themselves within the organisation.

In the dynamic landscape of talent solutions and talent shortages, there has been a sharp shift towards internal mobility.

Upskilling: The core of internal mobility

A very small number of in-house recruiters directly engage with internal talent, which, given the increasing focus on internal mobility, is something that will need to improve.

This is an opportunity for RPO providers. Being able to ensure successful internal hiring by facilitating an improvement in skills is a win for everyone. Whether the strategy to enable this is developing a "hire, train, and deploy" methodology or leveraging third party training providers that may vary according to the particular needs of the clients, is undoubtedly an area of high growth.

Technology has a crucial part to play in this: Innovative platforms like Cornerstone's Opportunity Marketplace which leverages AI to transform skills at scale, can address critical skills gaps and provide a comprehensive workforce picture. This matters because employee buy-in remains a challenge for skills mapping.

Talent Solutions AI – related predictions for 2024

- Frictionless hiring – removing unnecessary human involvement in the hiring process. Arguably, the greatest barrier to generative AI adoption is the fear of it replacing humans. AI is being deployed most effectively to increase productivity, freeing up time for recruiters to do what they do best – network and forge relationships.
- The other key issue is regulation of AI, especially relating to the sourcing and assessment of candidates. Ultimately the hope is that it will remove biases and improve DE&I but there will certainly be some test cases to challenge this.

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