



HR in 2023: Insights & Predictions

A PAYCOR SURVEY OF
NEARLY 6,000 PROFESSIONALS



center of
excellence
by Paycor



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Who we talked to:

In Q2 2022, we fielded two online surveys. Respondents included more than 3,000 managers and more than 1,000 business owners/chief execs., all of whom have primary or significant involvement in HR-related functions at their organization. We also received responses from more than 1,000 individual contributors, bringing the total number of respondents to 5,677.

KEY TAKEAWAYS:

- **A consensus is forming that the current talent shortage may be a long-term or permanent feature of the economy.** This perception is a driving force behind how HR leaders are prioritizing and allocating their resources in the next 12 months.
- **The labor market today is the most competitive in decades.** 91% of businesses plan to hire in the next 12 months.
- **Employee retention will be the #1 priority of 2023.** Company culture is the #1 driver of retention (with salary & benefits coming in a very close second).
- **Wages will continue to rise, especially for blue-collar jobs.** But the most successful organizations will find non-monetary ways to attract & retain talent.
- **The relationship between organizations and workers is changing in fundamental ways.** Employees at all levels are expecting more from their employers than they did in the past.
- **The pandemic exposed the strengths and weaknesses of company cultures.** Organizations that came through the pandemic stronger than ever had company cultures that prioritize trust, communication, manager training, and a sensitive approach to balancing political polarization in the workplace.

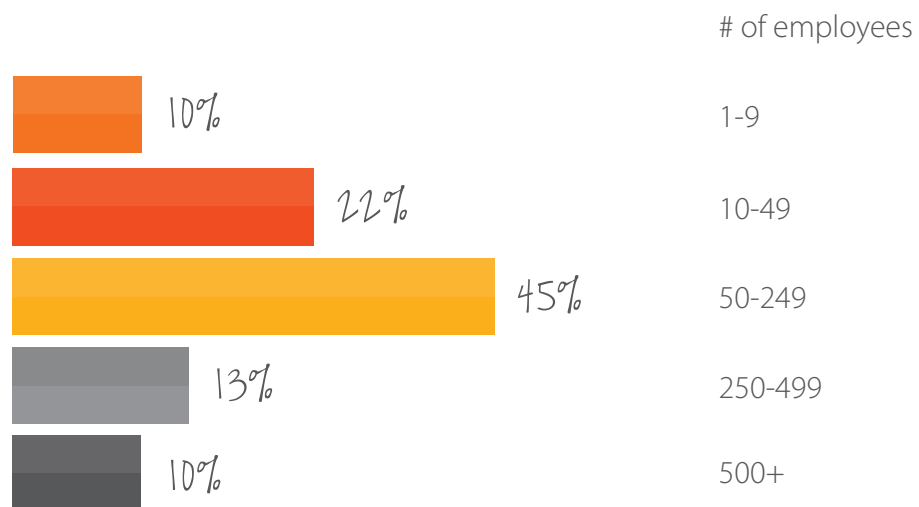


SURVEY DEMOGRAPHICS

In the second quarter of 2022, we fielded two online surveys via Survey Monkey.
Nearly 6,000 people responded.

3,198 **Managers**
1,294 **Individual Contributors (ICs)**
1,185 **Business Owners or Chief Execs**

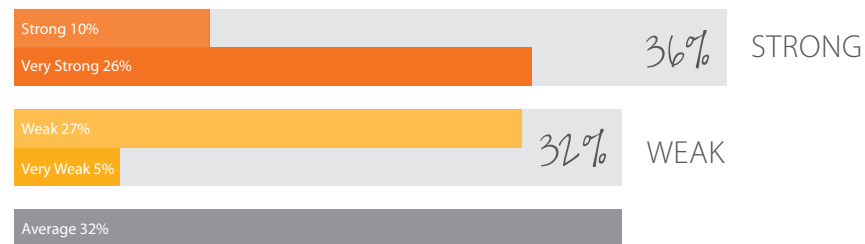
Respondents represent every major industry and company size.



SURVEY RESULTS

Business leaders are split on the health of the economy.

Do you believe the U.S. economy is fundamentally:



1,596 responses

But *bullish* on their business.

Do you* believe your company will be profitable in the next 12 months?



*Managers and above are nearly 12% more confident than ICs.

1,411 responses

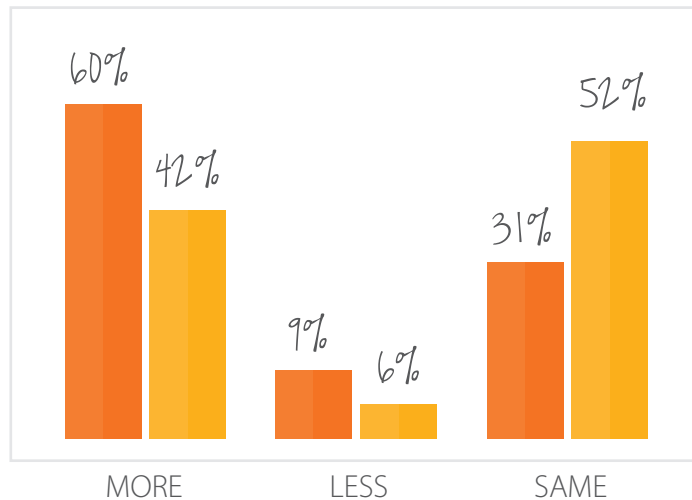
SURVEY RESULTS

Leaders are *less concerned* about compliance than they were in 2021 ...



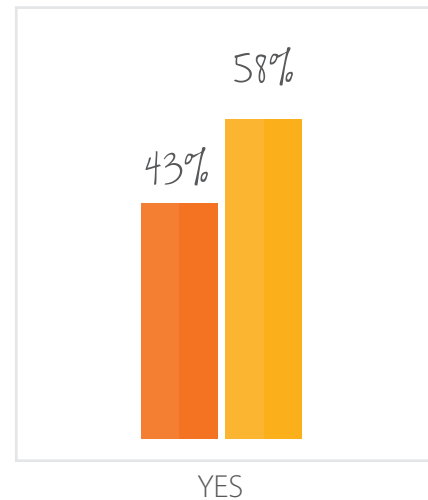
...probably because more are using HR software to *reduce the complexity*.

Do you predict compliance will become more or less of a concern for your business in the next 12 months?



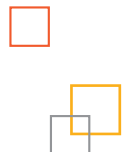
2,868 responses

Do you use HR technology to manage compliance risk?



2,477 responses

■ 2021 ■ 2022





SURVEY RESULTS

We asked business owners and leaders in HR and finance to share their *top priorities* in the next 12 months. Here's what they said:

1	Retention 20%
2	Recruiting 14%
3	Company culture 12%
4	Employee growth, development 11%
5	Training & learning 10%
6	Cutting costs, reducing expenses 9%
7	Investing in managers & leaders 8%
8	Making better business decisions with data 7%
9	Employee benefits 5%
10	DE&I programs & initiatives 4%

783 responses





Retention will be the #1 priority of 2023. *Why?*

People are restless.

Our survey found that 25% of individual contributors (ICs) and 30% of managers are actively looking for a new job. (More than half of workers are at least considering a move, according to Willis Towers Watson, and the University of Phoenix found that 1 in 3 Americans say they'd quit their current jobs without a backup plan.)

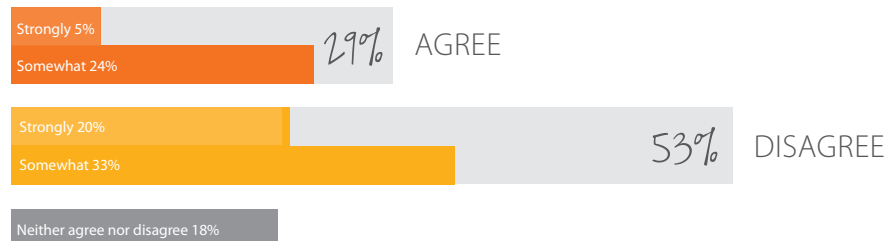
Most organizations *aren't confident* in their internal pipeline of talent...



...or in the *availability* of new workers.

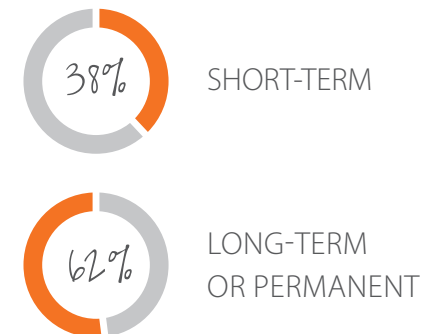
To what extent do you agree with this statement:

"If my company lost our most effective managers, we could replace them with equally talented internal candidates within a month."



1,596 responses

Do you believe the current talent shortage is:



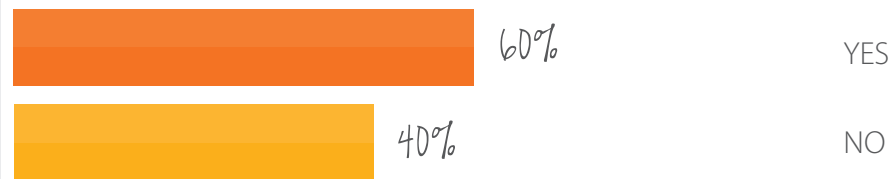
3,248 responses



SURVEY RESULTS

To make matters worse, most have a *turnover blind spot*.

Does your company use data analytics to predict when an employee is most likely to quit or resign?



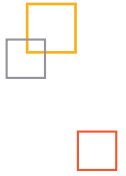
2,062 responses

And since *everyone* is hiring, employers are rightly concerned about poaching.

Will your company hire new employees in the next 12 months?



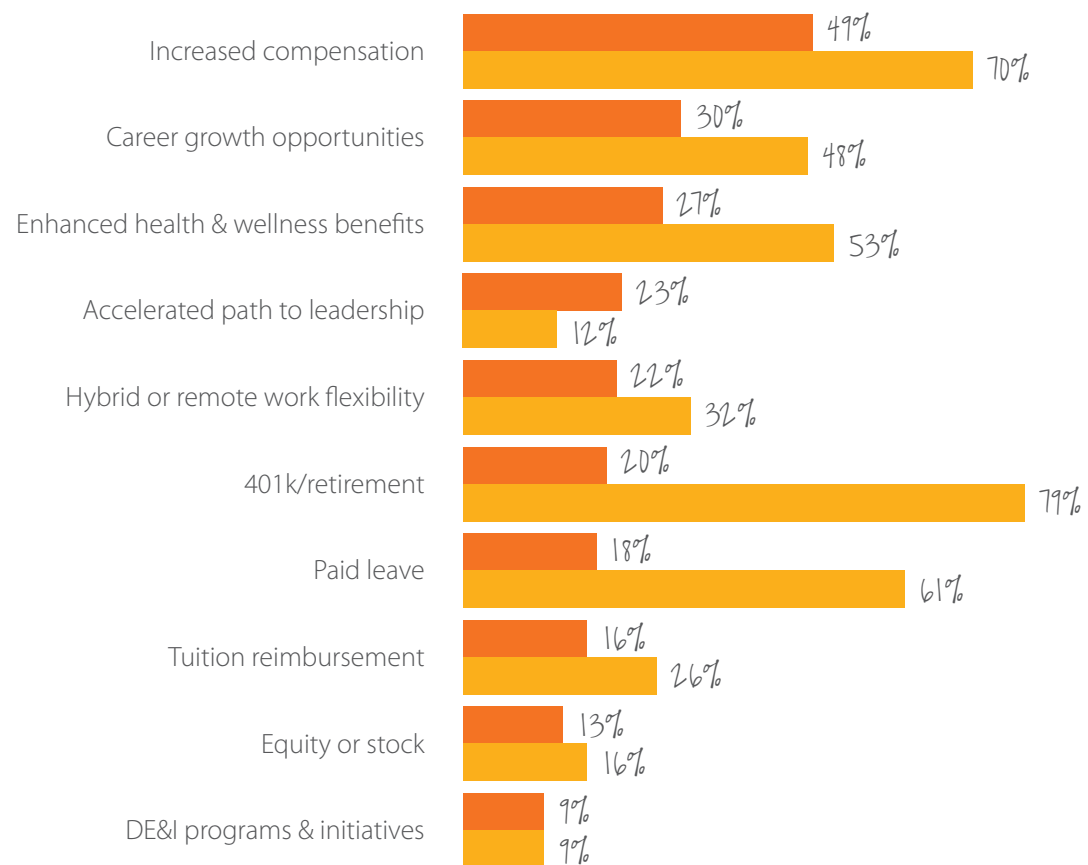
1,806 responses



To attract candidates (or, depending on your POV, steal your employees), here's what employers are offering:

What incentives do you currently offer, and what incentives are you planning to offer, in the next 12 months?

■ Planning to offer
■ Currently offering



1,139 responses



Paycor insight:

- **Most organizations aren't prepared for turnover, especially at the manager level.** In addition to the "explicit" costs of replacing any employee (recruiting, interviewing, onboarding, etc.), Mezrah Consulting estimates that the "implicit" costs of losing leaders (team disruption, increased turnover among ICs, lost productivity, loss of institutional knowledge, customer dissatisfaction, etc.) can equal 200-300% of their salaries.

Paycor predictions:

- **Rising wages are here to stay** unless they're partially offset by a recession or automation. Companies are setting aside an average 3.9% of total payroll for wage increases in 2022. Pay will continue to rise through 2023 and beyond, especially for blue-collar jobs (Conference Board).
- **HR will double down on non-monetary aspects of the employee experience**, such as career growth opportunities and work flexibility, as it becomes impossible for employers to keep wages in line with inflation.
- **Companies with toxic or even just mediocre cultures will have no choice but to continuously raise wages.**
- **62% of respondents think we're in for a long-term or permanent talent shortage, and they might be right.** Michelle Meyer, chief U.S. economist for Mastercard, said: "Even if the labor force returned fully, there wouldn't be enough workers to meet employers' needs." (New York Times)



SURVEY RESULTS

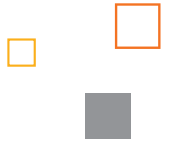
So, what can you do to drive retention?
We asked people what makes them stay...

What motivates you to stay at your current job?

1	Company culture 22%
2	Salary/benefits 21%
3	Flexible schedules 18%
4	Learning & growth opportunities 14%
5	My team, my co-workers 13%
6	Leadership of company 12%

1,630 responses (426 ICs, 1,204 managers)





Company culture is the #1 driver of retention.

With salary & benefits coming in a very close second. Taken together, here's what we think that means: money can get people in the door, but it can't make them stay, as there will always be an opportunity to make more elsewhere. However, the one thing your competitors can't easily duplicate is your company's culture—its' values, beliefs, behaviors, and default attitudes about how and when work gets done.

“

The *employee experience* side of this is going to win the day... You've got to pay well, but you also have to provide a holistic, great employee experience.

”

— Lori Wisper

Managing Director, Willis Towers Watson

What is company culture?

To learn more about what company culture means today and may mean in the future, we asked an open-ended question: “In a couple of words (or just one!), how did the pandemic make your company culture stronger or weaker?”

2,000 people responded with more than 30,000 words.

4 THEMES EMERGED:

1. Trust is the primary driver of culture. **Workers want to trust that leaders** are acting in their best interests, not just the interests of the business. Employers want to trust that workers won't abuse increased flexibility.
2. Communication is the primary driver of trust. **Leaders who prioritized communication** and a higher degree of transparency than in pre-pandemic times fared better than ones that didn't.
3. The country is polarized and so is the workplace. Pandemic politics, especially around the vaccine, divided workers. **HR leaders will need to balance** the desire some workers have for companies to take strong positions on hot button issues with the day-to-day tensions that can arise in a politicized work environment.
4. Managers need to be trained on how to lead teams, especially remote ones. Whether you're working side by side in a physical location, working remotely, or some combination of both, organizations that **trained leaders to adapt to changing team dynamics** fared better than ones that didn't.

SURVEY RESULTS

We asked “How did the pandemic make your *company culture* stronger or weaker?”

Here's a sampling of responses.

(IC) Individual contributor, (MGR) Manager & above

STRONGER

- **You could have a bad day. It was ok. It wasn't a black mark [against you]. (IC)**
- Brought into focus [our] commitment to mental health. We NEVER talked about it before. (MGR)
- Tested us...did we really put people, their health and their home life before frontline customers...yes, made the conscious decision to do exactly that. (MGR)
- **We were honest about having to let people go.** We told them we'd try to bring them back and we did. (MGR)
- **The management team was upfront about finances and they took the biggest pay cuts. (IC)**
- Grew closer as a team, but didn't talk politics. (IC)
- **We trained managers on how to be remote** and still [stay] connected and lead. (MGR)
- We learned how to work remotely and built it into the culture. (MGR)

WEAKER

- It allowed employees to miss way more than a normal amount of work and now that is the expectation that we will continue to allow it. (MGR)
- **A culture of saying thank you with no support. Expectation that everyone burns themselves out for the good of the company. (IC)**
- We're a bottom line company, always have been. We couldn't adapt to new demands so fast. (MGR)
- While business remained profitable, communication became weaker and **upper management lost touch with employees.** We now have to try to re-group to get everyone on the same page and reestablish connections and expectations. (MGR)
- **We lost a lot of employees and this created a new mind set of giving sign-on bonuses to new hires, which alienated employees who had been here forever. (IC)**
- Divided employees between who got the vaccine and who didn't. (MGR)
- Supervisors not comfortable supervising remotely. (IC)
- Caught unprepared with outdated policies and **we had no idea how to manage remote teams. (MGR)**



Paycor insight:

- **Workers' expectations are changing what we mean by "company culture."** Blue-collar workers who were deemed essential are coming back with new expectations about work/life balance, scheduling, and pay. White-collar workers who could go remote might never think of their commutes or cubicles in the same way. There are fewer ground rules and sacred cows.



Paycor predictions:

- **Companies that communicate more transparently about pay will stand out from the crowd.** Our survey revealed there's a lot of opportunity here: **92% of business owners and chief execs believe they pay women and men equally, but only 68% of ICs agree.** When employees perceive a pay gap, regardless of whether it actually exists, they are 16% more likely to quit (Beqom). Without a basic trust that everyone is paid fairly, it will be hard to build trust in other areas.
- **HR will be critically important, or not at all.** Old-school HR departments are an endangered species. The days of employees confiding in an HR representative whose primary concern is shielding the company from lawsuits are over. Instead, employees at all levels are looking to HR for real help and genuine solutions. (Consider that at the height of the pandemic, employees trusted their employer 27% more than the government as a source of COVID information, according to Agility.) The most valuable talent—the people you want to hire—will expect more from their employers than they did in the past. **Delivering on those expectations, while keeping the business profitable, will be the empowered HR department's most important mission in 2023 and beyond.**



The good news is, *Paycor can help.* Turn the page to see how!



About Paycor

Paycor's human capital management (HCM) platform modernizes every aspect of people management, from recruiting, onboarding and payroll to career development and retention, but what really sets us apart is our focus on leaders. For more than 30 years we've been listening to and partnering with leaders, so we know what they need: a unified HR platform, easy integration with third party apps, powerful analytics, talent development software, and configurable technology that supports specific industry needs. That's why more than 29,000 customers trust Paycor to help them solve problems and achieve their goals.

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