isolved's Third-Annual HR Leaders Report

Power Moves:

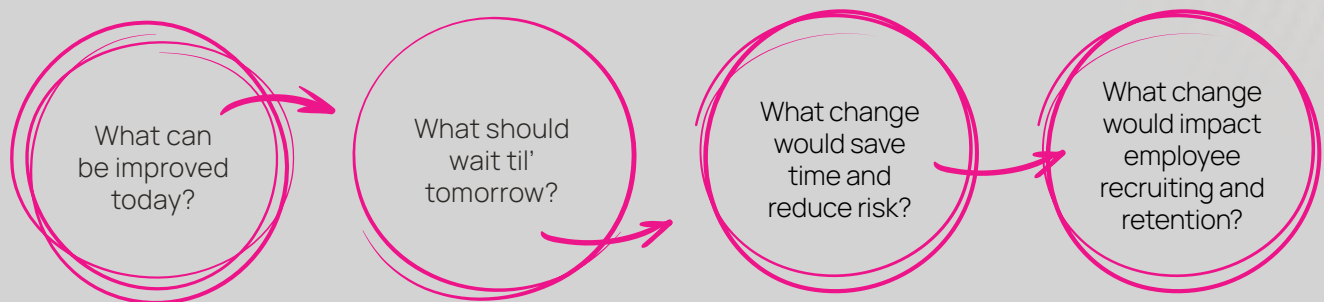## What 500 HR Leaders Are Doing Now, Next

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It's never been a better time to be in human resources (HR). Even if the backlog of work, back-to-back meetings and busyness may suggest otherwise, many HR department are right where they need to be. Need proof?

In isolved's third-annual survey of HR leaders (decision-makers in a manager or higher role), 83 percent said their HR team is considered a strategic part of the business where they are employed. Only 14 percent of HR decision-makers said, "no, we're considered more operational" and 3 percent were unsure.

83%

In other words, HR is hot. *People pros have power.*

People professionals have their seat at the table, and leaders will need to anchor themselves there to navigate the opportunities and challenges ahead of them. By the end of this report, we hope readers can simply "jot down" their next-best step or POWER MOVE.

What can be improved today?

What should wait til' tomorrow?

What change would save time and reduce risk?

What change would impact employee recruiting and retention?

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To help, this report will detail the findings from a 2023 survey of 500 HR leaders across eight core categories.

- 1. Hiring top talent
- 2. Keeping good people
- 3. Reducing workload
- 4. Offering competitive benefits
- 5. Scheduling and optimizing staffing
- 6. Understanding the workforce
- 7. Improving employee-employer interactions
- 8. Unifying and simplifying employee-facing technology

But first, the elephant in the room…uncertainty. What impact will it have to the workforce?

If 2020 and 2021 were all about the ability to "pivot" (often in real-time based on the latest coronavirus curveball) and 2022 was about talent mobility and scarcity, 2023 will be, well, all of the above and more. The need to respond to business changes (fast) will continue to be paramount as many are expecting to "do more with less".

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In fact, HR leaders say their companies are already preparing for a worst-case economical situation. Fifty-three percent of HR leaders report they reduced their workforce in 2022 or plan to in 2023. Further, 52 percent of companies have already reduced discretionary budget or will this year. The biggest way companies are preparing for potential economic downturn though? Fifty-four percent have held off or will hold off from making large investments. Just 21 percent of HR leaders said they'll readdress changes only if the U.S. enters a recession – most have proactively addressed the possibility.

53%

The economy, albeit a huge factor, is just one external aspect influencing business decisions today. Based on their experience, 43 percent of HR leaders feel the **"Great Resignation"** is not over. So while some companies are downsizing, others are trying to keep the workforce they do have. This data aligns with what employees are saying too. When isolved surveyed 1,000 full-time employees in the U.S., nearly half of them said they plan to explore their options this year.

Based on your experience, do you feel the "Great Resignation" is over?

42%	43%	15%
Yes	No	Unsure
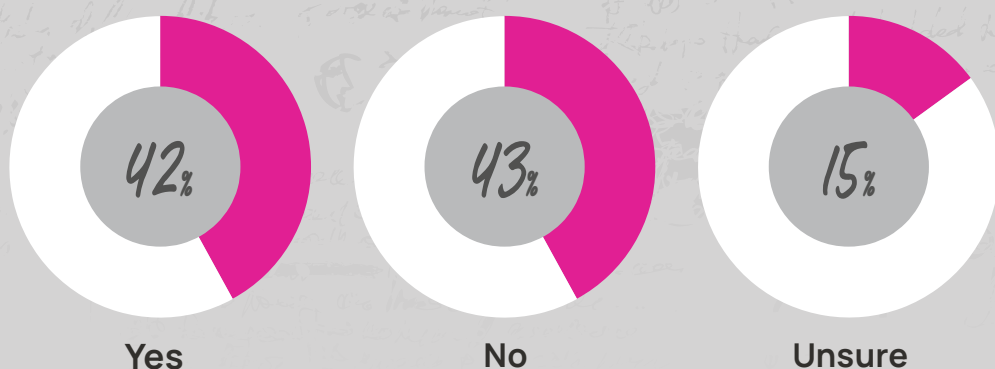
A potential recession, combined with continued mass resignations, can create a lot of uncertainty for HR leaders. When asked where they turn to for advice, news and recommendations, their top answers were HR events, HR associations and LinkedIn (in that order). Similarly, when isolved speaks to its customer base – over 145,000 employers – a pattern emerges: HR leaders want to know, what is their next best step? What incremental change will impact their business the most positively?

There is power in discovering what peers are planning and prioritizing across the biggest challenges of today and greatest opportunities of tomorrow. Plenty of data-backed advice follows in these pages of isolved's third-annual HR leaders report to uncover every HR department's power move. Let's dive in.

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Hiring Top Talent

There's no part of the business that the Great Resignation did not impact. Employers had to backfill vacated positions, employees often had to work more to cover for those who left and employment costs soared. There were also some bright sides to how employees reassessed what they expected from their employer and how companies responded too.

Not surprisingly, according to the 500 HR leaders who participated in this survey, hiring top talent remains the most critical area of focus for 2023. When asked what their biggest opportunity to improve HR this year is, the top answer was "improving recruitment efforts" followed by "improving employee engagement" and then "consolidating multiple HR software systems" to round out the top three.

This aligns with previous years' data as for three-consecutive years, roughly half of HR leaders have expected recruiting for new talent to be more difficult.

2021: **48%** indicate recruiting will be more difficult this year

2022: **48%** indicate recruiting will be more difficult this year

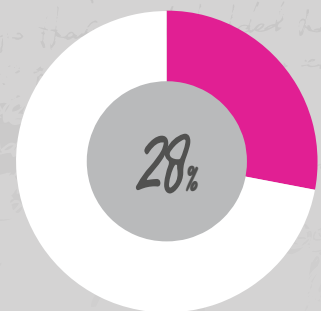2023: **44%** indicate recruiting will be more difficult this year

Do you expect recruiting for new talent to be more or less difficult in 2023 than 2022?

44%
More difficult

28%
Less difficult

28%
About the same

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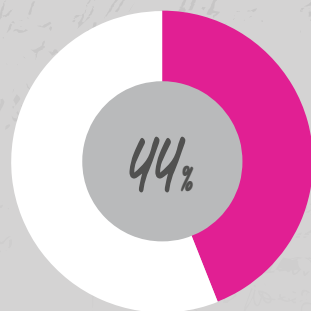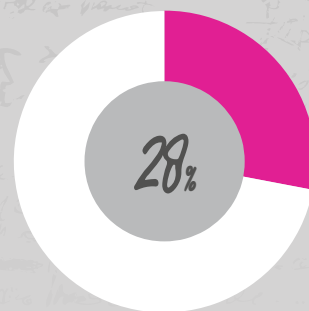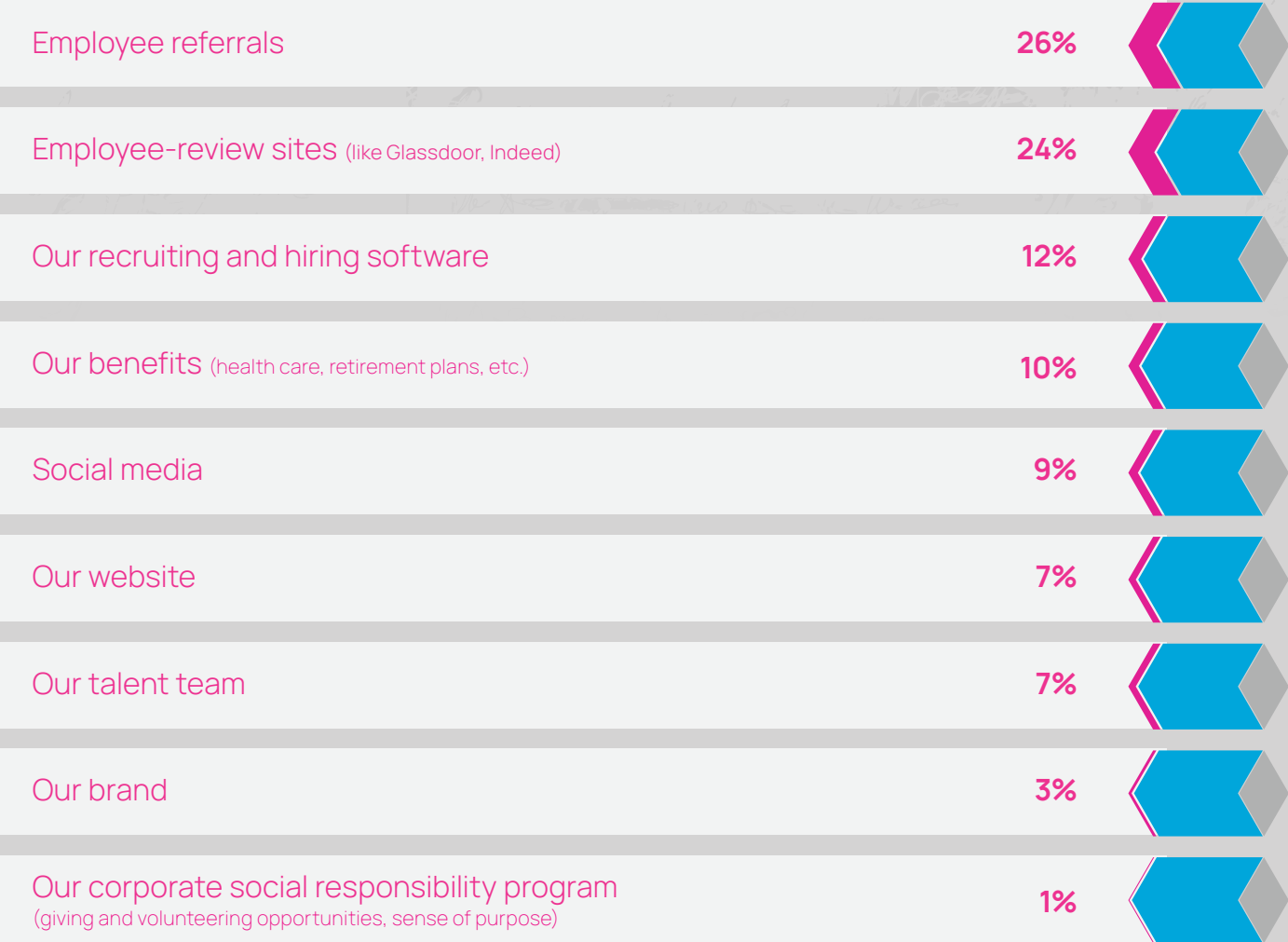
The reason for increased recruiting difficulties? According to respondents, competitors with larger budgets (for salary, recruiting) is the top talent acquisition threat, followed by remote-work expectations and the talent shortage.

It appears that one solution for recruiting woes is current employees themselves. People trust people, so it shouldn't come as a surprise that employee referrals and employee-review sites are HR leaders' most valuable recruiting tools (see chart).

What is your most valuable recruiting tool?

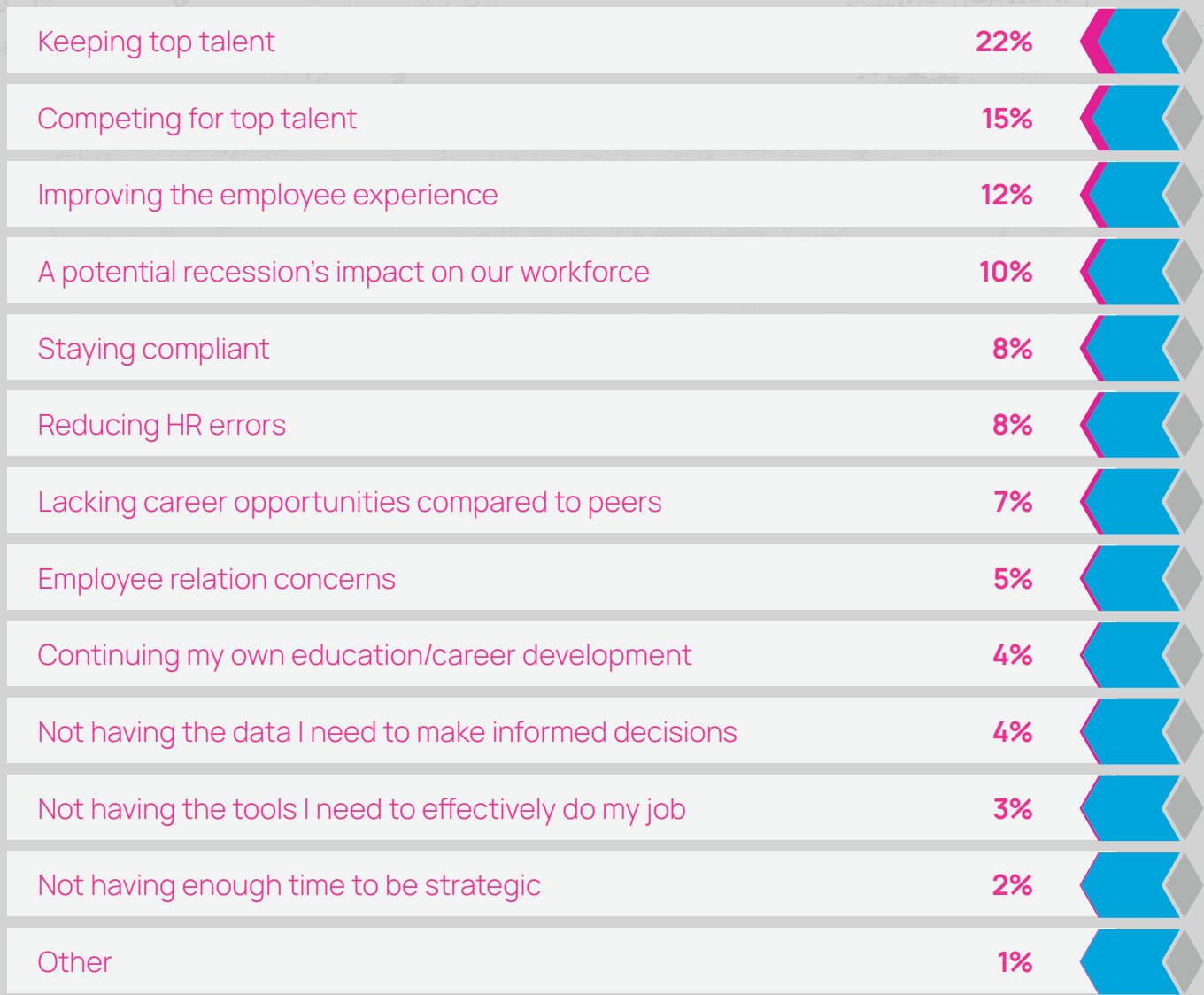|	
Employee referrals	26%
Employee-review sites (like Glassdoor, Indeed)	24%
Our recruiting and hiring software	12%
Our benefits (health care, retirement plans, etc.)	10%
Social media	9%
Our website	7%
Our talent team	7%
Our brand	3%
Our corporate social responsibility program (giving and volunteering opportunities, sense of purpose)	1%

Regardless of whether a company is in hyper-growth mode or filling a single key role, recruiting for talent is clearly as competitive as ever. With such competition for talent – rising salaries, recruiting from anywhere – it's even more important to retain a company's top employees.

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Keeping Good People

The majority of HR leaders think recruiting is their biggest opportunity for improvement this year but what really keeps them up at night is retention – and with good reason. It's well-documented that the costs are substantial to replace an employee. In a down market, the costs to replace a "good" employee are even higher as they can step in where needed and help maintain business continuity. For the employee, they can often learn new skills and become even more competitive.

What is your biggest stressor as an HR leader (i.e., what keeps you up at night)?

Stressor	Percentage
Keeping top talent	22%
Competing for top talent	15%
Improving the employee experience	12%
A potential recession's impact on our workforce	10%
Staying compliant	8%
Reducing HR errors	8%
Lacking career opportunities compared to peers	7%
Employee relation concerns	5%
Continuing my own education/career development	4%
Not having the data I need to make informed decisions	4%
Not having the tools I need to effectively do my job	3%
Not having enough time to be strategic	2%
Other	1%

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Similar to recruiting, HR leaders' outlook for retention in 2023 is glum but steady. More than half of respondents (51 percent) expect retaining talent to be more difficult this year – as they have since 2021 – and over a quarter (26 percent) expect it to stay about the same.

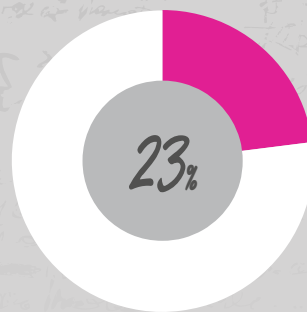2021: 54% indicated retaining talent would be more difficult this year.
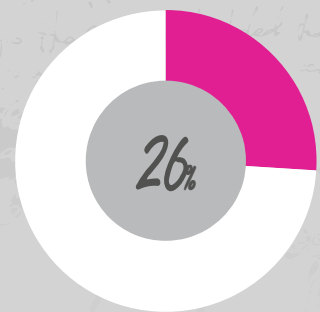2022: 56% indicated retaining talent would be more difficult this year.
2023: 51% indicated retaining talent would be more difficult this year.

Was retaining talent more or less difficult over the last year?

51%
More difficult

23%
Less difficult
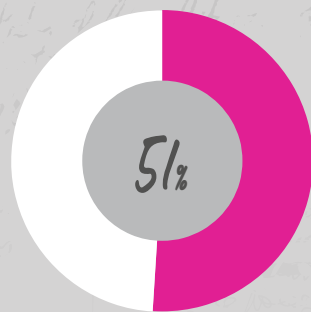
26%
About the same

Like recruiting, HR leaders cite "competitors with larger budgets" as the top culprit for retention woes, followed by "increasing employee experience (EX) expectations." The good news? Organizations seem to be responding boldly.

Employee experience is a top priority for 91 percent of organizations. But why? HR leaders say their companies are prioritizing EX for these top reasons (in order):

1. To improve retention rates
2. To reduce employee stress
3. To improve culture
4. To improve recruiting
5. To counteract remote work environments that hinder collaboration

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The good news is 77 percent of respondents rate their current employee experience as good or better and only 22 percent rate their EX as average or worse. EX is broad though. What employers are looking for today is what one element can make the most improvements? For many, it's learning and development.

77%

Respondents are running extensive learning-and-development programs. In fact, 50 percent of surveyed organizations offer career pathing, 49 percent offer education opportunities through their learning management system (LMS) and 45 percent provide funding for continuing education opportunities.

While learning and professional growth is important, nothing beats wellness. One can't learn if one is not well.

In isolved's recent survey of 1,000 full-time employees, 69 percent of respondents said they experienced burnout over the last year. As a result, their job performance is affected, with 45 percent of full-time employees noting that they are not as "enthusiastic" as they could be and 26 percent are only performing their required responsibilities (and nothing more). It's already been established that the Great Resignation is continuing but with findings like these, it seems Quiet Quitting is continuing too. This begs the question: What can be done?

According to the 500 HR leaders isolved surveyed, they are supporting the mental health of their workforce in both creative and traditional ways (see chart on next page). The top way organizations are supporting their employees' mental health (paid mental health days) and the second way (flexible working arrangements) would have been unheard of five years ago, or at least not been in the majority.

Companies are also addressing burnout directly (see chart). Over a third (32 percent) have implemented strict policies about not responding after hours, for example. This might seem minimal, but studies show that even checking emails in the evening, on vacation or during other "off" times can not only trigger stress but also impact employees' wellbeing and family relationships.
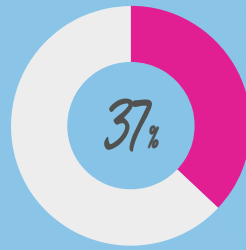
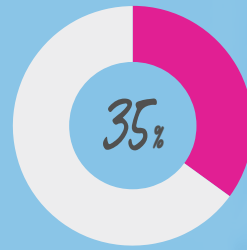## How do you support the mental health of your workforce?
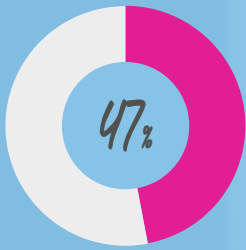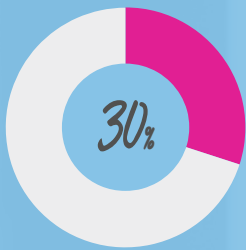
47% — With paid mental health days
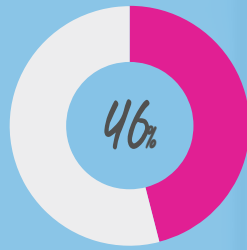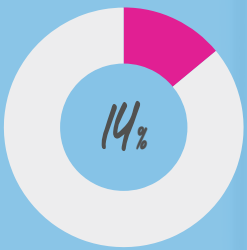
46% — By providing flexible working arrangements

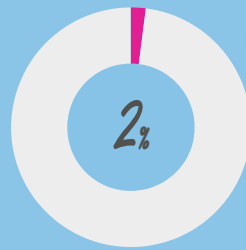**37%** — After-hours policies to limit work during non-business hours

35% — With company-led support groups
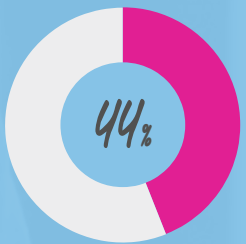
30% — By implementing a 4-day work week

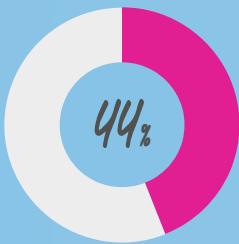**14%** — We don't have any initiatives to support mental health at this time
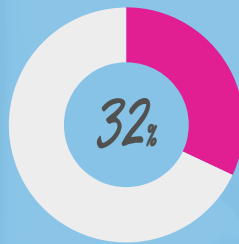
2% — Other

Power Move

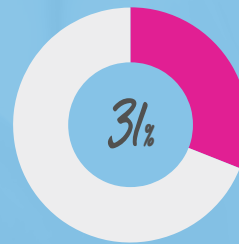## How is your organization addressing burnout?

44% — Providing paid mental health days

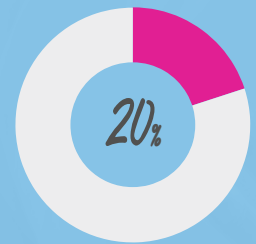**44%** — Providing resources on how to minimize the risk of burnout

32% — By developing a strict policy about not responding to work after hours

31% — By offering wellness programs to address physical, emotional, social, spiritual and financial wellness

20% — We aren't

HR leaders are not immune to stress and burnout, especially as their role expands and they are tasked to "fix" recruiting and retention while also improving EX. As such, they need support too – both internally and externally. Finding a way to reduce busyness and increase business outcomes is imperative so they can continue looking for the next best step, or power move, that will make the most impact within their organization.

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Reducing Workload To Improve Efficiency

Whether it's a one-person HR team or one person on a larger team, HR has a lot to juggle – from common questions and requests to processing payroll, managing employee relations and more. It's not uncommon that HR simply cannot take the day off.

This section addresses how leaders are freeing up their time and extending the impact of their team – this is especially true when it comes to employee self-service.

When isolved asked 500 HR leaders to estimate how much time they spend answering repetitive questions from employees (e.g., how much PTO do I have; when am I scheduled), 42 percent said between 4-10 hours a day. What could they do with half their day back?
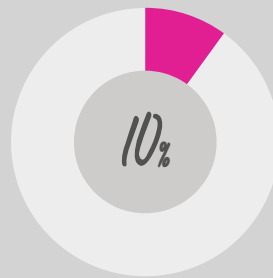
How many hours a day to you estimate you spend answering repetitive questions from employees (e.g., PTO balance, scheduling questions)?
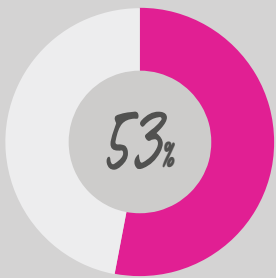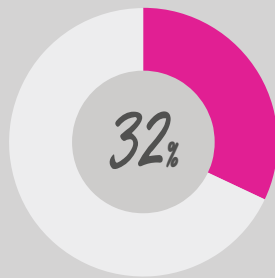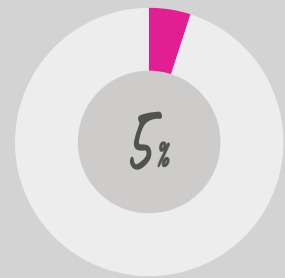
53%	32%	10%	5%
1-3 hours a day	4-6 hours a day	8-10 hours a day	Unsure

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With half or more of their day spent answering repetitive questions, it's no wonder HR leaders struggle to take a day off. Yet they are still getting ahead on EX initiatives as stated earlier. Many organizations, however, are providing reprieve to HR – employees checking their schedules, employees downloading their paystubs, employees electing their own benefits and more. This employee self-service not only frees HR to focus on more strategic initiatives but also provides a better EX to the employee who is used to self-service in their everyday lives. HR leaders should ask themselves: What HR task can employees do themselves? How many hours will that free up in HR's day? What could they use those hours for instead?

When self-service isn't enough, HR leaders turn to HR outsourcing. In fact, 64 percent of HR leaders said they could benefit from outsourcing HR tasks this year. Further, 58 percent of HR departments will outsource HR management tasks this year. Benefits administration and employee-relations support top the list (see chart) of HR tasks that will most likely be outsourced this year.

Power Move

Which HR tasks is your organization most likely to outsource this year?

Task	%
Benefits Administration	48%
Employee Relations Support	46%
Compliance Support	37%
Federal HR Requirements	37%
Manager/Employee Training	32%
Compensation Analysis and Planning	31%
Employee Handbooks, Job Descriptions and Forms/Policies	31%
Core HR & Payroll	31%
Talent Acquisition	27%
Workforce Management	21%
Employee Engagement Improvements	14%
Performance Management	7%

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Others are taking a different approach – by working with a trusted administrative service organization (ASO), payroll service provider or professional employer organization (PEO). Fifty-nine percent of the 500 HR leaders surveyed work with a PEO, and the number-one reason is to "establish business processes" (see chart).

Power Move

What is the top business driver for working with a PEO?

31%	Establish business processes
23%	Reduce operational costs
17%	Help reduce the risk of non-compliance
16%	Provide resources for managing HR and compliance
8%	Lower worker's compensation costs
5%	Workers' compensation insurance, health benefits, employers' practice and liability insurance

Of those working with PEOs, however, 59 percent anticipate switching to another PEO in the next 12 months because they (1) need a broader HR technology platform (32 percent), (2) have outgrown their current provider (27 percent) and (3) are experiencing compliance/safety/risk issues (16 percent).

An even higher amount of HR leaders work with ASO or payroll service providers. Seventy-four percent of organizations surveyed work with an ASO or payroll service provider and 94 percent are happy with the technology their partner provides. The majority (52 percent) of ASO and payroll service provider clients will not consider switching partners this year. For the 48 percent of HR leaders who are considering moving, needing a broader HR technology platform is the top reason why.

Of course, HR leaders also work with HR/financial brokers, providers and advisors and an impressive 84 percent of those who do are happy with the services they provide. In fact, 42 percent said their expectations are met by their current HR/financial broker, provider or advisor. A third (28 percent) who are not happy with their HR/financial broker, provider or advisor cite that a lack of system integrations (360) is the top reason why.

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Offering Competitive Benefits ←

Benefits, benefits, benefits. A critical part of employee compensation and wellbeing and a core area of compliance and cost risk. It's not surprising that some HR leaders doubt their ability to properly manage them due to the complexity.

Twenty-five percent of HR leaders are only somewhat confident or not at all confident in their ability to administer benefits. This is likely the reason why it's the number-one area HR leaders plan to outsource, and the adoption of broker-employer relationships is so high.

A question HR decision-makers ask time and again, however, is if they're offering the "right" benefits for their workforce.

Financial wellness is top of mind for both employers and employees. Inflation, recession threats and the pandemic years before it, put strain on average Americans. So much so that 68 percent of HR leaders say most of their employees live paycheck to paycheck. Despite being employed, people are struggling. This impacts employers not only from a humanity lens but also a workforce stability one.

If employees cannot make it to their shift because of lack of transportation or if they have to choose between high-cost childcare or not making their shift, it impacts business continuity and the customer experience. When considering which competitive benefits to offer, 62 percent of HR leaders say they offer on-demand or earned wage access (the ability to pay employees after their work is complete – often via a pay card).

For those not currently offering on-demand pay, 28 percent of HR leaders are considering it – allowing quicker access to wages to get to work and avoid costly overdraft, check-cashing and paycheck-advance fees for the employees. Getting folks to work, getting them the right skills and getting them motivated is what will be addressed in this very next section.

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# Scheduling and Optimizing Staffing

Twenty-one percent of HR leaders will outsource workforce management tasks this year. What's so complicated about attendance, time and scheduling? Between ensuring the right people, with the right credentials, are scheduled for the right shift and at the right location – a lot. It's a top reason why 35 percent of HR leaders think workforce analytics around scheduling could help them do their job better.

Further, nearly one-third (28 percent) of companies will invest in time-and-attendance technologies this year (see chart on next page). The hours that are wasted due to incorrect timecards and the negative impact to customer experience when a company isn't fully staffed, are a concern for many. Therefore, a quarter of HR professionals will also invest in workforce scheduling technology this year.

47%
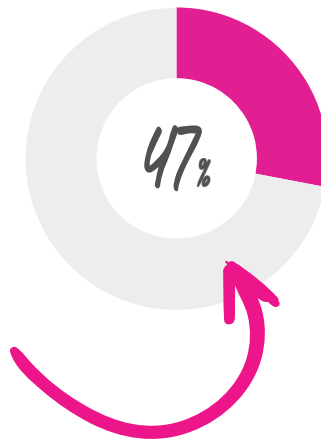
One lesson learned from earlier sections, however, is HR professionals are growing out of their current HR technologies and needing to look elsewhere. Forty percent of HR leaders will invest in a human capital management platform this year. With so many investments going into the technologies listed in the following chart, HR professionals may want to consider a full suite that intelligently connects the otherwise disparate systems (more on that topic later). An HR department's next-best step or power move might not be another add-on technology but finally consolidating them for a single view of the employee (more on that soon).
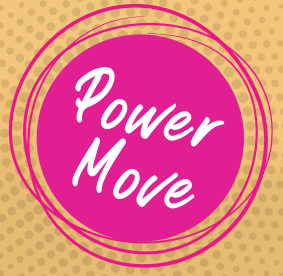
Which of the following HR technologies will you invest in this year?

Benefits enrollment
44%

Employee surveys
41%

Human capital management (HCM) platform
40%

HR analytics
40%

Performance reviews
34%

Learning management system (LMS)
29%

Time and attendance
28%

Workforce scheduling
25%

Applicant tracking
23%

Safety and risk compliance
23%

Audit and compliance
18%

Giving and volunteering platform
12%

We will not be investing in any of these technologies in the coming year
9%

Employee wellness tech
8%

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Any manager knows that "who" is scheduled is as equally – if not more – important than when and where. An unmotivated or unreliable employee can cause more damage to the business and customer experience than one who just doesn't show up. With so many workforce changes in the last few years, it may not come as a surprise that 51 percent of HR leaders feel their employees are less motivated than they were a year ago.

In addition to workforce trends like the Great Resignation and Quiet Quitting, the skills gap in organizations has never been bigger. Fifty-eight percent of companies have a skills gap. This not only puts a company's readiness at risk but also contributes to retention challenges – either when skilled employees need to make up for the shortage with extra work or when employees leave because they believe they can learn and develop more elsewhere.

Upskilling/reskilling their workforce is important to 98 percent of companies. Identifying gaps in skills, scheduling and even salaries is still a challenge though for many – contributing to the need to analyze people data and program performance.

17

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Understanding The Workforce →

People leaders know the value of actionable data to understand their workforce, make informed decisions and quickly respond to changes. In fact, 92 percent of respondents in this survey of over 500 HR leaders said "yes" they have access to the information they need to make informed HR decisions. That said, over a third (32 percent) said their HR team can improve on responding quicker to the changing needs of their business and employees.

What people/workforce analytics would help HR leaders better do their job? Well, it seems they want it all. From the ability to forecast turnover to more accurate hiring costs, HR is data hungry (see chart).

What people/workforce analytics would help you better do your job?

45%	38%	36%	35%	35%
Accurate hiring costs	Ability to forecast turnover	A single source for people/workforce data	More information on workforce scheduling	Drivers of high performance and retention

33%	24%	23%	20%
More historical data/ trends	Better DEI&B reporting	Benchmarking against peers and broader market	Compensation insights
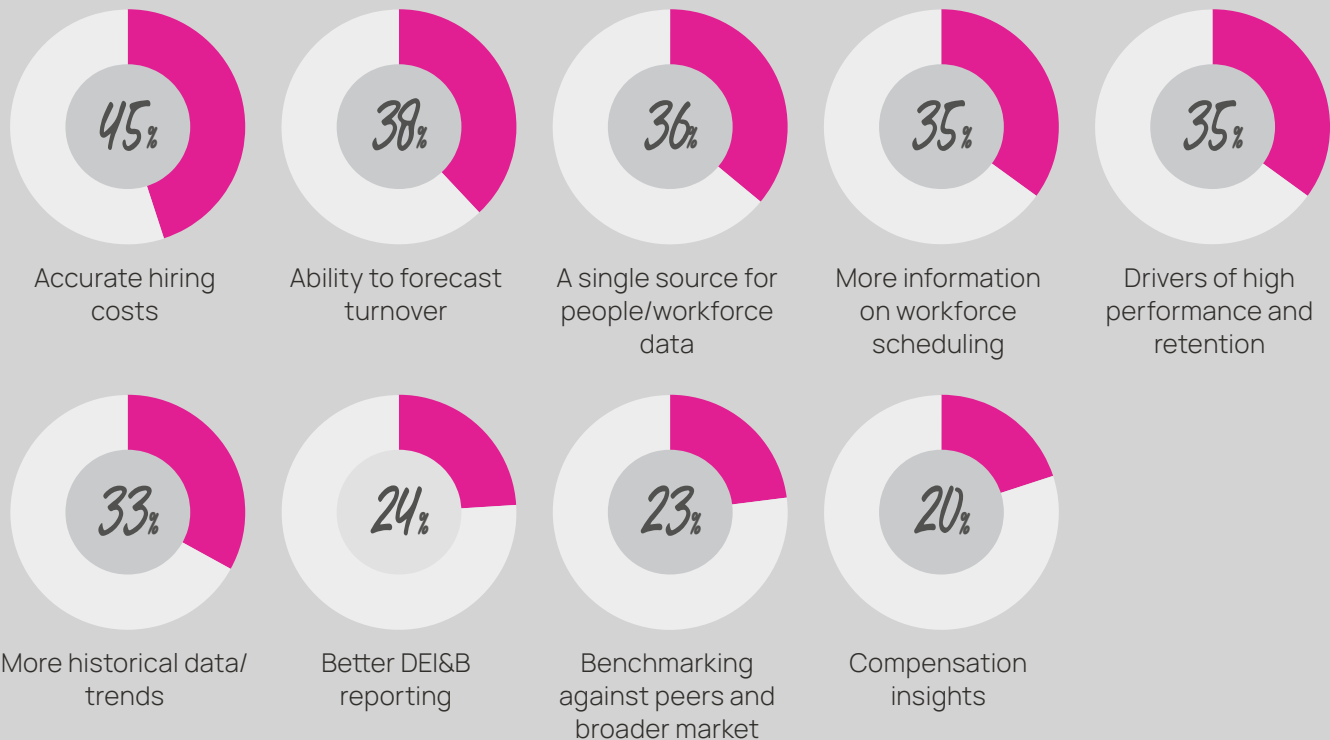
Fortunately, companies don't just collect data, they analyze and act on it too. Eighty-two percent of HR leaders feel their company reacts to employee feedback the way it should.

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But, despite the fact that the majority of respondents feel their company has adequate benchmarking tools to determine job salaries, 40 percent of companies are not addressing a pay gap between genders and/or race or are unsure if they are. For those who are addressing a potential pay gap, 53 percent are doing so by providing greater pay transparency.

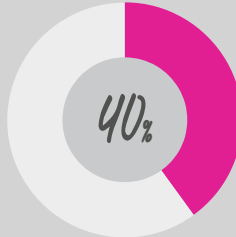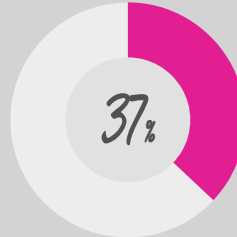**How is your company addressing a potential pay gap in your organization among genders and/or race?**
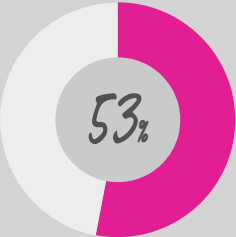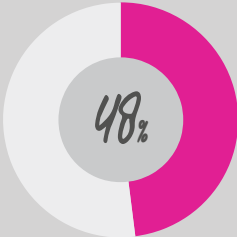
53%	48%	45%	40%	37%
Providing greater pay transparency	Providing better work-life balance	Conducting a pay audit	Extending paid and family medical leave	Leveraging workforce analytics for greater understanding
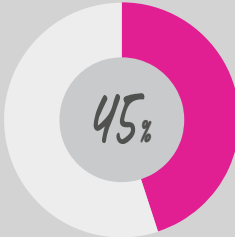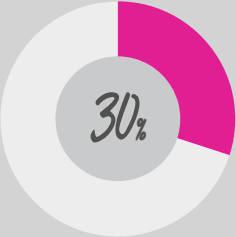
30%	27%	19%	19%
Providing programs for childcare	Sourcing candidates from diverse sources	Not asking about pay history	Providing managerial training
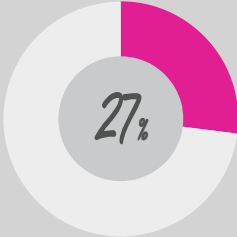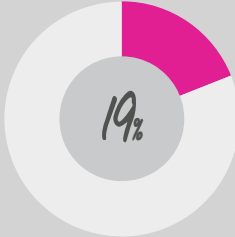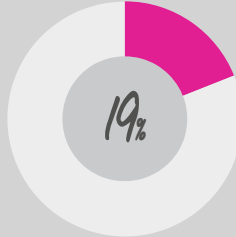
Power Move
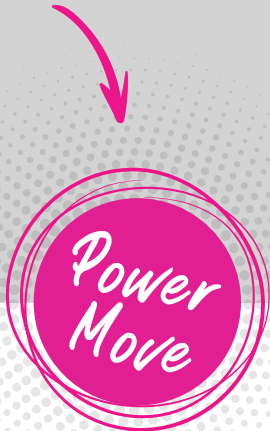
With keeping top talent as HR's biggest stressor this year, understanding their workforce will be a critical step to identify areas of improvement – and ensuring everyone is paid equitably and has an equal sense of belonging.

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Improving Employee-Employer Interactions

What has been discussed to this point is how to recruit and retain top talent and keep the business running at optimal levels. The "softer" side of HR is equally critical for each of those areas too – how to best engage employees particularly before they get to the point of burnout and resignation. How do you help employees feel a sense of belonging through employer-employee interactions? HR has this question, which is why 41 percent of HR departments plan to invest in employee survey technology this year with 38 percent of respondents using surveys to keep employees engaged.

Power Move

How do you keep employees engaged at work?

Team meetings	58%
In-person events	44%
Learning opportunities	41%
Employee surveys	38%
By empowering them to monitor and manage their own performance	37%
By providing them the ability to tie their goals to our company's goals	35%
Wellness offerings (yoga, meditation, stress reduction, financial counseling, etc.)	34%
Mentor/Mentee relationships	31%
Company intranet/internal social network	23%
All-hands calls	22%
Through a corporate social responsibility program (charitable giving and donating opportunities)	16%
Diversity, equity, inclusion and belonging initiatives/groups	13%

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According to HR peers, however, it's the humble team meeting that keeps employees most engaged at work, followed by in-person events and learning opportunities. Despite the importance of diversity, equity, inclusion and belonging (DEI&B) initiatives, DEI&B was last on the list of how organizations engage employees.

One often-overlooked area of employee engagement is simply knowing that what an employee is doing ties to the greater good and how they are performing based on goals and expectations. Thirty-seven percent of respondents said providing employees with the ability to monitor and manage their own performance was key to employee engagement and a near-equal amount (35 percent) of respondents said "providing employees the ability to tie their goals to company goals" is how they engage employees.

37%
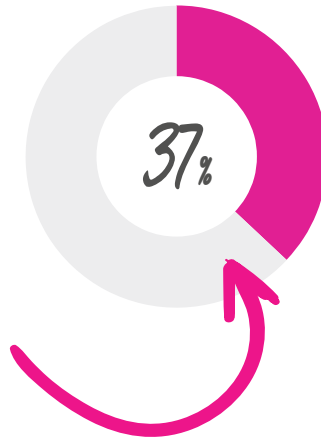
What much of the data suggests in the pages above is the need for a comprehensive, holistic view of both individual employees and the workforce as a whole – to hire good people, keep them, develop them and engage them.

Unifying and Simplifying The Employee-Facing Technology

Each area of EX and workforce management is as important as the next, but equally as important is tying all of the touchpoints and technologies together – with a single view and access point for both the employee and the employer.

This is the goal of many HCM suites. HR leaders are of course familiar with HCM platforms – with 73 percent already using one – but 63 percent aren't happy with their current HCM solution as they are planning to switch in the next 12 months.

The top reason for moving HCM platform providers is service issues followed by product issues (see chart).

Why are you planning to switch HCM platforms?
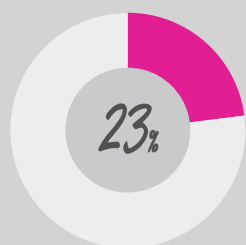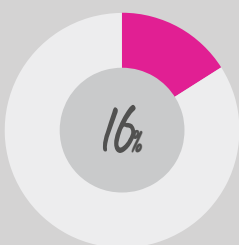
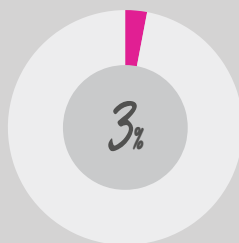| 23%	16%	15%	15%	12%
Service issues	Product issues or poor product quality	Compliance issues	Security issues	We're undergoing a digital transformation project
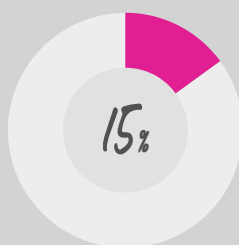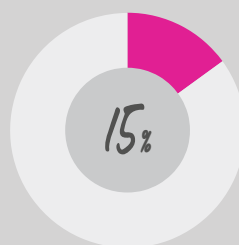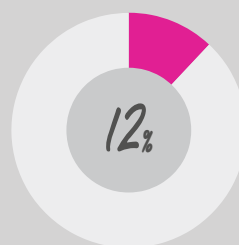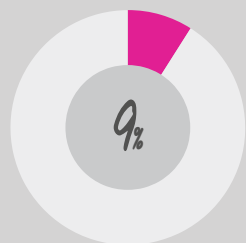
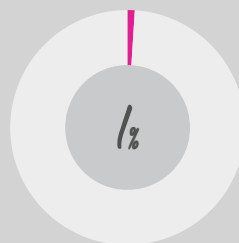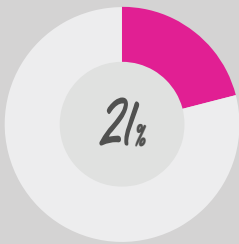| 9%	7%	3%	1%
Doesn't have everything we need to manage the entire employee journey	Looking to lower costs	We have a bigger budget now	Currently utilizing too many platforms
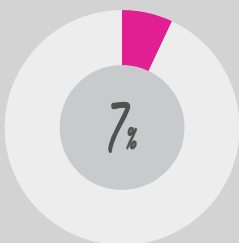
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HR leaders want more from their HR technology. Not only do they want better service and better software, but they also need it to be more comprehensive. A scalable and secure HCM platform that is easy for employees to use, gives business leaders access to data and is intelligently connected in nature is what HR leaders want today (see chart).
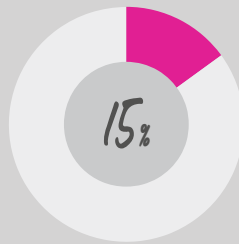
What's your top expectation for an HCM provider?
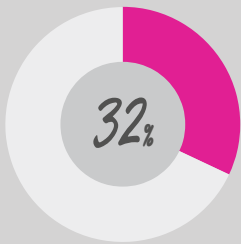
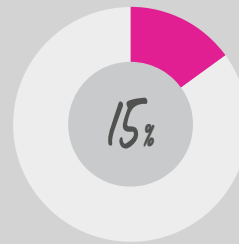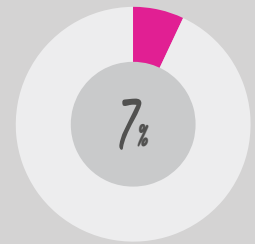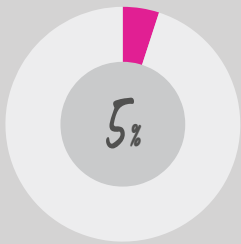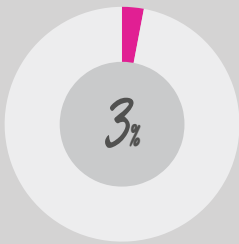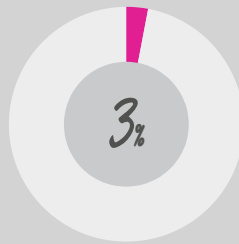| 32%	21%	15%	15%	7%
The technology is a full end-to-end platform (e.g., hiring, onboarding, engaging, benefits, payroll, offboarding)	Our company can grow with the platform (e.g., adopting new features as we grow in our HR process maturity)	It integrates with other HR tech solutions	It's easy for all employees to use	It's in the cloud

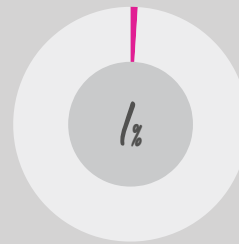| 5%	3%	3%	1%
It reduces human errors and helps us stay compliant	It uses artificial intelligence	It provides us actionable data insights	It supports the workforce of the future

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The data shows that HR leaders want and need to make improvements in three key areas:

1. Automate processes to free-up HR resources to focus on employees and to multiply the capabilities of those teams several-fold, driving greater efficiency and effectiveness.

2. Consolidate information into a single source of truth to make better, data-driven decisions on how to meet the needs of both the employer and employee.

3. Access strategic guidance and support, and advice to reduce the complexity of the HR workload, and to respond more quickly to benefit, compliance, legal and tax changes that could impact their business.

Complex challenges with simple solutions? Sounds like a pipe dream but the 500 HR leaders surveyed as part of this report are making one change at a time with the help of software and services to:

- Hire top talent
- Keep good people
- Reduce workload to improve efficiency
- Schedule and optimize staffing
- Offer competitive benefits
- Understand the workforce
- Improve employee-employer interactions
- Unify and simplify the employee facing technology

What's your power move? We'd love to hear from you – and help.

Methodology

This survey ran in January 2023 with 500 HR leaders, managers or above in HR "decision-making roles" employed full-time in the U.S. Key demographic data is as follows:

Seniority Level

Entry level/associate: 0%

Manager/Sr. Manager: 46%

Director/Sr. Director: 40%

Vice President/Sr. VP: 5%

Chief People/HR Officer: 9%

Industry Breakdown

Agriculture: 1%

Assisted Living: 1%

Business & Professional Services: 10%

Construction & Engineering: 11%

Education: 9%

Financial Services: 10%

Travel & Hospitality: 2%

Legal: 1%

Manufacturing: 15%

Healthcare: 14%

Government: 3%

Nonprofit Organization: 1%

Real Estate or Property Management: 2%

Retail: 7%

Transportation: 3%

Utilities: 1%

Wholesale & Distribution: 2%

Other: 8%

Company Size

1-50: 6%

51-150: 14%

151-300: 13%

301-500: 14%

501-1000: 27%

1001-1500: 11%

1501-or above: 14%

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Jot Down
Your Power Move

See How isolved Can Help.

Schedule a Demo Today!

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