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HR | Payroll | Benefits | Insurance

2023

Priorities for Business Leaders

Trends, Insights, and Ideas for an Evolving Workplace

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Introduction

Today's Workplace Is Evolving

Market conditions are bumpy for many businesses, creating a challenging operating environment — persistent inflation, rising interest rates, geopolitical unrest, a slowing economy, and a competitive labor market. Leaders are under immense pressure as they face many era-defining changes driven by a reshaped workplace, a dramatic shift in the employee-employer power dynamic, and a move towards a more digital and contactless environment. Managing people comes with challenges, and the associated HR administration can be costly in terms of time and money.

As a result, business leaders and HR managers are being forced to adapt and innovate to help their organizations remain competitive. This presents opportunities to improve talent management, boost operational efficiencies, and support employee well-being through increased investment in the right tools and technology.

To help you better understand the current landscape and set your strategic priorities, we conducted our fifth annual workforce trend study of 450 businesses with between 5 and 500 employees from various industries across the U.S.* Learn about initiatives that shift the employer-employee relationship and gain insights to strengthen the connection between happier, more engaged employees and better business results.

Navigating Today's Labyrinth

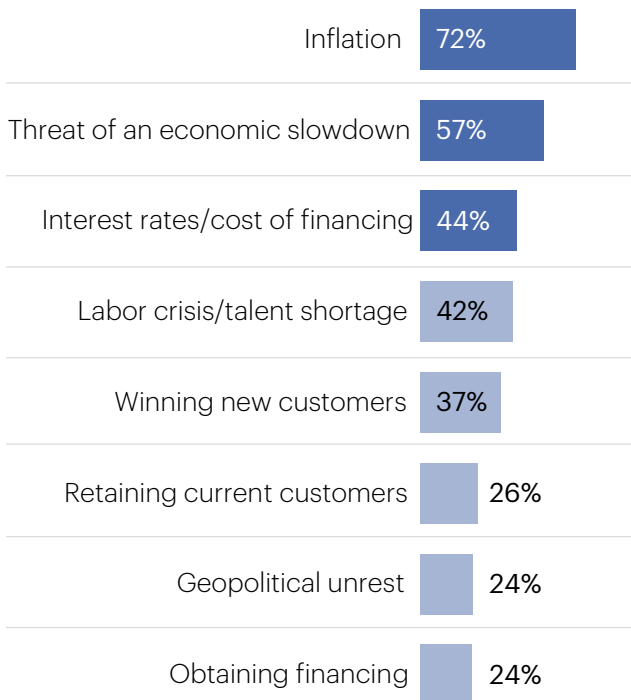
The Business Environment Is Challenging

Whether leaders are tap dancing or tiptoeing through the labyrinth of running a company today, our respondents agreed that the business environment is demanding and requires navigating multiple pressures. The top three business concerns reported as extremely or very challenging regardless of company size are:

- Inflation (**72%**)
- Threat of an economic slowdown (**57%**)
- Rising finance costs due to interest rate hikes (**44%**)

Other business challenges noted included the labor crisis, winning new customers, retaining current customers, geopolitical unrest, and obtaining financing.

How challenging would you rate each of these business issues? (% extremely or very challenging)



Streamline HR Administration and Save

Did you know the hidden costs of managing HR administration include:

- An average of **\$233,896** per company per year
- About **one whole week** a month in time spent on tasks¹

Companies that outsource HR activities report fewer mistakes, increased productivity, better analytics and reporting, improved regulatory compliance, and reduced costs.

Is it time for you to outsource HR administration?

¹ On average, for companies with 100 to 500 employees.

Hire, Engage, and Invest

Prioritize Employees' Needs, and Your Own

The leaders across all company sizes ranked the following as the top three operational challenges:

- Hiring and retaining good employees **(46%)**
- Supply chain issues **(38%)**
- Keeping technology current **(33%)**

For companies with 250 to 500 employees, HR administration tasks (such as managing payroll, benefits, employee performance, etc.) were the second most challenging operational issue **(47%)**, tied with cyber security threats **(47%)**. Smaller companies (with 5 to 9 employees) had a three-way tie for their third operational challenge, which included managing cash flow **(29%)**, keeping technology current **(29%)**, and cybersecurity threats **(29%)**.

How challenging would you rate each of these operational issues?

(% extremely or very challenging)

	Total
Hiring and retaining good employees	46%
Supply chain	38%
Keeping technology current	33%
Cybersecurity threats	31%
Managing cash flow	29%
HR administration tasks	24%
Maintaining legal and regulatory compliance	23%



Nearly 1 in 2 leaders struggle to hire and hold onto good employees.

Companies Invest in Their Employees

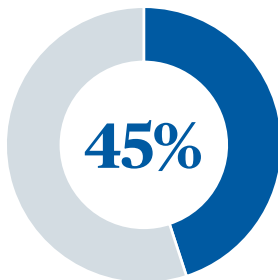
Managing People Is Not Without Challenges

For the fifth year in a row, leaders cited that their top challenge in managing people is that their employees sometimes have personal issues that conflict with work (42%). This was followed by “balancing my own to-dos versus the team” (34%) and “retaining top performers” (33%). The top challenge for companies with 100 to 249 employees was “retaining top performers.”

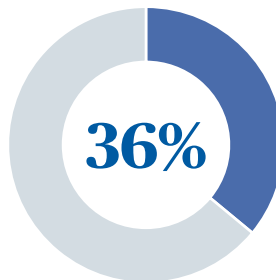
Top five employee retention strategies:

1. Increasing pay
2. Encouraging healthy work/life balance
3. Improving benefits
4. Rewarding/recognizing teamwork
5. Offering flexible/remote/hybrid work options

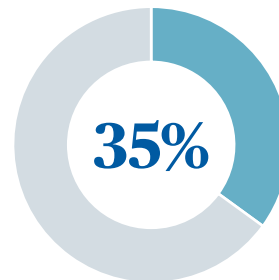
We asked leaders what their companies are doing to hold on to staff.



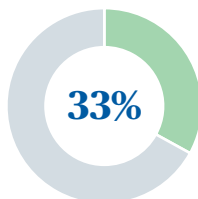
Increasing pay



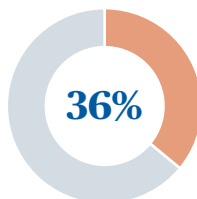
Encouraging healthy work/life balance



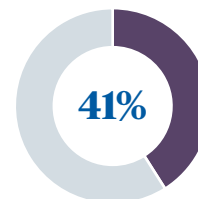
Improving benefits



Employee well-being programs
(250 to 500 employees)



Acting on employee suggestions
(100 to 249 employees)



Offering training to improve employee skills
(50 to 99 employees)

The Essential Guide to Finding and Keeping Your Dream Team

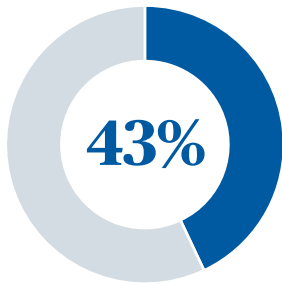


Download this free guide and learn seven ways to set your company apart.

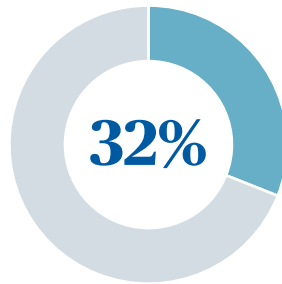
Top five strategies to hold onto employees by company size

Select company size to see top retention strategies.

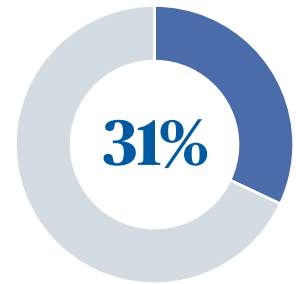
Leaders are also making employee engagement a priority for their companies.



Regularly communicating goals and progress



Offering training to help employees develop new skills



Empowering employees to suggest new work methods or projects

Smaller companies are focused on improving the employee experience.

Onboarding experience that conveys company culture
(50 to 99 employees)



Bogged Down in HR Administration

It's Costing Your Company Time and Money

Almost 7 in 10 leaders with 100 to 249 employees spend more than one week each month on HR tasks and duties. There is a strong correlation between company size and the time spent on HR administration. The larger the company, the more time is spent on HR. Five percent of leaders spend more than 20 hours weekly on HR administration. These findings are consistent with prior years studied.

Managing HR administration is costly. The annual average cost to manage HR administration is approximately \$234,000 per company. The cost of HR administration increases sharply with company size. The yearly mean cost for companies with 250 to 500 employees is over \$10 million.

If you know how much time your company spends on HR administration, how would you estimate the cost to your company each week?

Company size (# of employees)	Average cost/week	Average cost/year
250 to 500	\$205,737	\$10,698,324
100 to 249	\$10,850	\$564,200
50 to 99	\$7,065	\$367,380
20 to 49	\$3,728	\$193,856
10 to 19	\$2,463	\$128,076
5 to 9	\$1,082	\$56,264
Average Total Cost	\$4,498	\$233,896

(Respondents were asked to estimate the time spent to pay employees working on HR tasks and the opportunity cost of them not working on other tasks.)

\$233,896

is the average cost to a business with 5 to 500 employees.

\$10.7 million

is the average cost to a business with 250 to 500 employees.

The number one benefit for the leaders who outsourced HR administration was having fewer mistakes, cited by 51% of respondents. This finding is consistent with last year's survey. Other consistent benefits included increased productivity (41%), better analytics and reporting (35%), improved regulatory compliance (35%), and reduced costs (34%).

Additional benefits of outsourcing were reported as follows:

- Employee self-service increases employee satisfaction
- Improved employee retention
- More effective employee recruiting
- Better employee training and development

Barriers to Building a Dream Team

Competing for Staff Is Tough

Looking ahead to the next 12 months, offering competitive compensation and benefits (**42%**) was reported as an HR-related issue that is likely to become more challenging, followed by attracting dedicated and capable staff (**39%**), and minimizing employee turnover (**36%**). Roughly half of companies with 10 to 500 employees expect attracting and keeping talent to become more challenging in the year ahead. For the five years we have completed this study, this issue has been the top challenge for companies, except for 2020, when the results showed employee safety as the top priority during the COVID-19 pandemic.

Do you believe the following HR administration issues will be more or less challenging for your business in the next 12 months? (By company size, based on number of employees; % much or somewhat more)

	Total	5-9	10-19	20-49	50-99	100-249	250-500
Offering competitive compensation & benefits	42%	43%	41%	44%	43%	39%	41%
Attracting dedicated, capable staff	39%	28%	49%	45%	49%	55%	52%
Minimizing employee turnover	36%	28%	40%	47%	45%	45%	45%
Developing employees and future leaders for succession	34%	29%	36%	39%	39%	43%	41%
Creating operational efficiencies with overall HR administration (expense management, labor costs, etc.)	32%	24%	35%	45%	35%	40%	44%
Managing the hiring process and tracking applicants (posting jobs, tracking flow of applicants, onboarding, etc.)	30%	16%	41%	40%	45%	37%	41%
Maintaining ongoing regulatory compliance	25%	19%	25%	32%	43%	36%	32%
Building a positive brand and culture	24%	23%	21%	28%	25%	35%	36%
Measuring and managing employee performance	22%	15%	25%	29%	31%	33%	32%

For the respondents who identified the above issues as becoming more challenging in the year ahead, we asked them to share why they feel that way. Below is a sprinkling of verbatim responses from different company sizes. Select company size under each challenge to see response.

Challenge: Offering competitive compensation and benefits

Challenge: Attracting dedicated, capable staff

Challenge: Minimizing employee turnover

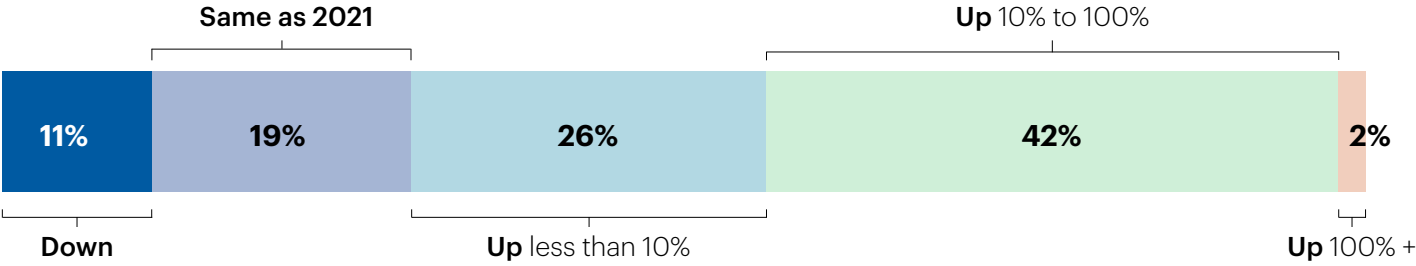


Business Outlook

Optimism Shines Through

Despite the current rocky market conditions, the leaders were optimistic about their revenue outlook for 2022, with **70%** expecting an increase in revenue compared to last year.

How do you expect your 2022 revenue to be compared to 2021?



“I’d Do It Again If I Could”

Leaders Are Under Immense Pressure

Running a business is stressful. However, despite the pressure, almost **9 in 10 leaders would still advise their younger selves to run or work in a small- to medium-sized business** if they had the chance to do it again.



Why?

“For all the hardships, stress and pain you go through, there is nothing like running your own business and being your own person. The freedom to do as you wish, financial independence, and providing value to others is incredible.”

“It is a great way to have freedom over your schedule and work career. Plus it is much more fun and enjoyable when you see what you have built.”

“I would speak to my younger self just to make sure I am more organized. I currently am but that’s about it. Once you have been going a couple years in, then things kind of flow — it’s just making sure you keep the eye on the profits.”

“Good experience to see a company grow and achieve success. Know that you had a direct impact in the company’s growth.”



More than one in four leaders are extremely or very stressed, causing worse sleep, decreased work/life balance, and less time to spend with the family.

More than one in four leaders (**26%**) said they are extremely or very stressed, and this increased to **35%** of leaders feeling stressed at companies with 250 to 500 employees. Only **7%** of leaders said they were not stressed. Stress impacts leaders differently, with significant variations by company size, including worse sleep, decreased work/life balance, and less time to spend with the family.

How has work stress affected you? (By company size, based on number of employees)

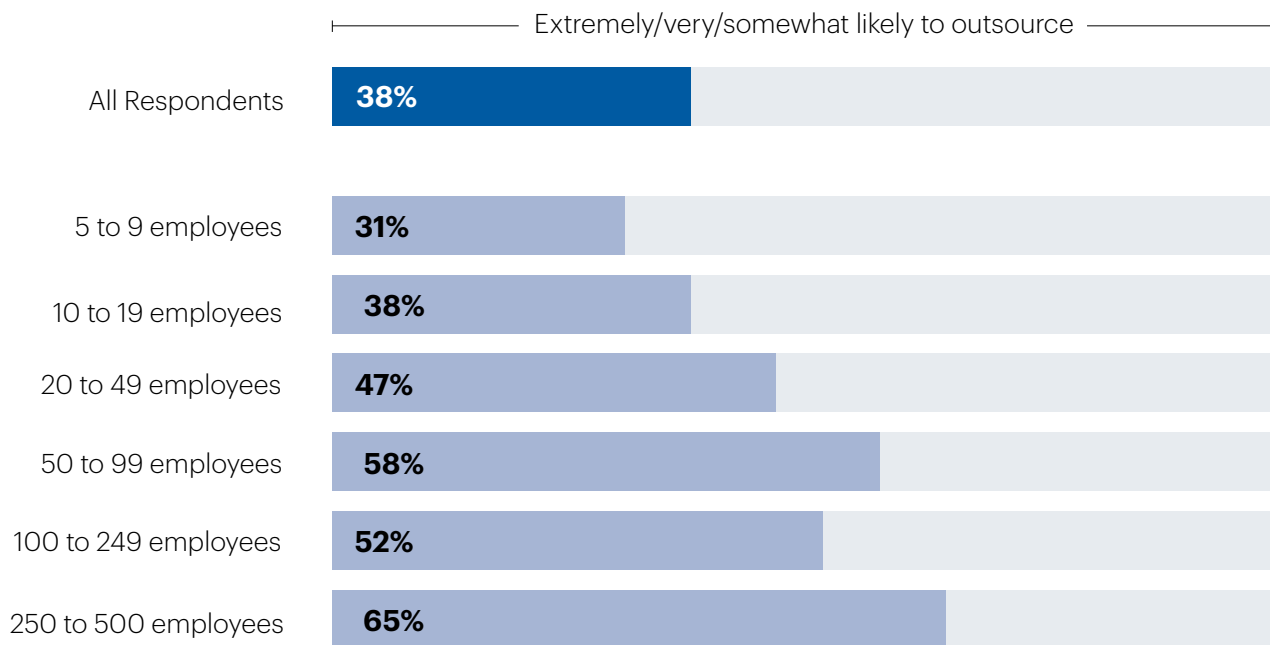
	Total	5-9	10-19	20-49	50-99	100-249	250-500
Worse sleep	46%	47%	44%	51%	45%	41%	44%
Decreased work /life balance	36%	37%	36%	31%	37%	32%	37%
Less time to spend with the family	35%	37%	33%	32%	36%	21%	49%
Diminished mental health (increased depression or anxiety)	28%	27%	32%	24%	25%	28%	19%
Struggle to find time to exercise	24%	21%	23%	32%	19%	24%	24%
Less interest in pursuing activities I enjoy	23%	24%	19%	25%	25%	23%	29%
Something else	1%	0%	3%	1%	1%	5%	1%
None of the above - it hasn't	21%	24%	19%	20%	21%	19%	13%

Work Smarter, Not Harder

Trends in HR Outsourcing

Thirty-eight percent of the leaders surveyed said they were likely (extremely/very/somewhat) to outsource HR administration tasks in the next 12 months. The likelihood of outsourcing HR increases with company size. Fifty-two percent of companies with 100 to 249 employees were likely to outsource in the next 12 months, compared to **40%** in the study from the prior year. Of the functions they were most likely to outsource, payroll administration (**34%**), benefits (**15%**), recruiting and onboarding (**13%**), and maintaining regulatory compliance (**12%**) were the top activities.

Likelihood to Outsource HR Tasks in the Next 12 Months



38% of leaders are likely to outsource HR administration tasks in the year ahead.



As many as 79% said they had not used a Professional Employer Organization (PEO) or didn't know if they had.

Conclusion

The Magic Combination

You Don't Have to Go It Alone

Paychex HR is here to help reduce the time and resources you spend on managing HR administration tasks. Our full range of integrated HR solutions, including employee benefits, payroll administration, compliance assistance, and HR advice, can help you to address the challenges of today's business and operating environment. Remember, you don't have to go it alone like many of the leaders in our study.

What Is a Professional Employer Organization?

A PEO provides HR outsourcing services to support your business throughout the entire employee life cycle. We can help ease the burden of complex HR administration responsibilities so that you can remain focused on your core business while helping you reduce administrative costs, improve productivity, and increase profitability.

Is A PEO Right for Your Business?

Four Ways Paychex HR Can Help Your Business

1. Proactive HR advice helps you focus on your business

Lean on our HR professionals to provide advice and help free up time and resources, saving you time and money.

2. Tools and resources to address inflation and workforce challenges

A Paychex HR professional can recommend ways to streamline and gain workforce efficiencies, and they may also offer guidance on the right mix of benefits to attract and keep employees.

3. Compliance support to help you stay on top of laws and regulations

Paychex can help you keep up with changing laws and regulations with regular updates, alerts, ongoing HR advice, and education. Our team of experienced compliance specialist monitor changing federal, state, and local employment laws and regulations.

4. All-in-One HR technology to simplify HR administration and employee management

Support employees and their managers with self-service tools via easy-to-access apps and a 24/7 cloud-based portal to elect benefits and add dependents, review their performance evaluations, enroll in online training, and produce reports detailing their 401(k) retirement plan contributions.

Let's Connect

Paychex HR offers scalable solutions to fit the unique needs of your business. With Paychex HR, you have access to a dedicated HR professional and a team of subject matter experts to help you offer world-class benefits and keep up with ever-changing employment laws and regulations. At every stage of your growth, our HR expertise and industry-leading technology allow you to streamline HR tasks and give your people the tools and the time to be more productive.

[Visit us online](#) or call (866) 987-0427.

* This national survey was conducted with 450 business and HR leaders who employed from 5 to 500 employees from a broad cross-section of industries. From August 23 to September 1, 2022, the online interviews were conducted by Bredin, an independent market research company located in Boston, MA. If tables and charts don't add up to 100 percent, it is due to rounding. Or, if tables and charts add up to more than 100 percent, multiple responses were allowed.

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