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2023

THE
PULSE
OF HR | Leading the
Dynamic Workplace

How HR leaders are optimizing their workplace to strengthen teams and drive growth amid a culture shift

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Overview

A commitment to optimizing work arrangements is what defines the mindset of today's HR leaders in the 7th Annual Paychex Pulse of HR Survey.[1] Technological innovations, an imperative to improve staff well-being, and a dynamic economic and hiring environment are prompting HR leaders to devise creative, personalized solutions to address their HR challenges as never before.

HR leaders are rising to the challenge, even though it's not always easy. At the heart of their plans is digital HR: using technology to automate and streamline HR tasks. There's also an increased emphasis on the training, skill-building, and support needed to take full advantage of the technology's potential while supporting team well-being, engagement, and productivity. Ultimately, HR leaders know they need to find better ways to open channels of communication between managers and employees to keep teams more connected. HR leaders also plan to bolster their own skills this year to be able to effectively convey HR plans and accomplishments within their organizations.

HR leaders are focused on strategically optimizing the work experience for everyone, regardless of where work is done, with the work arrangements that were implemented to navigate the COVID-19 pandemic having become the accepted norm.

Read this report to learn about the plans and tools these leaders are using to deliver on HR, business, and personal objectives, including:

- Mitigating employee burnout
- Optimizing operational efficiency using HR technology
- Implementing critical training opportunities across all work arrangements
- Building a stronger intergenerational workforce
- Placing more importance on employee/manager communication than ever before
- Using flexible payments as a competitive hiring tool
- Using AI to be more strategic in their role
- Building support and momentum around their initiatives

[1] Survey conducted online with 1,350 HR leaders and business principals at U.S. companies with five or more employees from Feb. 24 to March 31, 2023, by Bredin, an independent research agency.

HR Leader Priorities:
Establishing Better Connections to Fuel Growth
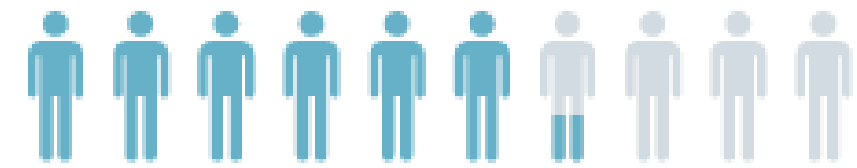
Two-thirds of HR leaders

surveyed say avoiding employee burnout is one of their biggest challenges.

Despite today's ever-changing economy, challenging hiring environment, and complex work arrangements, HR leaders surveyed are feeling optimistic about their business outlook: 86 percent expect 2023 revenue to be higher in their organizations than in 2022. However, they still have many concerns, particularly about the following:

- Employee burnout
- Quiet quitting
- Full-time employees with another full-time job

In order to manage these obstacles while supporting the top priorities of business leaders today — improving customer service and operational efficiency — 75 percent of HR leaders surveyed said they will focus on developing these areas in the coming year:

- Employee/manager communication
- Employee productivity
- Engagement and retention
- Employee well-being
- Training and skill-building

On a personal level, HR leaders surveyed plan to enhance their own organizational impact in the next 12 months by:

- More effectively communicating HR plans and successes
- Using HR technology to boost their own productivity
- Taking courses or attending events to improve their skills

Five steps for communicating HR successes to management

By Jeff Williams, Vice President of Enterprise and HR Solutions at Paychex

1. Step back, step out, step up

Too often we're paraphrasing employee sentiment to fuel executive insights. Further, messages can be clouded by recency bias of the latest interactions with your employees. Take time to understand your situation in context. Use insights from industry thought leaders, capture broader trends, and advise your business leaders with balance and perspective. It may fuel your credibility for all your executive interactions.

2. Frame HR in the strategy

Don't fall into the trap of having the HR strategy orbit the corporate one. To drive support and alignment, recast your work in what drives the company overall. Demonstrate how the work connects to the most important company results to bring HR closer to the broad organization goals.

3. Be data driven

People issues are hard, complicated and can sometimes be abstract. Ground the executive team in data to fuel comprehension and simplify decision making. Your ideas may get more traction when you have the numbers to back them up.

4. Connect HR systems to business performance

Too often there is a performance management, rating, and succession planning function that sits completely apart from revenue, profit, operating performance, and customer satisfaction. Connect these things together to ensure your people strategy is completely aligned to corporate performance. Modern HR systems can help you do this via integrations to your core business systems. There may be some hard work to get there, but the rewards of complete alignment can be worth it.

5. Be the change steward

Your people may be overwhelmed with change, but that cannot dissuade your growth, digital transformation, or new ventures. Don't serve as a megaphone for employee concerns, but rather, help executives understand the crucial change management work required to get people on board and excited. Volunteer to lead the efforts required to make change, and collaborate with business leaders so they communicate change effectively. Leverage your skills to navigate the ambiguity and bring your whole company with you.

Training:
How Leaders Are Optimizing Teams Across Different Work Arrangements

Roughly half of the survey respondents have hybrid work arrangements and plan to maintain them over the next 12 months. Since employee engagement, well-being, and productivity are ongoing challenges for HR leaders, they plan on using training and skill-building to help employees and managers — hybrid, remote, and on site — build skills and stay connected.

Ninety-six percent of respondents said they have or will increase training for at least some employees to help them acquire the knowledge and skills they'll need in the coming year.

To optimize business impact across varied work arrangements, HR leaders are focused on what the entire organization needs, and say they will offer:

- **Employees:** Skill development
- **Managers:** Remote employee management training
- **All:** Remote team skill-building

Roughly half
of the survey respondents have hybrid work arrangements and plan to maintain them over the next 12 months.

Focus and care is also being taken to identify and provide specific trainings. Half of HR leaders surveyed said they will provide skill-building opportunities for remote/hybrid staff, including:

1. Job rotation/cross-training to encourage exposure to new roles/skills
2. Increased trainings to help employees acquire the knowledge and skills they need
3. Training for managers on hybrid/ remote employee management and career development

For those working on-site, HR leaders plan to:

1. Increase training opportunities to help employees acquire the knowledge and skills they need
2. Train managers on hybrid/remote employee management and career development

92% of HR leaders

surveyed have or expect to have an employee well-being support program in the next 12 months.

96% of respondents

say they plan to increase training for at least some employees over the next 12 months, to help them acquire the knowledge and skills they need.

Why are businesses continuing hybrid?

Half of HR leaders say the motivation for maintaining hybrid work arrangements are:

- Productivity
- Employee well-being

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We're going to improve employee/manager communication through weekly meetings to discuss employee issues and employer needs, among many other issues. Leaving lines of communication open, working together to solve problems."

HR professional
at a 2,800-person medical/ dental company

Optimizing Communication and Productivity Using Digital HR

Ninety-five percent of respondents surveyed plan to make investments in HR technology in the next 12 months to achieve their business, HR, and personal objectives. They plan to use these tools to facilitate communication between employees and managers, and among teams, which is critical to success across a variety of work arrangements.

Specifically, HR leaders surveyed say they plan to use technology in the coming year to help remote/hybrid workers with the following:

- Communicating questions to management
- Enhancing communication between managers and off-site employees

Surveyed HR leaders say they'll use technology to tackle the following priorities:

- Improving recruitment to support company goals

- Facilitating communication between employees and managers/management

- Boosting their personal productivity

- Helping leaders communicate plans and successes to management

- Mitigating employee burnout

HR leaders plan to use technology in the coming year to help on-site workers with the following:

- Making it easier for employees to communicate with management
- Supporting collaboration between on-site and off-site employees

HR leaders said they'll also use HR technology to measure the efficacy of current workplace programs and policies, including tools that:

1. Support communication between employees and managers
2. Track time and attendance
3. Enable employees to provide anonymous comments and feedback

HR technology is also central to supporting recruitment and engagement, and 81 percent of HR leaders have already, or plan to, use digital HR tools to attract and retain workers.

While investing in HR technology may not be top-of-mind for business leaders, HR leaders anticipate the following return from this investment:

- Increased employee productivity
- Improved employee experience

81%
of HR leaders

have already, or plan to, use HR technology to attract and retain workers.

"The HR role will be different in the next year because we plan to use different technologies to automate processes and improve communication."

HR professional
at a 30-person automotive company

Using AI as a Competitive HR Tool

Seventy-six percent of all HR leaders surveyed say they will use artificial intelligence (AI) in the next 12 months. Perhaps not surprisingly, AI use is most prevalent among the largest companies. That said, AI is the technology that businesses overall plan to invest in most this year,[2] indicating the likelihood that all companies may eventually adopt AI to improve their HR function in some way.

HR leaders in our survey cited the following as their current — or planned — uses for AI:

1. Tracking applicants
2. Assessing employee satisfaction
3. Helping to identify potential candidates with AI-generated custom ads online
4. Resume scoring/ranking
5. Automating application tracking and conducting interviews

"AI can be a tremendous source of support for HR leaders. It's clear that AI will help HR leaders find more time for strategic work, access and analyze data needed for good decision-making, and stay connected to staff priorities."

– **Jeff Williams**
Vice President of Enterprise and HR Solutions at Paychex

[2] Bredin Pulse Research, March 2023, a survey of 500 U.S.-based businesses with 500 or fewer employees.

The Potential of Using AI for HR Support

AI works best when it's combined with human skills to assess the information AI technology gathers and make changes or decisions based on what's learned. This is what makes AI a tool, and not a threat, for HR leaders. Potential HR uses for AI beyond some of the current uses like applicant tracking and screening include:

Training and career development

Skill-building and career development are a top priority, and AI could fine-tune the advice and support an employer offers. By gathering data on each employee, their talents, and their position, algorithms could deliver informed advice for goal-setting and progressing in an organization based on what others have done.

Engagement

AI chatbots could handle basic employee queries. Then, HR teams could evaluate the data from these interactions to keep track of each employee's priorities and concerns. As a result, teams can address employee needs and concerns to improve engagement and reduce turnover. Organization-wide, data from chatbots can also be used to identify reasons, for example, for widespread lack of engagement.

Employee feedback

HR leaders are eager to track hybrid work, employee well-being, questions for management, and other key feedback. AI could be a valuable tool for synthesizing data on employee and company performance, so that tweaks can be made, or improvements and accomplishments can be touted.
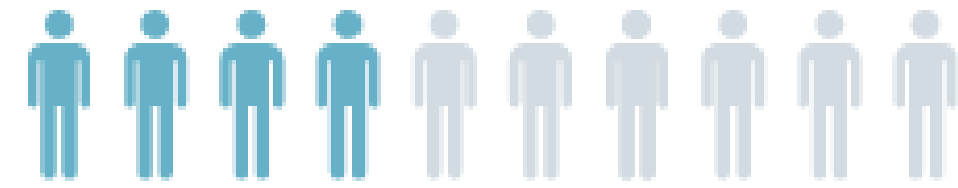

PEER INSIGHT

"*With the use of AI becoming more and more common, I see the role of HR becoming an interpersonal buffer between management and employees.*"

HR professional
at a 72-person skilled trades company

Well-Being and Diversity:
Key Strategies for Hiring and Retention

4/10 HR leaders
plan to train employees or managers about the importance of well-being.

A top 2023 priority for HR leaders is improving recruitment to support company objectives. To achieve this objective, and improve employee retention, HR leaders know they need to address the challenges of employee burnout and quiet quitting *while* conveying their commitment to this to potential hires.

To do this, 4 in 10 HR leaders surveyed plan to train employees or managers about the importance of well-being.

They also plan to:

- Offer desired upskilling/reskilling/ training opportunities
- Develop remote team/work management capabilities
- Emphasize the importance of well-being and how to achieve it

To build a stronger workforce, HR leaders also recognize they must appeal to employees of different generations. HR leaders are using these tactics to attract and retain employees of specific generations:

Gen Z
- Offering training opportunities
- Emphasizing diversity
- Communicating company mission

Millennials
- Communicating company mission
- Teaching soft skills
- Emphasizing pay equity
- Communicating commitment to inclusion

Gen X
- Communicating company mission
- Enhancing benefits
- Emphasizing inclusion
- Committing to pay equity and pay increases

Baby Boomers
- Communicating company mission
- Enhancing benefits
- Raising pay
- Offering flexible work schedule

HR leaders also know they must provide benefits that cater to the priorities of their applicants, and then convey their commitment to said priorities. The top benefits HR professionals say their companies currently offer include:

- Health
- Dental
- Retirement
- Parental leave

Meanwhile, HR leaders say their companies plan to offer these additional benefits within the next 12 months:

- Employee assistance programs
- Shorter workweeks
- Daycare cost assistance
- Financial counseling
- Eldercare
- Health reimbursement arrangements (HRA)

"Attracting and retaining top talent continues to be a priority and a challenge for HR leaders. HR leaders are tackling this goal by providing what current staff needs to thrive and then conveying this commitment to potential hires."

– **Jeff Williams**
Vice President of Enterprise and HR Solutions at Paychex

Implementing and conveying a commitment to diversity, equity, and inclusion is also a top recruitment and retention strategy:

- To attract Gen Z, companies with 100 to 499 employees say they focus on communicating their commitment to diversity.
- To attract Millennials, businesses with 100 to 499 employees say they focus on communicating pay equity, while those with 500 or more employees say they focus on communicating about their inclusion efforts.
- To attract Gen X, companies with 500 or more employees say they focus on communicating about their inclusion efforts, pay equity, and pay increases.

HR leaders also recognize flexible pay options as both a competitive benefit, as well as an important tool in attaining equity in their organizations.

HR leaders say that in addition to the tried-and-true options of direct deposit and paper checks, top payment tools include:

- Bonuses/one-time incremental payouts (37% of respondents)
- Paycards (30% of respondents)
- 24/7 real-time payments (26% of respondents)
- Pay-on-demand/earned wage access (20% of respondents)

50%
of HR leaders

surveyed say their companies offer the same benefits to full-time and part-time staff. Propensity to offer equal benefits to part-time staff increases with company size.

"To improve employee productivity, we plan to keep our employees happy with bigger benefits, bigger raises, and more perks."

HR professional
at a 900-person technology and software company

Small Business Spotlight

Small businesses with fewer than 20 employees have their own unique plans and needs.

Forty-five percent of companies with 5 to 19 employees anticipate a 2023 revenue increase of more than 10 percent over 2022. This is 10 percentage points lower than any other business size in our survey, but still indicates an optimistic outlook.

Business Challenges

Despite this optimism, there are still plenty of challenges facing smaller businesses this year. While employee burnout is the top HR concern for larger companies, the top concern for companies with 5 to 19 employees is having their full-time employees working a second job.

45%
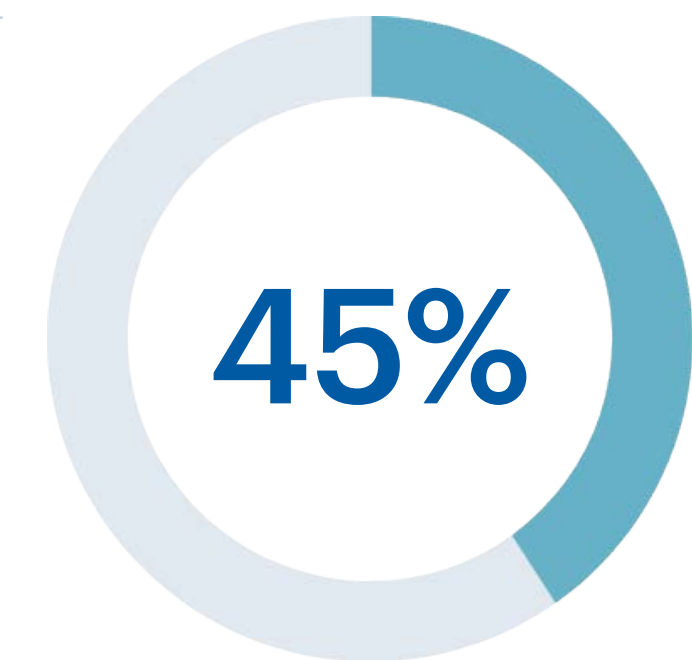
say they anticipate a revenue increase of 10% or more over 2022.

Small Business Priorities

In terms of business priorities for the next 12 months, companies with 5 to 19 employees align with larger companies. Almost four in five of these small businesses rate the following as extremely or very important:

- Customer service
- Operational efficiency
- Employee engagement and retention

Similar to larger companies, these smaller businesses are also focused on employee well-being. In fact, leaders of companies with 5 to 19 employees cite well-being as their top HR priority for the next 12 months. They also, along with their larger peers, rate the following extremely or very important:

- Employee/manager communication
- Employee productivity
- Employee engagement and retention

Unlike HR leaders at larger businesses, though, those at companies with 5 to 19 employees are less concerned with hiring, gathering insights from data and analytics, and financing.

HR leaders at these smaller companies are also less concerned than larger businesses with recruiting and talent management, manager training, and benefits administration.

PEER INSIGHT

"*We'll build career development this year by staying in touch with employees on a personal level to understand their goals and situations.*"

Principal
at a 10-person skilled
trades company

Small Business Work Arrangements

Current work arrangements for 5- to 19-employee companies, unsurprisingly, vary from those of larger organizations. They are:

- More likely than larger companies to require employees to work on site full time
- Less likely to let any employees have a hybrid work arrangement (33% compared to nearly 50% at larger companies)

But, when they do offer flexible work arrangements, companies with 5 to 19 employees are motivated most by the desire to increase employee productivity (similar to their larger peers). The HR support tactics that these small companies offer at a remote/hybrid or work location are similar to what other companies offer. However, across most categories of support, fewer 5- to 19-employee companies are taking these steps.

- Top technology support: providing technology at a work or remote location that makes it easy for employees to communicate questions or concerns to management
- The top training support: increase training to help employees acquire the skills and knowledge they need

Likelihood of flexible work arrangements:

Large Businesses   47%   **Small Businesses**   33%

PEER INSIGHT

"*Our people are burned out, so we're ensuring vacations are utilized and people spend time with their families.*"

Principal
at a 7-person software/ consulting company

Adoption of Digital HR by Smaller Businesses

Smaller companies cite technology as important, but adoption lags slightly behind larger businesses. While 9 in 10 larger companies say they plan to digitize their HR efforts this year, only 8 in 10 smaller companies are committed to this objective.
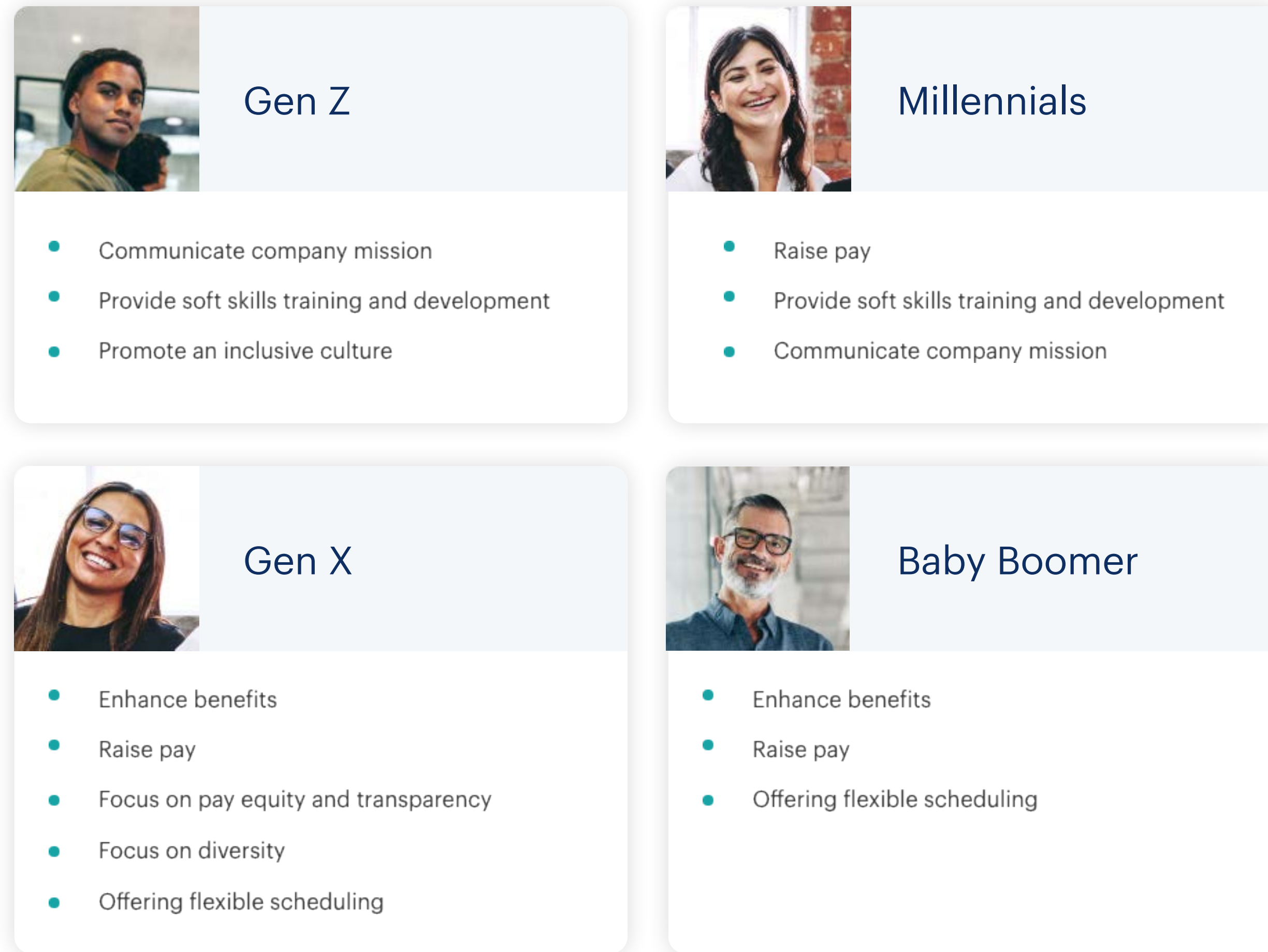
For instance:

- 5- to 19-employee companies are more likely to handle HR functions manually.
- More than half of five- to 19-employee companies say they use informal conversations to support employee/manager communication; conversely, more than half of larger companies use a tool for this.
- Five- to 19-employee companies are significantly less likely than larger companies to say they'll use AI in the next 12 months (24% vs. 49%).

Likelihood of businesses to use AI:

Large Businesses
49%

Small Businesses
24%

80%

of small businesses plan to digitize their HR efforts this year.
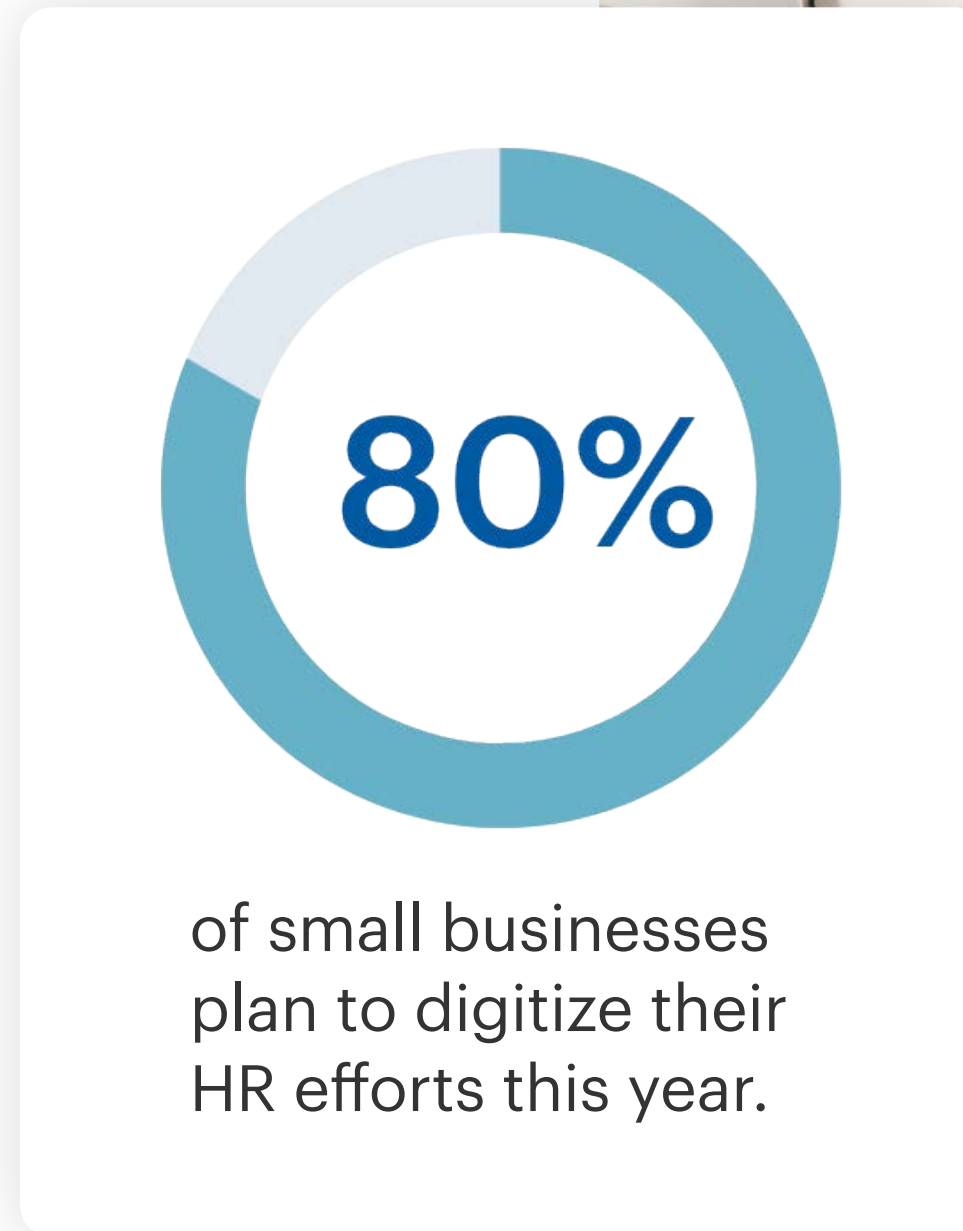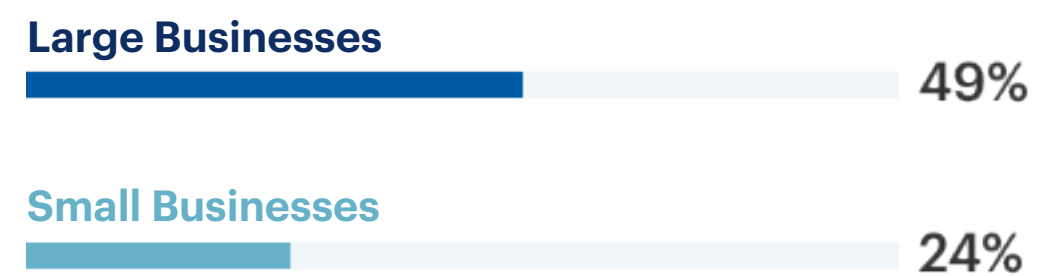
How Smaller Businesses Are Attracting and Retaining Employees

The tactics that smaller businesses are using — or planning to use — to attract and retain talent include enhancing benefits, increasing pay, and offering flexible scheduling. When segmenting their tactics by generation, 5- to 19-employee companies say they will do the following to attract talent:

Gen Z

- Communicate company mission
- Provide soft skills training and development
- Promote an inclusive culture

Millennials

- Raise pay
- Provide soft skills training and development
- Communicate company mission

Gen X

- Enhance benefits
- Raise pay
- Focus on pay equity and transparency
- Focus on diversity
- Offering flexible scheduling

Baby Boomer

- Enhance benefits
- Raise pay
- Offering flexible scheduling

The specific benefits HR leaders at smaller companies say they will offer include:

- Well-being days off
- Telemedicine
- Employee assistance programs
- Encouraging self-care (such as taking days off, taking stress management breaks)
- Offering earned wages access and pay-on-demand options

"HR leaders at companies with fewer than 20 employees are uniquely resilient and creative. They work closely with their teams and know what they want. This year, HR leaders will double down on providing the well-being support, tools, benefits, and opportunities their teams need. This will help them reach their company goals."

– **Jeff Williams**
Vice President of Enterprise and HR Solutions at Paychex

Summary

HR leaders are used to innovating and problem-solving to drive success and growth. This year, they'll likely lean on technology and optimize it with a hefty amount of training, skill-building, and support. This combination of tools will help them continue to address issues of well-being for current teams and attract the top talent to their company. The technology-plus-training approach also lays the foundation for the dramatic increased use of digital HR that's ahead. Ultimately, HR leaders know that the right tools combined with close attention to the needs of employees and managers at this time will help drive growth and company success.

The Power of Paychex

Paychex is committed to providing HR professionals with the tools, resources, and guidance they need to contribute effectively to their organizations. Our unique combination of innovative, award-winning products and world-class service is designed to meet the evolving needs of employers and their employees. Whether your company is looking to outsource human resources, or you're simply looking for ways to improve your business, our team of certified HR professionals is here to help.

To learn more, visit us online today at www.paychex.com, contact us at sales@paychex.com, or call 800-322-7292.

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Survey Methodology
The 2023 Paychex Pulse of HR Survey was conducted via an online survey from Feb. 24 to March 31, 2023, among 1,350 HR leaders and business principals at U.S. companies with five or more employees. It is the seventh in an annual series of benchmark surveys investigating HR leaders' challenges, priorities, and use of technology.

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