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The Top 5 HR Trends For 2023:

Opportunities to Compensate & Engage Talent



2022 Lessons Learned

2022 was what one might call an “interesting” year. We are living through recession level economic factors, with an employment market that is not following a traditional pattern. Specifically, as it relates to HR there were some expected trends and some surprises. Let’s take a minute to summarize what 2022 has shown us.

The Old Ways are Never Returning

Even those most committed to the contrary, have come to the realization that we will never see a return to the state of work before Covid. Let’s be clear though, this isn’t necessarily a bad thing, but it is a truth that needs to be addressed.

The biggest factor has been the change in the expectations of the workforce after living through WFH and hybrid conditions. This shift of empowerment was a main driver behind The Great Resignation and was fueled by the realization that efficiency and effectiveness aren’t linked directly to the amount of time in the office. When workers enjoyed more free time, no commute, and work-life balance while still being able to maintain or even increase output, their expectations shifted.

From the employers’ side perspective, they are ascertaining how to leverage this to their benefit. Many physical offices have been consolidated or shut down and recruiters have figured out that they are no longer limited by geography to find the best candidate for positions.

While there has been a continued push to return to work, most jobs that don’t require in-person interaction have adopted a permanent hybrid model, if not a fully remote one. One can confidently conclude that there will never be a complete, five-day return to the office for the majority of roles.



Organizational Flexibility

The only thing predictable about 2022 was that it remained unpredictable. Organizations that were just coming up for air after the worst of the pandemic, found themselves dealing with longer-term effects of rising costs, inflation/recession, budget cuts, shifting personnel, and general uncertainty. This was compounded for many industries that were having to completely rethink how they do business.

The one focus that was most apparent was that nearly every organization had to put a priority on being nimble, responsive, agile, and ready for anything. Thinking outside the box is an understatement when in many instances the box is gone. Having a top-down, organizational attitude that endorses staying flexible has become a key to survival and hopefully prosperity.



Engagement Beyond the Great Resignation

2022 has proven that employee engagement and the employee experience are vitally important and more encompassing than ever before. The flexibility that has been afforded to the workforce by remote work has had ramifications on how they view the work experience. The employee journey is now truly “cradle to grave” from recruitment and hiring straight through to the exit interview. There is a collective pressure on employers and management to create a frictionless and seamless experience that keeps employees invested in the business and connected to co-workers and goals.

The difficulties of accomplishing this in an economic climate that features both a recession and competition to attract and keep top talent is nothing short of an overhaul in attitude for most. Beyond (just) compensation, benefits, and traditional enticements, organizations are having to focus on digital transformation, flexible hours, WFH, training, advancement opportunities and how to keep a remote workforce connected, digitally and emotionally.

What Will Matter in 2023

2023 promises to be another unprecedented year for businesses and specifically, HR departments. The keys are to focus on the lessons learned in the last few years and how to prepare for what's to come. Socio-economic factors, legislation, and the continued dynamic employment market are going to be some of the main influencers on how your organization can succeed in 2023 and beyond.

1. Defining the Hybrid Work Model

With a significant amount of experience behind us and a continued push from workers for flexibility, many organizations are planning on permanent hybrid work models. While this isn't something necessarily new for 2023, the way organizations plan for it and execute will need to be a priority.

With the right tools in place, updated expectations, and a better process around collaboration, the hybrid model is set up for success. However, there are still factors that need to be addressed as you transition from a temporary solution to an ongoing policy. Hiring guidelines, job descriptions, onboarding processes, and compensation are all impacted by a permanent hybrid model.

The success of the hybrid model is reliant on the openness of communication, employee engagement, and making sure you are staffing roles properly. You don't want to over-monitor employees, but you also need to make sure that workloads are appropriate for your staff by role. Keeping your finger on the pulse of your employees will be a huge factor for success.

63% of high-growth companies use a "productivity anywhere" hybrid work model.

Zippia.com,
Hybrid Work Statistics



2. Digital Transformation

One of the most immediate business ramifications of Covid was the prioritization of digital transformation. In what very suddenly became a WFH scenario, the critical capabilities of employees hinged on functional and practical technology solutions. Digital transformation needs to be an operational focus and a permanent priority for organizations. The keys will be making improvements, standardization, and "process over perfection".

HR is typically an overlooked area for technical overhaul. Traditional thinking has always put HR on the back burner, seeing it as more of an internal component that has little effect on revenue, etc. However, because of the pandemic and a focus on the employee experience, organizations are seeing the HR function as a frontline participant in the struggle to overcome modern obstacles.

The digital transformation of the HR department can and is taking different forms. We will continue to see more sophisticated systems to manage the recruitment, hiring, onboarding, and management of staff. But in addition to these, we will see a sharper focus on the acquisition of data, performance management, and compensation. These processes are broken or nonexistent in many organizations and that must change to keep pace with the market demands.

3. DEI & Transparency

Open communication, fairness, responsibility, and transparency will not only continue to be a priority but will likely increase in importance in 2023.

DEI and Pay Equity are issues that should have been solved a long time ago, but the reality is that they weren't. The shift in leverage in the labor market has helped bring these items front and center. Firms must make these a priority, and compensation committees and senior executives must be focused on monitoring and correcting these issues. Compensation needs to reflect fairness and project an inclusive, welcoming corporate culture. This will be a requirement to retain and attract the most talented people.

Transparency is the natural output of Pay Equity. The workforce (and even some legislation) is requiring that employers be clear and transparent about pay ranges and tiers. This must become the de facto compensation process. Resisting this will cast doubt on your practices, discourage employees/prospective hires, and could even get you in trouble with regulators.

It is time to treat your employees with the level of care and attitude that you have reserved for customers. The workforce has had an eye-opening few years. It could be argued that there has been a power shift (particularly in the white-collar sector) that has emboldened workers to demand the fairness they have always been promised. We are at a compensation crossroads where the veil must be removed, and firms must prove that they have nothing to hide and that they value fairness, equity, and transparency.



4. Rounding Out the Employee Experience

The stress and turmoil of the past few years have put the entirety of employee health on the radar. There will continue to be an increased focus on the well-rounded, well-being of the workforce. However, beyond financial and workplace wellness, a holistic approach to things like mental wellness, perceived equity (think DEI), and physical health will all play a huge part in how your staff is engaged, happy, and productive.

The benefits of this approach are many and have ramifications for the entire organization. A truly happy and healthy employee will produce better, accomplish more, and collaborate more efficiently. Likewise, an organization's commitment to their employees' overall health means a deeper commitment from the employee, a way to engage remote workers, and an overall better sentiment for everyone involved.

One of the biggest hurdles in improving this overall experience is the frequent disconnect between employees and staff about how happy they are and what matters to them. A recent study by the McKinsey Health Institute found that one in four employees globally report experiencing symptoms of burnout. Moreover, the study highlighted a 22% gap between employer and employee perceptions of well-being at work and identified a strong correlation between toxic work cultures and burnout.

It will be vital in 2023 to make sure there are programs in place to keep communication channels open and measure employee satisfaction, output, and risk of burnout.

One in four employees globally report experiencing symptoms of burnout.

McKinsey Health Institute



5. People Analytics

It's no surprise that data will play a vital role in everything business related in the coming here. As it pertains to the HR department, people data analytics will reach a level of unprecedented importance. People analytics and the accompanying data will provide key guidance for a myriad of planning decisions and tasks while driving a significant amount of the high-level initiatives of the organization.

Being able to track and analyze multiple types of data is even more critical when managing a workforce that is no longer physically present in the office at all times. This year and in the years to come, organizations will make sophisticated use of people analytics, using them to inform their decisions.

Key areas like diversity and inclusion, employee experience, retention, workforce planning, and talent acquisition will all be very dependent on the actionable information available through accurate, timely data analytics.



39% of HR Leaders surveyed cited HR insights/data analytics as a top challenge being faced in relation to human capital.

PwC HR Tech Survey

Take-Aways

Be ready for anything

We've covered this already, but it can't be overstated. You need to create a nimble organization that is ready to pivot constantly. We don't know what is coming, but we can guarantee it will involve challenges that you haven't thought of yet.

Have a plan (for now)

Closely related to #1, you need to have a plan. You need to be working towards goals, even if they are likely going to have to change. If you wait around planning to only react, you are going to be behind the curve. Working towards defined goals around items like retention, efficiency, pay equity, and digital transformation will give you a better ability to recognize when you need to pivot.

Open Communication

While planning out 2023 and beyond, you need to balance, or better yet align your organizational goals and your employee's experience. With this, comes the importance of sharing these goals and the employees' roles, expectations, and compensation clearly. Engaging employees to feel like they are truly part of the plan is important and showing them that they work for a company that values equality and diversity is also instrumental.

Process, Efficiency & Progress

We talked about digital transformation and the importance of implementing repeatable, reliable, seamless processes. Part of staying prepared means risk proofing elements of your business and specifically HR functions. Budget cuts, growth, personnel changes all can derail processes that aren't automated. When personal knowledge leaves a very manual process, there is a long and costly ramp-up and even then it often falls short of where you were before. Standardizing and streamlining functions like compensation, hiring, recruitment, and performance management can make the whole organization run smoother.

Everything for a reason

We want to end on this, because there is going to be uncertainty throughout 2023, and there is no way to be prepared for most of it. But it is vital that everything you do, every plan you make, and every goal you set is well thought out and validated. If it fails, that's okay. But if you don't have the criteria to determine if it succeeded or failed, then that can be hard to recover from and have damaging effects on morale and retention. If you fail, do it quickly, learn from it, and adjust.