

CHRO BUSINESS OUTLOOK:

CHROs FEEL MORE POSITIVE ABOUT
EMPLOYMENT CONDITIONS BUT BRACE
FOR FUTURE UNCERTAINTY



EXECUTIVE SUMMARY

Chief human resources officers' (CHROs') perceptions of the current economic conditions are increasingly positive in the second quarter of 2024, with nearly 3 in 10 (30%) viewing economic conditions as “good” or “excellent,” a 5-percentage-point increase from Q1 2024 and the highest level since tracking began in Q4 2022. Factors such as stabilizing inflation rates, which [fell by 1.5 percentage points](#) from April 2023 to April 2024, have likely contributed to more positive ratings. However, the forecast for the next six months is less optimistic, reflecting the ongoing volatility in the economic landscape.

CHROs remain optimistic about their organizations' revenue prospects. However, concerns about profit growth have emerged, which is likely driving the more cautious approach to capital expenditures. Only 38% of CHROs anticipate an increase in spending, the lowest level since tracking began and reminiscent of conditions in Q4 2022.

The employment landscape remains strong, with 45% of CHROs rating employment conditions as “good” or “excellent,” a 1-percentage-point increase from Q1 and the highest level since tracking began. Optimism about future employment conditions has also grown steadily: The percentage of CHROs forecasting “good” or “excellent” conditions increased from 33% in Q4 2023 to 41% in Q2 2024. However, there are some nuances to consider. While optimism is increasing, a significant portion of CHROs (48%) still expect “fair” employment conditions over the next six months, reflecting a more balanced view. Furthermore, although 45% of CHROs rate current employment conditions positively, only 41% expect similar conditions in the near future, indicating a slight disparity between present assessments and future projections.

Consistent with previous quarters, just over half of CHROs anticipate an increase in full-time employees over the next six months, yet nearly half also expect higher costs-per-hire. Additionally, 42% of CHROs foresee increased talent scarcity, indicating that while hiring is expected to grow, finding qualified candidates may prove costly and difficult.

In conclusion, while CHROs express growing optimism about the current economic and employment landscape, they remain cautious about the challenges ahead, particularly in managing talent acquisition costs and addressing potential profit growth concerns in an evolving economic environment.

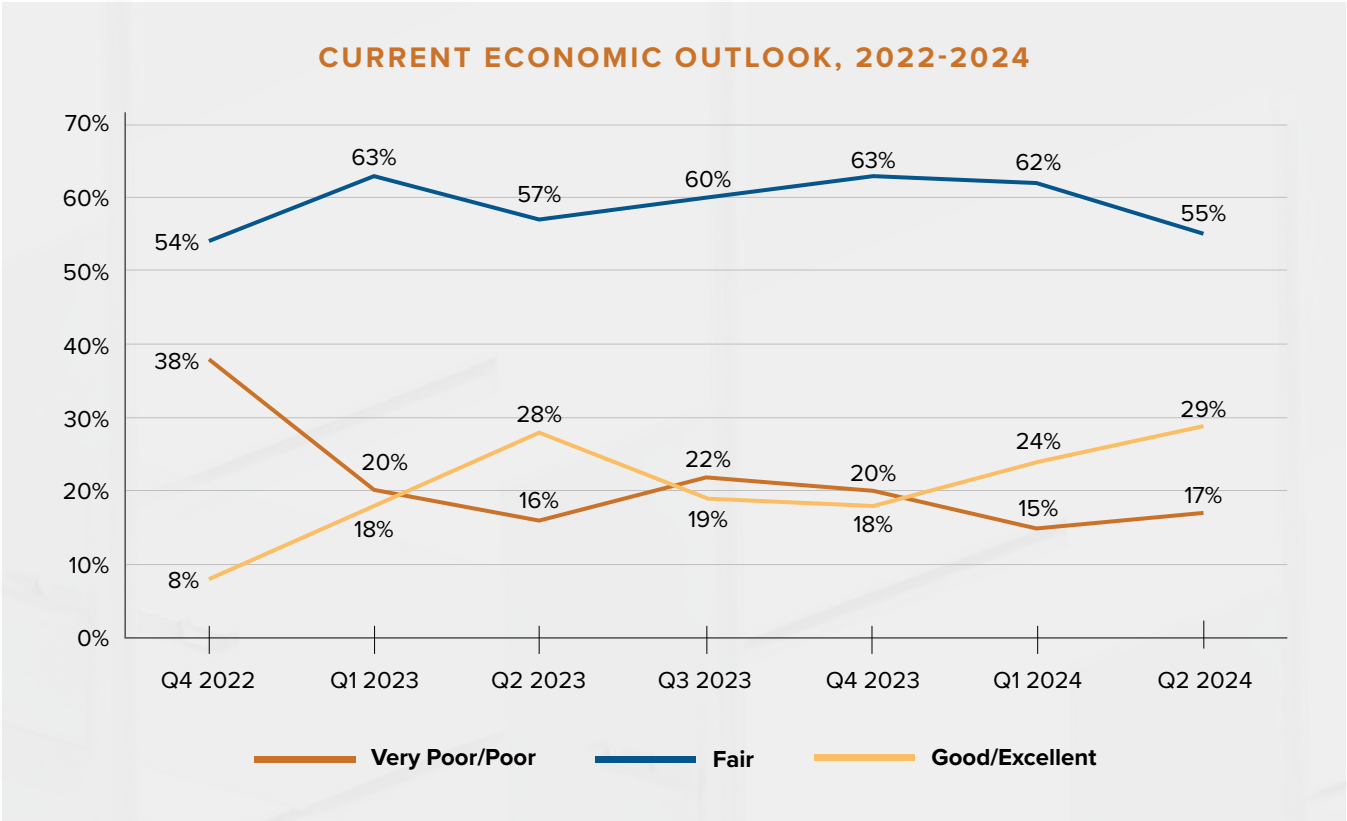


THE ECONOMIC ASSESSMENT: CHRO OPTIMISM GRADUALLY RECOVERS

While global economic challenges persist, CHROs continue to maintain a balanced perspective on current economic conditions. A majority of CHROs (55%) assess the current economic situation as “fair,” reflecting a blend of cautious optimism and measured concern.

Despite the overall neutrality, there is a notable increase in positive sentiment. Nearly 3 in 10 CHROs (29%) express a positive outlook, with 28% rating the economy “good” and 1% “excellent.” This marks a 5-percentage-point increase since Q1, mirroring the positive shift observed in Q2 2023. The rise in CHRO optimism aligns with a broader improvement in consumer confidence, as indicated by the increase in the [Present Situation Index](#), which rose to 143.1 in May from 140.6 in April.

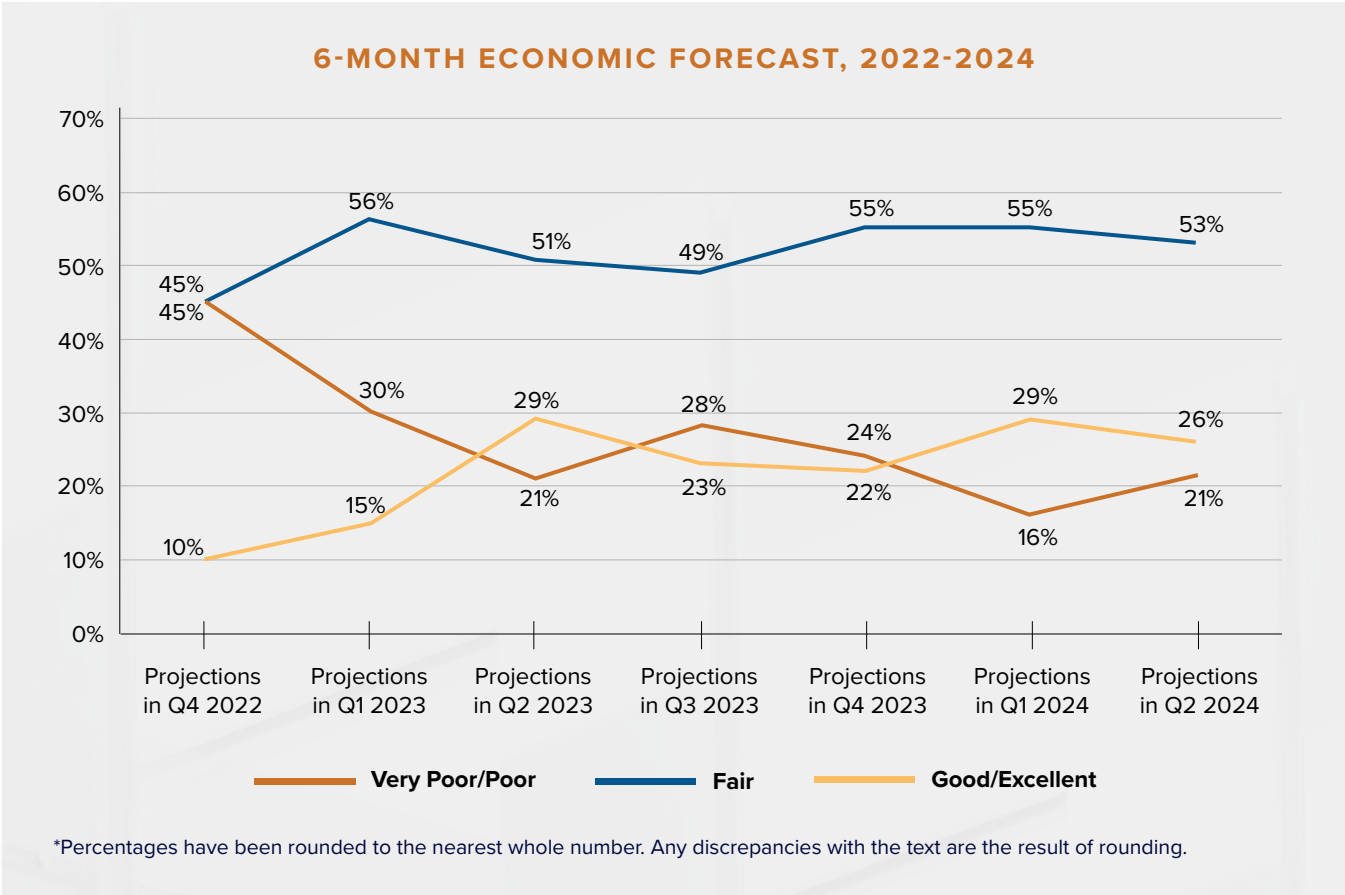
After a period of declining optimism, CHROs have gradually regained their confidence. Their current level of optimism is now comparable to a year ago, indicating a positive shift in sentiment.



VOLATILE ECONOMIC FORECASTS

Despite increased optimism about current conditions, most CHROs maintain a balanced outlook for the next six months, with the majority (53%) of CHROs anticipating conditions to remain “fair.”

There is continued volatility in these forecasts, with the outlook for “poor” or “very poor” conditions declining in Q1 and then rising again in Q2. What’s more, slightly fewer CHROs foresee “good” or “excellent” conditions in the next six months as compared to last quarter. These shifting forecasts reflect the dynamic nature of economic conditions and highlight the need for businesses to remain vigilant and adaptable to navigate the challenges ahead.



ECONOMIC FORECAST DRIVERS

DRIVERS OF A **NEGATIVE** ECONOMIC FORECAST

According to one respondent with a negative outlook:

“There is considerable economic uncertainty in the current market environment, fueled by global unrest and election-year speculation.”

Inflation Rates and Cost of Living

CHROs remain concerned about the impact of **high inflation** on businesses and their operating costs. The high cost of living also continues to be an issue, putting an additional burden on individuals.

Election-Related Uncertainty

The 2024 election continues to be a source of concern and anxiety. Many are concerned about how the election results will influence market conditions and economic stability.

DRIVERS OF A **FAIR** ECONOMIC FORECAST

According to one respondent with a fair outlook:

“I believe the current economic conditions are OK and have a lot of potential, but there is a lot of uncertainty surrounding the next year or so because of the elections and the conflicts in Ukraine and the Middle East.”

High Inflation Rates May Cool

For many individuals, high inflation continued to impact their spending on food and housing. However, some said they were optimistic because inflation was lower than in 2021 and 2022. At the time, some thought **rates may cool** in the second half of 2024. Their predictions were confirmed when the Federal Reserve cut interest rates in September.

Global and Domestic Uncertainty

Concerns remain about U.S. involvement in wars overseas. Many CHROs believe these conflicts have created economic instability, and they expressed concerns about domestic issues such as supply chain disruptions and labor market shortages.

DRIVERS OF A **POSITIVE** ECONOMIC FORECAST

According to one respondent with a positive outlook:

Unemployment continues to be low, companies are still hiring at a healthy level, new companies are emerging, (and the) stock market is doing fairly well.

Strong Labor Market

Increasing wages for workers and the low unemployment rate (**4.0% in May**) have led many CHROs to have a positive economic outlook. Health care, manufacturing, and financial services are among the specific industries where CHROs are reporting job growth. These sentiments are consistent with the **272,000 new jobs added** by U.S. employers in May.

Positive Impacts of Election

According to many CHROs with a positive economic forecast, the shift that comes with an election will be positive due to campaign promises, policy changes, and efforts to stabilize the economy. These CHROs are generally optimistic that the election will bring about a positive economic climate, at least temporarily, due to these factors.



ORGANIZATIONAL OUTLOOK: STEADY REVENUE, BUT DECLINING PROFITS AND CAPITAL EXPENDITURES

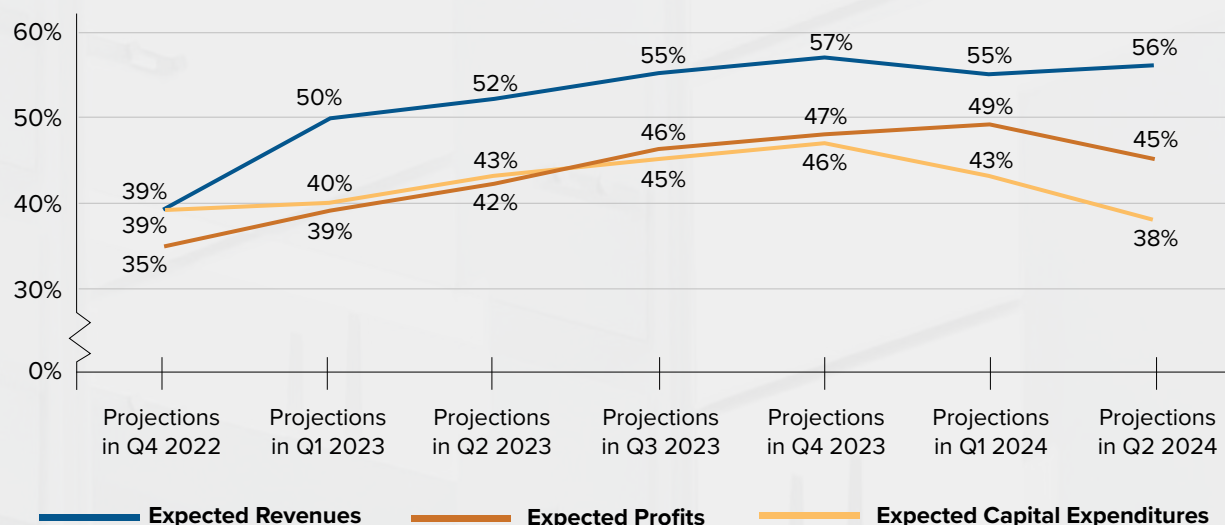
Despite a balanced view of overall economic conditions and some volatility in forecasts, CHROs remain largely optimistic about their organizations' revenue prospects. Nearly 6 in 10 (56%) expect an increase in revenue over the next six months, marking a 1-percentage-point increase from Q1 and signaling continued stability in business earnings.

However, the forecast for profit growth has experienced a slight downturn. Less than half of CHROs (45%) expect profits to increase in the coming months, marking the first decline after a period of steady growth. This suggests that while revenue growth may continue, margins may be under pressure. CHROs who work for organizations with over \$100 million in revenue are more likely to forecast an increase in their profits (53%) in the next six months compared to CHROs who work for organizations with less than \$100 million in revenue (40%). This suggests that larger organizations may be better positioned to weather economic challenges and achieve profit growth.

Organizations are maintaining a cautious approach to capital expenditures. Only 38% anticipate an increase in spending, marking the lowest level since tracking began in Q4 2022. Perhaps the decline in projected increases in capital expenditures could be an effort to cut costs after a [slower-than-projected Q1](#).

	Increase of over 20%	Increase of 10%-20%	Increase of less than 10%	No Change	Decrease of less than 10%	Decrease of 10%-20%	Decrease of over 20%
Revenues	2%	18%	37%	28%	11%	4%	1%
Profits	2%	11%	32%	37%	14%	4%	1%
Capital Expenditures	4%	11%	26%	48%	9%	4%	1%

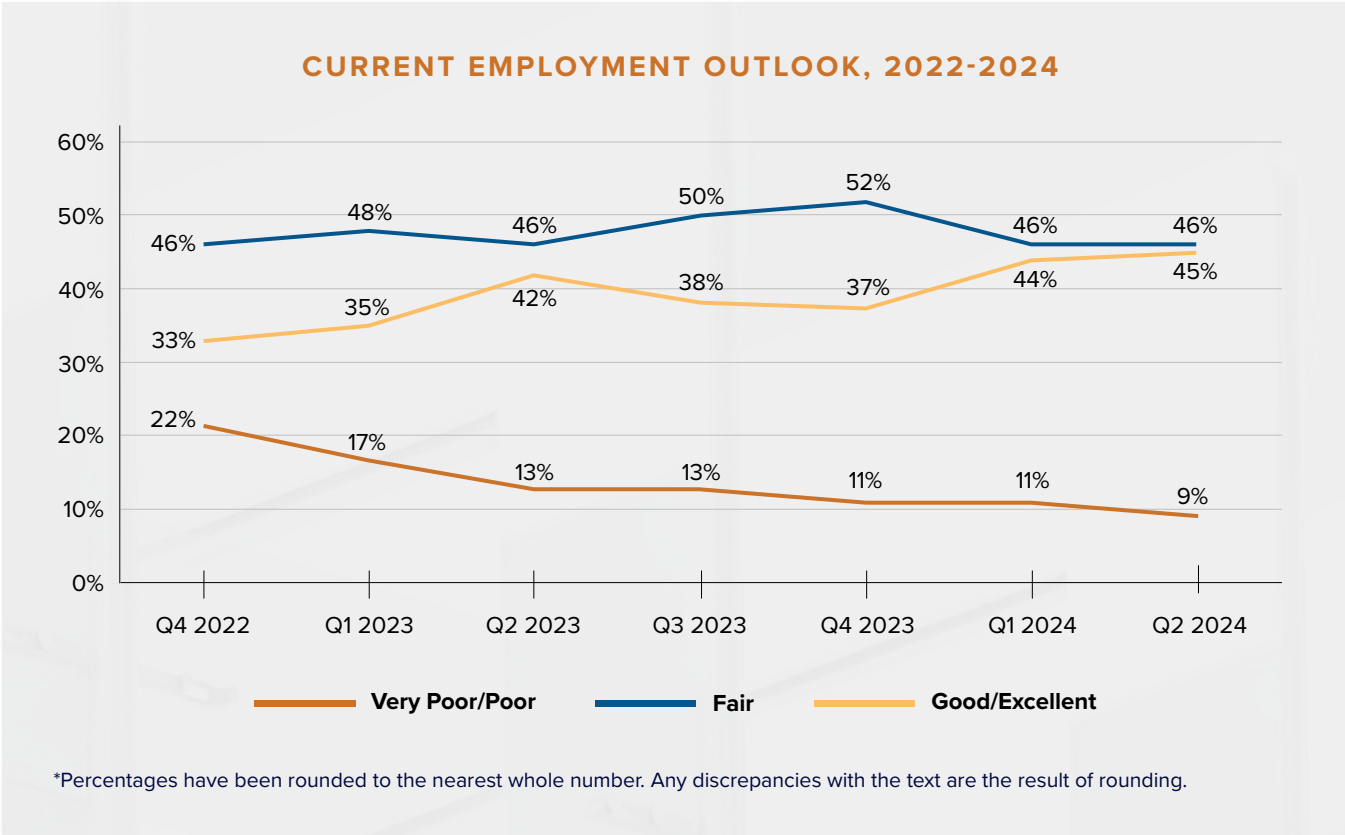
% OF CHROs FORECASTING AN INCREASE IN THE NEXT 6 MONTHS



EMPLOYMENT ASSESSMENT AND FORECASTS: CHROs MAINTAIN POSITIVE OUTLOOK ON EMPLOYMENT CONDITIONS

While economic conditions have shown some volatility, CHROs continue to hold a favorable view of the employment landscape, with 45% rating current employment conditions as “good” or “excellent” and 46% rating them as “fair,” indicating a **generally strong labor market**. This optimism continues to grow, as this quarter marks the highest percentage of CHROs with a positive outlook since tracking began in Q4 2022.

The low unemployment rate of **around 4% in April** further supports this positive assessment. **North Dakota and South Dakota** both had the lowest state unemployment rate of 2% in April, followed by Vermont at 2.1% and Mississippi at 2.8%.

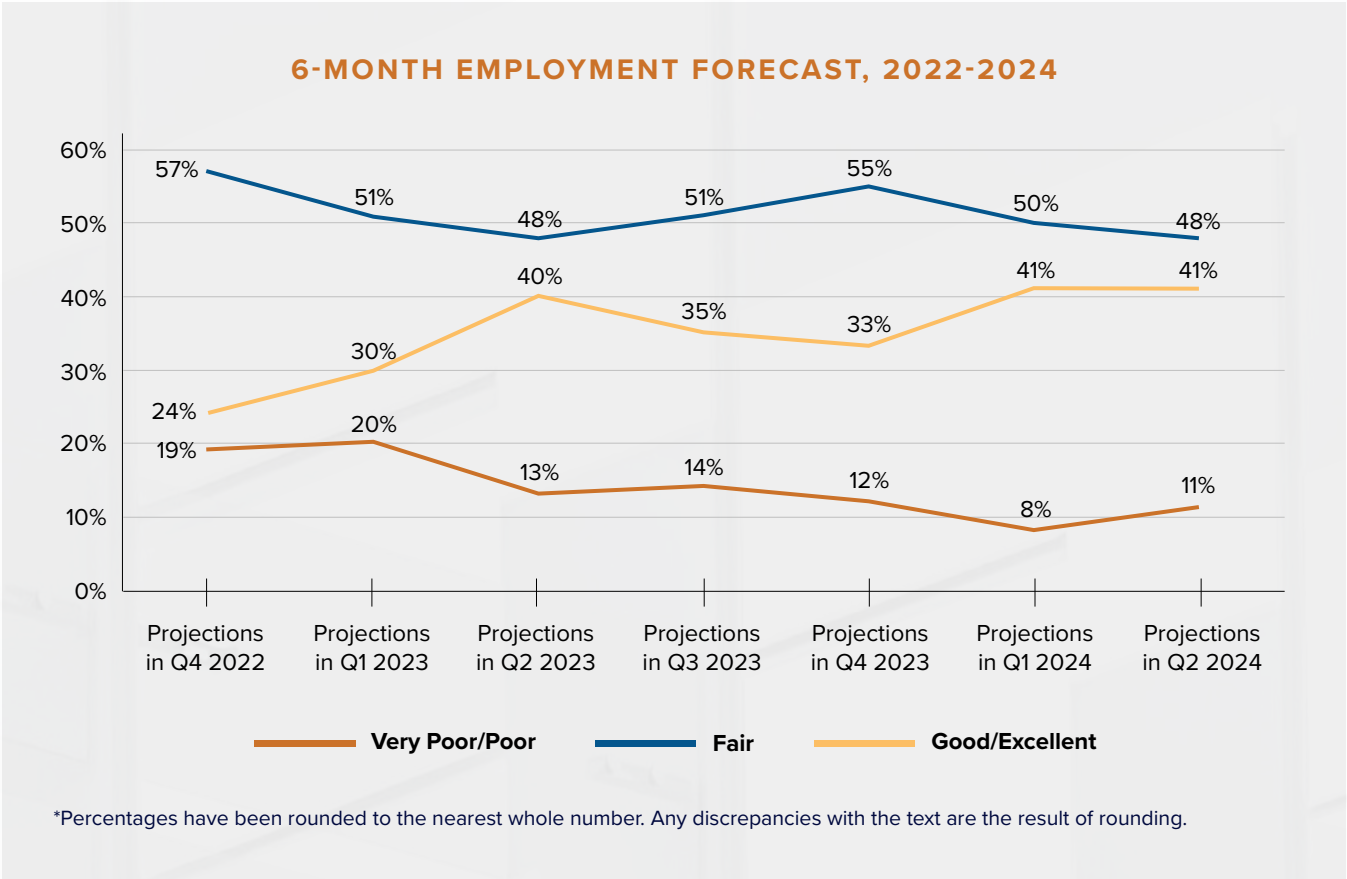


MANY CHROs REMAIN CAUTIOUS DESPITE INCREASING OPTIMISM

CHROs have demonstrated a growing optimism regarding future employment conditions. Since Q4 2023, the percentage forecasting “good” or “excellent” conditions has risen from 33% to 41%, and this positive outlook has persisted into the second quarter of 2024.

However, there are some nuances to consider. Despite the recent increase in positive forecasts, a significant portion of CHROs (48%) still anticipate “fair” conditions in the next six months, indicating a more balanced perspective.

Additionally, there is a slight discrepancy between the positive assessments of current conditions and the outlook for the future. Nearly half (45%) of CHROs rate current conditions as “good” or “excellent,” but the percentage anticipating similar conditions in the next six months is slightly lower (41%). Overall, while there is growing optimism among CHROs about the future of the labor market, many remain balanced. This suggests that while the employment landscape is generally improving, there are still uncertainties and potential challenges that could impact future conditions.



EMPLOYMENT FORECAST DRIVERS

DRIVERS OF A **NEGATIVE** EMPLOYMENT FORECAST

According to one respondent with a negative outlook:

“ Depending on the industry, it is still difficult finding qualified and skilled workers. ”

Tight Labor Market and Talent Shortages

Many CHROs with negative employment forecasts highlight difficulties in finding and retaining qualified workers. This challenge is exacerbated by rising labor costs and changing workforce expectations (e.g., remote-work preferences, higher starting salary demands).

Economic and Political Uncertainty

There is a pervasive concern among CHROs with negative employment forecasts about economic instability, which is driven by factors such as inflation and political strife. Some also worry that rising operating costs due to inflation will contribute to more layoffs and automation. Layoffs have been especially prominent in the tech industry: Almost 25,000 tech employees were let go in January 2024.

DRIVERS OF A **FAIR** EMPLOYMENT FORECAST

According to one respondent with a fair outlook:

“ Election-year politics will influence employment conditions— if the economy remains in stasis, so too will jobs. ”

Mixed Reaction to Election Year and Political Climate

While some CHROs believe the election and current political climate are leading to uncertainty in the employment and economic markets, others believe things will remain stable.

High Job Availability Amid Talent Shortages

CHROs report plenty of jobs are available, but there is a shortage of skilled and qualified workers to fill positions.

DRIVERS OF A **POSITIVE** EMPLOYMENT FORECAST

According to one respondent with a positive outlook:

Jobs continue to be created—whether these jobs match skill sets is a different question. But for right now, employment is up, and jobs continue to come.

Availability of Jobs and Candidates

For these CHROs, the candidate pool has improved compared to the past year or two. This means recruiting for and filling positions has been easier.

Economic Stability and Optimism Despite Challenges

CHROs say economic growth and stability are strong in their region or industry. Despite potential political uncertainty, there is a general sense of optimism. Some CHROs believe that political changes due to the election will benefit the employment environment for both employers and workers.



HR INDICATORS

CHROs are steadily optimistic about full-time hiring, with over half expecting growth in the next six months, though the outlook for part-time roles varies by industry. Talent acquisition remains a challenge, as many CHROs expect filling positions to take longer because of ongoing talent shortages, with rising costs-per-hire signaling increased competition for qualified candidates. Budget decisions reflect this reality, as organizations are focusing more on increasing wages than on expanding total rewards packages. While recruiting budgets are starting to grow again, they remain below the highs seen in previous years, suggesting companies are balancing cautious spending with the need to attract talent.

Full-Time Hiring Remains Steady

Over half of CHROs (51%) expect an increase in full-time employees over the next six months, a figure that has remained relatively consistent over the past year. For part-time employees, most CHROs forecast no change. However, CHROs who work in the service industry are more likely to forecast an increase in part-time employees (29%) compared to those who work in the knowledge industry (12%).

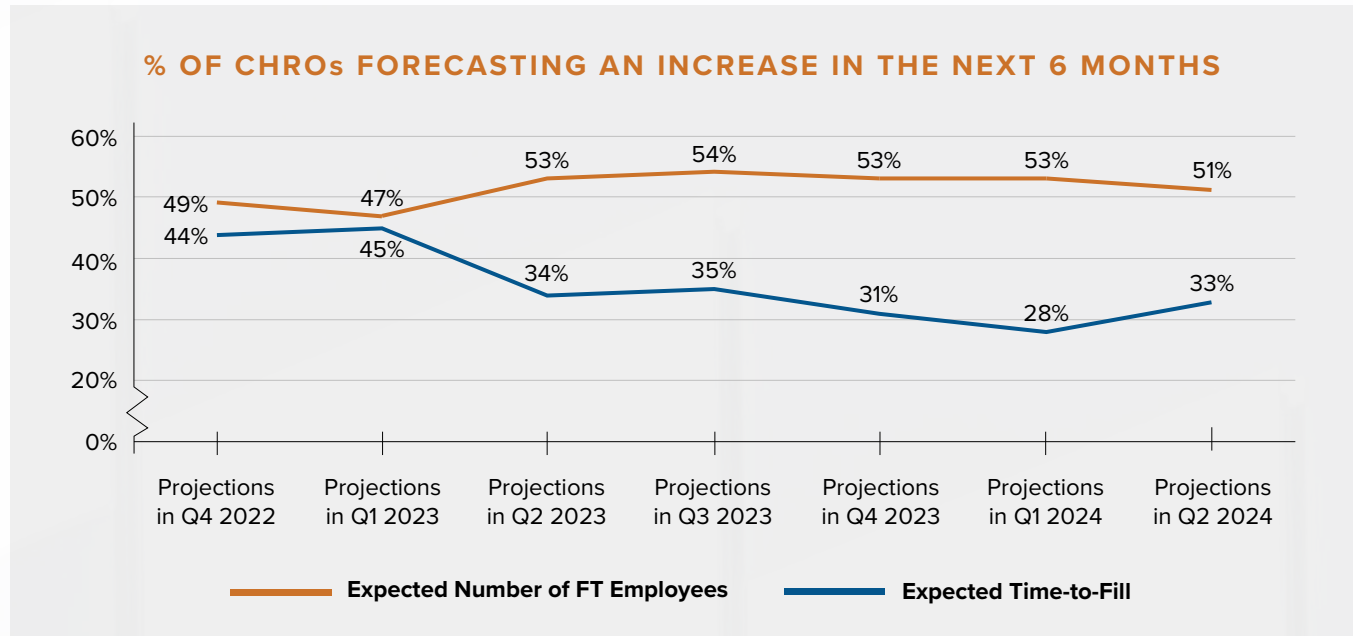
Restaurants saw an
***increase of 28,300
jobs in March.***

The National Restaurant
Association projects that
200,000 new jobs
will be created in 2024.



Talent Acquisition Challenges Persist

As many organizations expand their workforces, they are encountering challenges in attracting talent. Approximately 1 in 3 CHROs (33%) anticipate an increase in the time it takes to fill roles over the next six months, a 5-percentage-point increase from Q1. This figure, however, is lower than the levels seen in previous years, suggesting the situation has improved but is not fully resolved. One contributing factor to the increased time-to-fill is the growing talent scarcity. Over 2 in 5 CHROs (42%) say they expect an increase in talent scarcity, with some expecting even more difficulty in finding qualified candidates in the months to come. Additionally, about 1 in 2 (49%) anticipate an increase in cost-per-hire, while over 4 in 10 (45%) expect no change. This suggests that hiring qualified talent is expected to get more expensive for many employers.



Shift in HR Budget Allocations

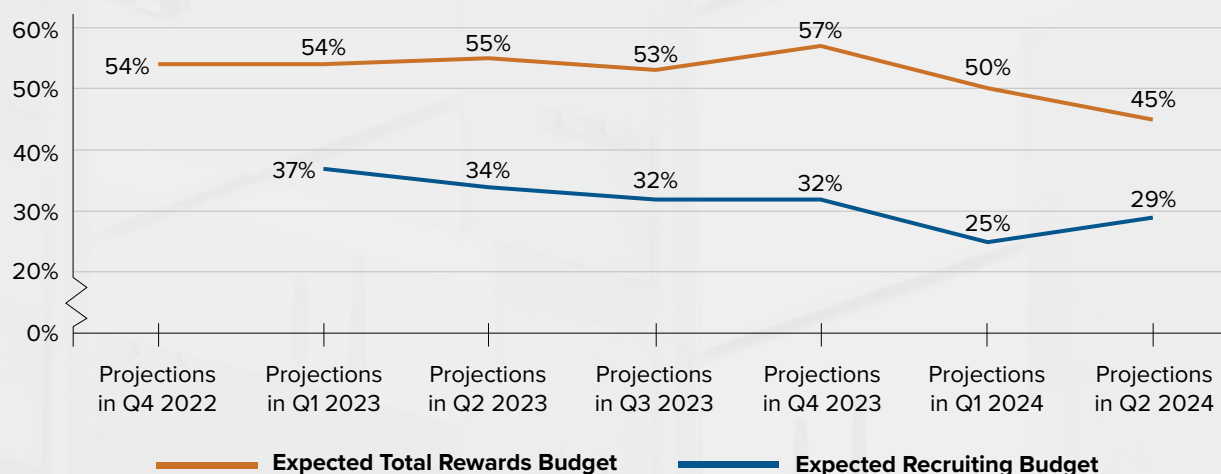
Total rewards budget forecasts and recruiting budget forecasts have remained steady over the past year, but we are seeing some movement in Q2. For example, nearly 1 in 2 CHROs (45%) say they expect an increase in their total rewards budget over the next six months, which is a 5-percentage-point decrease from Q1. This also marks the lowest percentage since tracking began. Despite this, nearly 2 in 3 CHROs report that annual salaries (66%) and hourly wages (63%) are expected to increase over the next six months. This suggests that organizations may be reallocating resources to prioritize wage increases, potentially at the expense of other benefits or perks within the total rewards package.

Unlike total rewards budgets, recruiting budgets are showing some signs of growth, with 29% of CHROs expecting an increase, which is a 4-percentage-point increase from Q1. However, this figure remains below the peak levels observed in early 2023.

	Increase of over 20%	Increase of 10%-20%	Increase of less than 10%	No Change	Decrease of less than 10%	Decrease of 10%-20%	Decrease of over 20%
Number of FT employees	1%	13%	37%	37%	11%	2%	1%
Number of PT employees*	1%	3%	14%	78%	3%	1%	0%
Time-to-fill	3%	13%	17%	55%	7%	4%	1%
Talent scarcity*	6%	12%	24%	46%	10%	3%	<1%
Cost-per-hire*	3%	10%	37%	45%	5%	<1%	<1%
Total rewards budget	1%	11%	33%	47%	5%	2%	1%
Recruiting budget	2%	6%	21%	62%	7%	2%	<1%
Annual salaries*	1%	5%	60%	32%	2%	<1%	0%
Hourly wages*	1%	4%	58%	36%	1%	0%	0%

*Denotes a new indicator in Q2 2024.

% OF CHROs FORECASTING AN INCREASE IN THE NEXT 6 MONTHS



CONCLUSION

In summary, the outlook among CHROs has continued to trend positive, although the most common outlook remains fair. While the majority of CHROs view economic conditions as fair, there is a noticeable increase in positive assessments compared to previous quarters. However, concerns about inflation, political uncertainty, and global conflict persist, contributing to a mixed economic forecast. CHROs have a relatively optimistic outlook on employment, with nearly as many viewing conditions as positive as the number who see them as fair. They attribute this sentiment in part to a stable labor market and ongoing job creation in select industries. Despite challenges with a tight labor pool, there is a strategic focus on attracting talent while balancing HR budgets to navigate the uncertain environment ahead.

SHRM plays a pivotal role in supporting [CHROs in shaping and executing business strategy](#). Through its vast array of resources, including research, tools, and professional development opportunities, SHRM equips CHROs with the knowledge and skills necessary to align HR initiatives with organizational goals. By providing insights into emerging trends, best practices, and regulatory changes, SHRM enables CHROs to make informed decisions that drive business success.

Additionally, [SHRM offers networking opportunities](#) that facilitate collaboration and idea exchange among leadership, empowering CHROs to leverage collective expertise in solving complex business challenges. Overall, SHRM serves as a strategic partner for CHROs, helping them navigate the evolving landscape of human resources and contribute effectively to overall business strategy.

METHODOLOGY

The CHRO Business Outlook survey is a research program conducted quarterly. A total of 352 surveys were completed from April 15 to April 24, 2024. The survey was fielded electronically using the SHRM Voice of Work Research Panel to U.S.-based CHROs and senior HR executives. Ninety-six percent of respondents were C-suite officers or vice presidents. Respondents represented organizations of all sizes; 49% worked for organizations with 250+ employees.

