

2022-2023 SHRM State of the Workplace Report



BETTER WORKPLACES
BETTER WORLD™

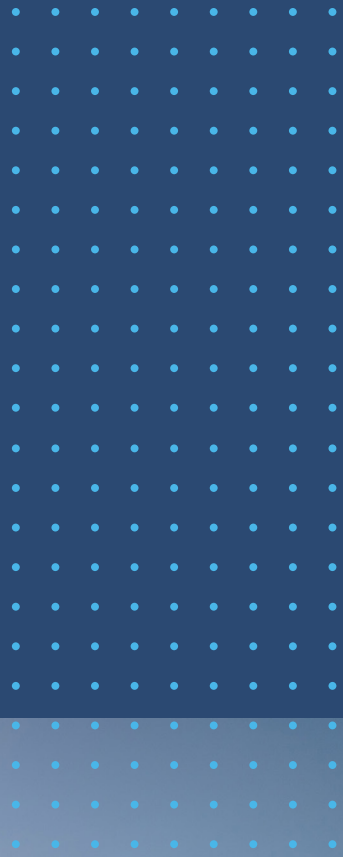
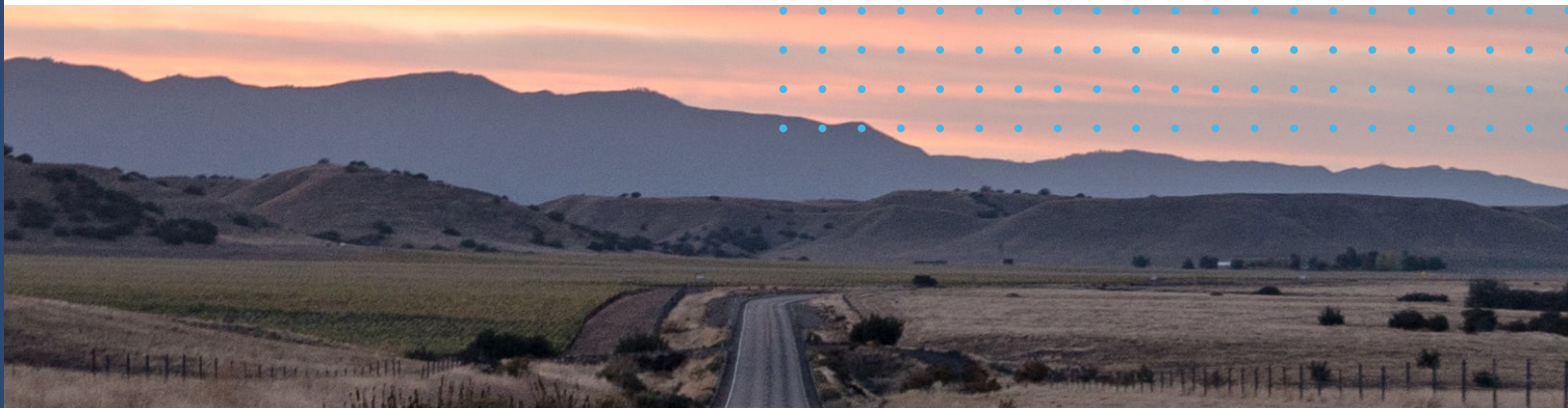
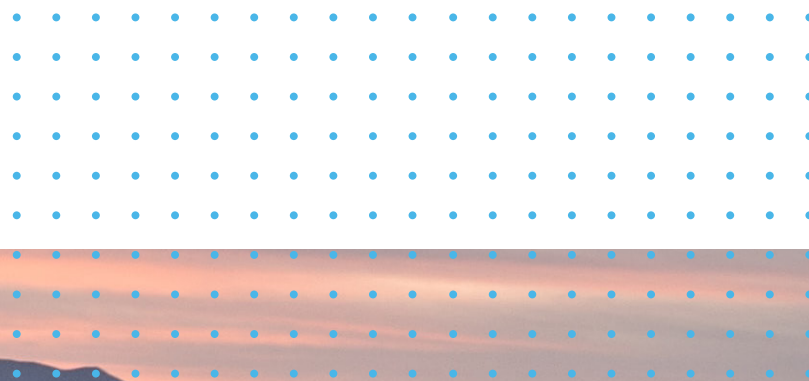


Table of Contents

Looking Back to Look Ahead	3
2022 in Review	5
Inflation and labor shortages: key in external challenges for organizations.	5
2022 Organizational Performance Scorecard	6
Organizations again managed the effects of the COVID-19 pandemic well in 2022.	6
In finding talent, lack of good applicants and uncompetitive compensation were top challenges.	9
HR departments received high grades from HR executives and professionals but lower grades from non-HR employees.	10
Different factors are driving perceptions of HR department effectiveness for different groups.	11
HR was overloaded in 2022, but it was still important in the decision-making process for organizations.	12
Snapshot of the Current State	13
HR professionals are more positive about their organizations than non-HR employees are.	13
About a quarter of HR and non-HR employees are looking for other jobs.	13
Remote workers are happier than in-person workers, but remote employees are also more likely to leave.	14
Looking Ahead to 2023	15
Keeping employees engaged with and working for the organization are key priorities.	15
Lack of budget and time are expected to be the key barriers to success.	19
HR executives say most HR departments will maintain or increase their head count but have to pay them more.	20
Virtually all HR budgets are expected to either stay the same or increase in 2023.	21
Inflation is an issue that employees and organizations recognize and are planning for.	23
HR professionals and executives agree that training people managers and hiring are important HR plans.	24
Methodology	25



Looking Back to Look Ahead

For 75 years, SHRM has worked to improve workplaces for everyone. Now, as the world emerges from the pandemic, we stand ready once again to offer insights and to help you answer questions that have implications for the U.S. economy and your own organization. Questions such as:

- In what areas were U.S. organizations most and least effective in the past year?
- What are the greatest struggles U.S. organizations currently face?
- What priorities and plans will lead them in 2023?
- How are HR departments and employees managing in these challenging times?

To answer these questions, SHRM surveyed U.S. employees, HR professionals and HR executives to get a snapshot of the state of the workplace—what happened in 2022 and what they expect in 2023.

What Has Changed in the Past Year?

1. **COVID-19 no longer a crisis.** In 2021, the focus for most organizations was managing COVID-19 in various ways, which they did very effectively. As the COVID-19 crisis subsided in 2022, organizations have been turning their focus in new directions. For 2023, organizations expect navigating COVID-19 and federal policy responses to be much lower priorities.

2. **Inflation concerns.** As shown in the chart, inflation in the U.S. has been high for the past two years. Inflation has been the biggest challenge and the fastest growing concern for organizations in 2022. For 2023, HR professionals and HR executives foresee a lack of budget as a major barrier to success and reducing costs as a high priority. HR executives also anticipate a need to budget for salary increases in 2023 due to a higher cost of living. U.S. employees are also concerned, stating that competitive compensation should be a top priority for organizations.

United States Annual Inflation Rates (2012 to 2022)

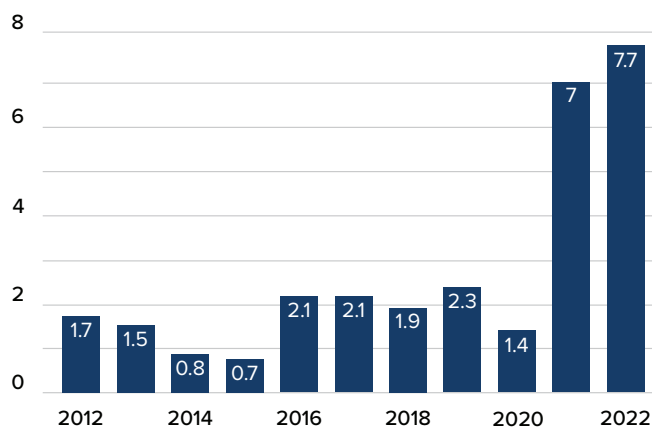


Chart of Consumer Price Index from the U.S. Bureau of Labor Statistics

3. **Disengagement among employees.** Compared to HR professionals, employees in other departments have substantially more negative views of their employers. Concerningly, they are less likely to recommend their organization as a great place to work or to trust the organization to treat them fairly. Around a quarter reported either actively job hunting or planning to do so in 2023.

What Has Not Changed?

1. **Labor shortages.** This was the second most prevalent challenge for organizations in 2022, little changed from 2021. HR professionals believe their organizations have been somewhat more effective at recruiting talent but less effective at retaining top talent. U.S. employees report recruiting and retaining talent as among the five areas where their organization has been least effective in 2022. For 2023, employees, HR professionals and HR executives alike rank recruiting and retaining talent among their top five priorities.

Looking Back to Look Ahead

2. **Compensation issues.** The inability to offer competitive compensation has been an even greater barrier to recruitment in 2022 than it was in 2021. Overall, employees believe fair and competitive compensation adjustments should be a top priority for their organizations in 2023. HR executives and professionals agree, ranking this issue as their fifth and sixth most important priority, respectively, for 2023.
3. **Perceptions of HR.** HR departments received very similar grades as last year from HR executives, HR professionals and employees. Both HR professionals and executives continue to believe that their HR departments are well regarded by leaders, but to a lesser degree than in 2021. While HR executives continue to report that senior leaders rely on them to navigate new situations and recognize them as crucial to business functions, HR professionals feel more disconnected from leadership (12 percentage points less than HR executives). The light at the end of the tunnel is that reports of HR being short-staffed are leveling off.
4. **Health care coverage.** Both employees and HR professionals agree their organizations provide effective health care coverage (among the top five areas for both groups). Looking ahead, providing good health care coverage is ranked as a higher priority for employers than in previous years.

What Is Emerging?

1. **Mental health.** Mental health concerns have been a major challenge for employers in 2022. U.S. employees give their organizations higher marks for effectiveness in this area than HR professionals do, suggesting they have noticed employers' efforts to support mental health. For 2023, both supporting employees with mental health issues and increasing mental health benefits are HR priorities.
2. **Focus on organizational communication.** HR professionals are less satisfied with the state of organizational communication in 2022 than they were in 2021. Improving this area is a rising priority for them in 2023. For employees, communication is highly important to how they rate the effectiveness of their HR departments.

Overview of Methodology

This report includes the results from a set of surveys administered in November 2022. The core survey sample included 1,793 HR professionals in the United States, and the results of this large sample are used in most sections of this report. A sample of 276 HR executives was used to provide information to supplement results from the HR professional sample. Further, a third sample of 585 non-HR employees was used to provide a separate perspective.

Note that some, but not all, of the questions were also asked in the previous year. Where available, changes over time are provided.

More information about these samples is available in the Methodology section of this report.





2022 in Review

Inflation and labor shortages were the key external challenges for organizations in 2022.

The following table lists the external challenges HR professionals reported they were coping with in 2022.

Changes of more than 5 percentage points since 2021 are marked throughout with **green** (increase) or **red** (decrease) arrows.

When considering the past year (2022), my organization has been dealing with ...

		PERCENT AGREEING	CHANGE SINCE 2021
1	Inflation concerns	86%	+13 
2	Labor shortages	80%	-4
3	Mental health concerns	72%	na
4	Economic slowdown concerns	64%	na
5	Supply chain issues	59%	-3
6	Legal and compliance concerns (e.g., vaccine mandate)	49%	-33 
7	Diversity, equity and inclusion (DE&I) concerns	46%	+3
8	Health and safety concerns	44%	-35 
9	Political issues (e.g., disagreements)	36%	-11 

na = not available for comparison; new item added

Inflation is the greatest challenge for organizations, and it is the only issue that increased in importance over last year.

A cluster of declining issues suggest that COVID-19 has become less of a crisis. Instead, it's becoming an ongoing but manageable concern:

- Legal and compliance concerns (e.g., vaccine mandates) dropped by 33 percentage points.
- Health and safety concerns dropped by 35 percentage points.
- The 11-percentage-point decline in political issues may be related to the lifting of controversial policies related to vaccination and mask wearing. This decline is interesting given that the surveys were taken in early November, very close to the 2022 midterm elections.

2022 Organizational Performance Scorecard

According to HR professionals, organizations again performed well in managing the effects of the COVID-19 pandemic in 2022.

Ratings of areas of effectiveness from HR professionals.

When considering the past year (2022), please rate your organization's effectiveness for each action.

		PERCENT EFFECTIVE	CHANGE SINCE 2021	
1	Navigating COVID-19's continued impact on our workforce and safety practices	66%	-4	
2	Providing good health care coverage	64%	+1	
3	Providing fair compensation for newly hired employees	56%	+4	
4	Managing a partially or fully remote workforce	53%	-3	
5	Adjusting to policy changes from the administration	49%	-8	↓
6	Creating business continuity and crisis management plans	47%	-7	↓
7	Improving organizational communication	41%	-7	↓
8	Making decisions about office or worksite footprint (e.g., decisions on closing locations)	41%	-8	↓
9	Facilitating high employee productivity	40%	na	
10	Providing fair compensation for current employees	39%	-3	
11	Supporting the needs of employees with children or elder care responsibilities	39%	-8	↓
12	Supporting employees with mental health concerns	38%	-2	
13	Facilitating fair and effective performance evaluations	37%	-7	↓
14	Achieving greater workplace diversity, equity and inclusion	36%	+3	
15	Enhancing corporate social responsibility	35%	+3	
16	Finding ways to reduce costs and improve efficiency	35%	-6	↓
17	Leveraging social media (e.g., recruiting or marketing)	30%	-4	
18	Finding and recruiting talent with the necessary skills	30%	+6	↑
19	Maintaining employee morale and engagement	27%	-4	
20	Retaining top talent	27%	-7	↓
21	Implementing new workforce technologies	27%	-11	↓
22	Developing more effective leaders and people managers	26%	-1	
23	Upskilling or reskilling the current workforce	23%	+1	
24	Creating succession plans for key roles	21%	+1	
25	Utilizing freelancers and gig workers	20%	-1	

na = not available for comparison; new item added

2022 Organizational Performance Scorecard

HR professionals' top rankings of what their departments did well showed little change between 2021 and 2022:

1. Navigating COVID-19's continued impact on our workforce and safety practices.
2. Providing good health care coverage.
3. Providing fair compensation for newly hired employees.
4. Managing a partially or fully remote workforce.

HR professionals rated a cluster of midrange areas as less effectively managed in 2022 than 2021. It is likely that these factors required less attention as the rapidly evolving COVID-19 response of 2021 calmed in 2022.

- 5th: Adjusting to changes in federal policy (down 8 percentage points since 2021).
- 6th: Creating business continuity and crisis management plans (down 7 percentage points since 2021).
- 7th: Improving organizational communication (down 7 percentage points since 2021).
- 8th: Making decisions about office or worksite footprint (down 8 percentage points since 2021).
- 12th: Supporting the needs of employees with child or elder care responsibilities (down 8 percentage points since 2021).

Another cluster of changes suggests an easing of the talent crunch but ongoing difficulty engaging and retaining employees.

- Finding and recruiting talent with the necessary skills (up 6 percentage points since 2021).
- Maintaining employee morale and engagement (down 4 percentage points since 2021).
- Retaining top talent (down 7 percentage points since 2021).

The View from HR Executives

When compared to the results from HR professionals, HR executives had almost identical rankings for the top five areas in 2022.

1. Providing good health care coverage (HR professional ranking = 2).
2. Navigating COVID-19's continued impact on our workforce and safety practices (HR professional ranking = 1).
3. Providing fair compensation for newly hired employees (HR professional ranking = 3).
4. Managing a partially or fully remote workforce (HR professional ranking = 4).
5. Adjusting to policy changes from the administration (HR professional ranking = 5).

The View from U.S. Employees

The five areas where U.S. employees perceived their organization as most effective showed some key similarities and differences from the perspectives of those who work in HR.

1. Navigating COVID-19's continued impact on our workforce and safety practices (HR professional ranking = 1).
2. Supporting employees with mental health concerns (HR professional ranking = 12).
3. Achieving greater workplace diversity, equity and inclusion (HR professional ranking = 14).
4. Providing good health care coverage (HR professional ranking = 2).
5. Managing a partially or fully remote workforce (HR professional ranking = 4).

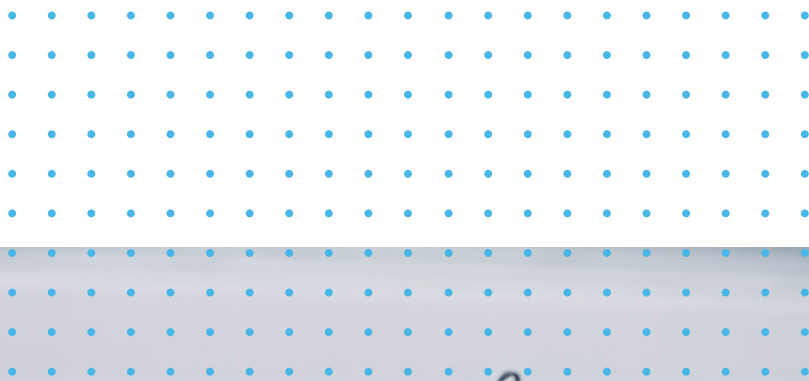
2022 Organizational Performance Scorecard

Summary

There is strong consensus among all three groups that COVID-19 was handled well, health care coverage was good and organizations were able to manage remote and hybrid workforces. Earlier in the pandemic, many employees loudly voiced fears of having to choose between their health and their livelihoods. These findings show that organizations have found ways to protect both employees' health and livelihoods.

Interestingly, when compared to HR professionals and executives, non-HR employees have a much more positive view of 1) supporting employees with mental health concerns and 2) achieving greater workplace diversity, equity and inclusion. Non-HR workers see these areas as big successes in their organizations for 2022.

There is also particularly strong consensus among the three groups regarding where their organizations are ineffective. Recruiting and retaining talent remain pervasive challenges of particular concern. HR professionals seem somewhat more optimistic than other employees or HR executives that the situation is improving.



When it comes to finding talent, lack of good applicants and uncompetitive compensation were the most important challenges.


HR professionals and HR executives provided deeper insight into what caused ongoing difficulties with finding and recruiting talent. Their assessments are similar to those in 2021, with two notable points:

- Difficulty sourcing qualified candidates remained the top barrier. However, the frequency of HR professionals reporting this challenge decreased slightly from 2021.
- Offering competitive compensation became a substantially larger issue in 2022, with a 7 percentage-point increase. This finding aligns with the 13-percentage-point increase in concern about inflation in 2022, suggesting compensation will remain a major concern in the foreseeable future.

Only the responses from HR professionals appear in the following table, but HR executives came to similar conclusions. Notably, there was consensus in their rankings of the four most serious issues.

1. Lack of qualified candidates.
2. Uncompetitive compensation.
3. Limited workplace flexibility.
4. Lack of paths to career advancement.

What has been your organization's greatest challenge to finding talent during the past year (2022)?

	RESPONSES FROM HR PROFESSIONALS	PERCENT AGREEING	CHANGE SINCE 2021
1	Lack of well-qualified applicants	69%	-3
2	Uncompetitive compensation to offer candidates	48%	+7 
3	Limited to no flexibility in work (e.g., hours or remote work)	30%	-1
4	No career advancement opportunities to offer candidates	25%	+4
5	Uncompetitive benefits to offer candidates	13%	0
6	Undesirable organizational culture or work environment	11%	0
7	Other	9%	-1
8	No need to find talent or no difficulty finding talent	7%	+2

These responses are not surprising when compared with [economic statistics from the Bureau of Labor Statistics \(BLS\)](#). The BLS reports that the unemployment rate remained unchanged in November 2022, having fluctuated minimally between 3.5% and 3.7% since March. The labor force participation rate (62.1%) and employment-population ratio (59.9%) have likewise remained fixed over 2022.

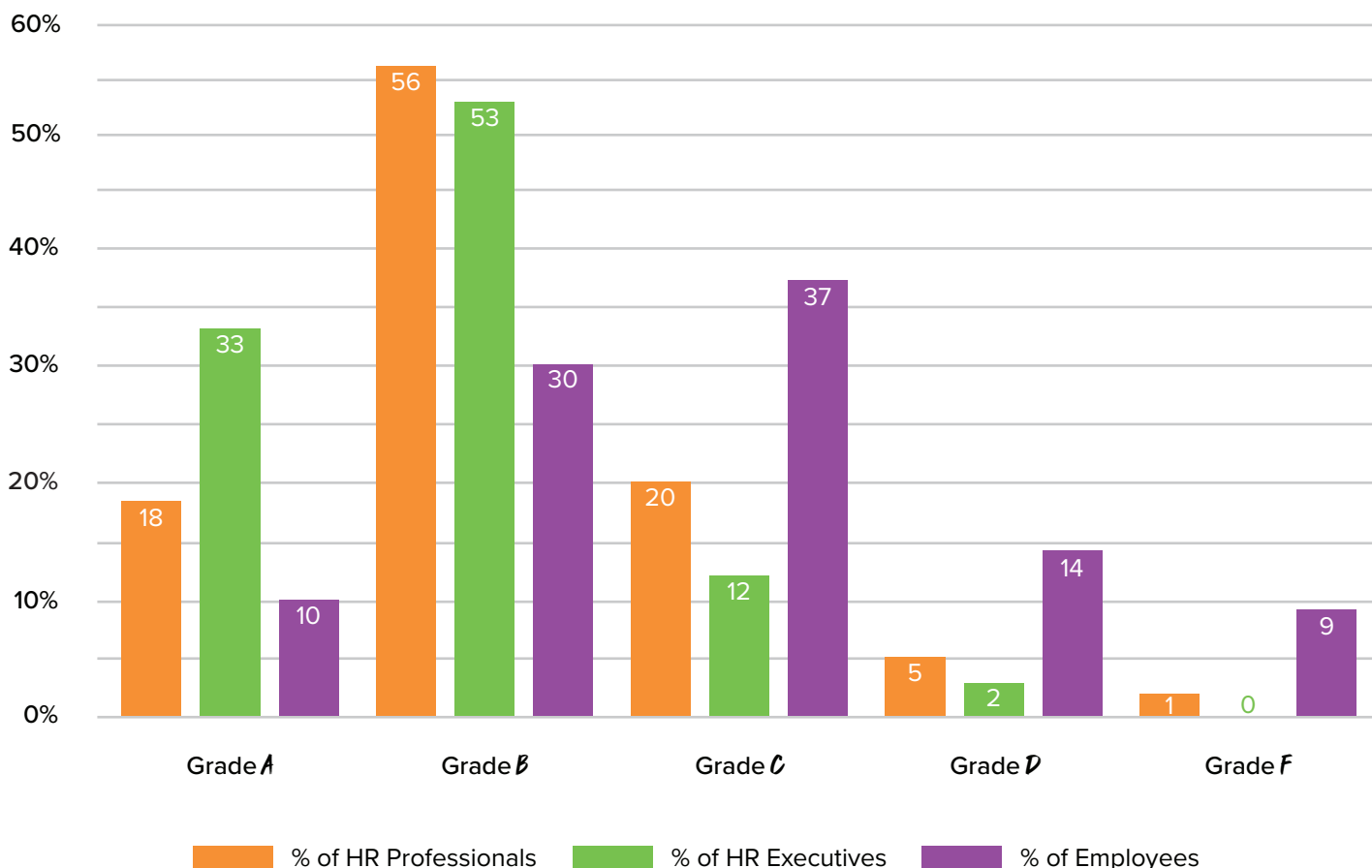
HR departments received high grades from HR executives and HR professionals but received lower grades from non-HR employees.

What grade would you give your HR department?



Employees' and HR professionals' overall grades are unchanged from last year. The distribution of scores, however, reveals very different perceptions from those who work inside HR versus other employees. Overall, the largest group of employees gave HR a C, but 23% gave their department a grade of D or F.

How would you grade your HR department's overall effectiveness during 2022?



Different factors are driving perceptions of HR department effectiveness for different groups.

HR professionals and other employees are expecting somewhat different things from HR departments. Correlating the grades with areas of organizational effectiveness gives insight into the factors driving HR professionals' and employees' grading. Below are the top drivers. In other words, these are the areas that are most strongly related to better HR departments.

Areas most strongly related to HR department effectiveness by group.

	TOP 5 DRIVERS FROM HR PERSPECTIVE	EMPLOYEES' RANKING OF HR'S TOP DRIVERS		TOP 5 DRIVERS FROM EMPLOYEES' PERSPECTIVE	HR'S RANKING OF EMPLOYEES' TOP DRIVERS
1	Maintaining employee morale and engagement	8	1	Finding and recruiting skilled talent	19
2	Facilitating fair and effective performance evaluations	12	2	Upskilling or reskilling the current workforce	4
3	Retaining top talent	5	3	Creating succession plans	12
4	Upskilling or reskilling the current workforce	2	4	Improving organizational communication	7
5	Providing fair compensation to current employees	7	5	Retaining top talent	3

Key Findings

- Both groups judge HR's effectiveness on its ability to retain talent and support workforce professional development.
- HR professionals consider performance evaluations to be much more important for effective HR departments than employees do.
- Meanwhile, employees appear to be rating HR departments lower based on the difficulty recruiting talent. Perhaps this reflects their frustration with long-term understaffing.
- Employees' high ranking of succession planning is interesting. Perhaps knowing there will be continuity of leadership is important in this time of upheaval.

HR professionals and executives agree that HR was still overloaded in 2022. But it was an important part of the decision-making process in organizations.

When considering the past year (2022), my HR department has been ...

ITEM	PERCENT AGREEING: HR PROFESSIONALS	HR PROFESSIONALS' CHANGE SINCE 2021	PERCENT AGREEING: HR EXECUTIVES*
Relied upon by senior leaders to help navigate new situations or practices	77%	-6 ↓	83%
Working beyond typical capacity (e.g., too long or too hard)	70%	-2	71%
Recognized by senior leaders as crucial to the business function	68%	-5 ↓	80%
Working without enough staff for the workload	61%	-6 ↓	62%

* 2021 data not available for comparison

Key Findings

When additional questions were asked about HR departments, interesting results emerged. The agreement and divergence in perspectives between HR professionals and HR executives tells an interesting story:

- HR professionals and executives had very similar agreement levels that their HR departments are still pressured to work longer and harder than before. The glimmer of hope is that both groups agreed issues of understaffing are easing a bit.
- Although the percentage is still high, HR professionals felt senior leaders relied on and recognized them less in 2022 versus 2021. This likely reflects the waning of the COVID-19 crisis.
- HR executives had stronger feelings that senior leaders continue to rely on and recognize them. Perhaps HR executives continued to hold the seat at the leadership table that they gained during the pandemic, while HR professionals had less exposure to it.

Snapshot of the Current State

HR professionals have more positive views of their organizations when compared to non-HR employees.

When considering the past year (2022), I feel ...

ITEM	PERCENT AGREEING: HR PROFESSIONALS	HR PROFESSIONALS' CHANGE SINCE 2021	PERCENT AGREEING: EMPLOYEES	EMPLOYEES' CHANGE SINCE 2021
My work has been more appreciated than before	58%	-6 ↓	44%	-1
Senior leaders at my organization have allowed me to perform my job	75%	-8 ↓	58%	+3
My impact on what happens in my department has been substantial	86%	0	57%	-2
I'd recommend my organization to others as a great place to work	76%	+4	46%	-7 ↓
I am excited to go to work due to the positive workplace atmosphere	63%	+7 ↑	44%	+3
I have strong trust in my company to treat me fairly	72%	+3	46%	-8 ↓

Key Findings

HR professionals continue to feel engaged in their work and are generally positive about their workplace culture. By comparison, employees overall have less positive feelings about their work and workplaces in general. This was also true in 2021.

There are two notable areas of divergence: Employees are substantially **less likely** to **recommend their organization** as a good place to work or to **trust their employer to treat them fairly**. These are strong signals employees are struggling with engagement.

About a quarter of HR and non-HR employees are looking for other jobs in the near future.

Despite the better job-related attitudes for HR professionals, turnover intent for HR professionals and other employees was similar.

Select the extent to which you agree with these statements.

ITEM	PERCENT AGREEING: HR PROFESSIONALS	HR PROFESSIONALS' CHANGE SINCE 2021	PERCENT AGREEING: EMPLOYEES
I'm actively searching for another job	19%	+1	21%
I intend to pursue a job in another organization in 2023	24%	+3	26%

Remote workers are happier than in-person workers, but remote employees are also more likely to leave.

Additional analyses showed that non-HR remote employees have much better attitudes toward and views of their role and their organization compared to their in-person counterparts. This is generally consistent with trends found in the previous year. For example, 44% of in-person employees compared to 56% of remote or hybrid employees reported, “I’d recommend my organization to others as a great place to work.”

However, this did not translate into lower levels of turnover intention for remote employees. In particular, 21% of in-person employees, compared to 30% of remote or hybrid employees, reported, “I intend to pursue a job in another organization in 2023.” This trend is noteworthy for the future because many employees are entrenched in a work-from-home mindset. It is possible that the home or remote office setup makes it easier to change employers, so despite these employees’ general happiness with work, greener pastures are easier to find.



Looking Ahead to 2023

Keeping employees engaged with and working for the organization are two key priorities for 2023.



The View from HR Professionals

Which do you think are likely to be top priorities for your organization in 2023?

		PERCENT AGREEING: HR PROFESSIONALS	CHANGE SINCE 2022
1	Maintaining employee morale and engagement	78%	-2
2	Retaining top talent	77%	-1
3	Finding and recruiting talent with the necessary skills	64%	-4
4	Finding ways to reduce costs and improve efficiency	61%	+15 ↑
5	Developing more effective leaders and people managers	60%	-2
6	Performing fair and competitive compensation evaluations and adjustments	55%	+9 ↑
7	Improving organizational communication	51%	+5 ↑
8	Facilitating fair and effective performance evaluations	42%	+15 ↑
9	Upskilling or reskilling the current workforce	37%	-3
10	Creating succession plans for key roles	36%	-4
11	Supporting employees with mental health concerns	35%	+6 ↑
12	Achieving greater workplace diversity, equity and inclusion	35%	-1
13	Managing a partially or fully remote workforce	33%	+2
14	Providing good health care coverage	32%	+8 ↑
15	Facilitating high employee productivity	30%	na
16	Implementing new workforce technologies	28%	-2
17	Adjusting to policy changes from the administration	26%	-11 ↓
18	Creating business continuity and crisis management plans	22%	+2
19	Navigating COVID-19's continued impact on our workforce and safety practices	22%	-41 ↓
20	Leveraging social media (e.g., recruiting or marketing)	20%	-2
21	Making decisions about office or worksite footprint (e.g., decisions on closing locations)	19%	0
22	Supporting the needs of employees with children or elder care responsibilities	16%	0
23	Enhancing corporate social responsibility	15%	+5 ↑
24	Utilizing freelancers and gig workers	5%	+1

na = not available for comparison; new item added

Key Findings

HR professionals offered their assessments of their organizations' priorities for 2023. These priorities have shifted substantially over the past year, although the top three items remain little changed from 2022:

1. Maintaining employee morale and engagement.
2. Retaining top talent.
3. Finding and recruiting talent with the necessary skills.

When considering items with large changes in the last year, HR professionals are expecting COVID-19-related issues to fade into the background. Emerging priorities center around a potential economic recession and support for employees' physical and mental health. Additionally, rising awareness of internal communication challenges may reflect greater workforce dispersion as remote and hybrid work becomes more prevalent.

The View from HR Executives

Overall, HR executives are well aligned with HR professionals in identifying their organizations' highest priorities for 2023.

Which do you think should be top priorities for your organization in 2023?

HR EXECUTIVES' RANK		HR PROFESSIONALS' RANK
1	Maintaining employee morale and engagement	1
2	Retaining top talent	2
3	Finding and recruiting talent with the necessary skills	3
4	Developing more effective leaders and people managers	5
5	Performing fair and competitive compensation evaluations and adjustments	6

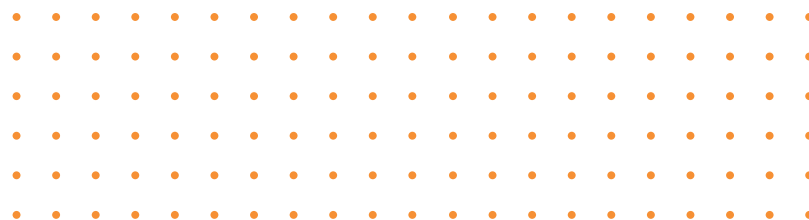
The View from U.S. Employees

The survey also asked U.S. employees what they believed their organizations *should* prioritize in 2023, which is a different question than the one asked of HR professionals and executives. The good news is that organizations are prioritizing the issues of greatest concern to employees. Specifically, **talent recruitment**, **talent retention**, and **employee morale and engagement** are top of mind for both.

It is notable how highly employees value competitive compensation and good health care coverage. For organizations with generous compensation or exceptional health care coverage, highlighting these features in recruitment materials may be a successful talent attraction strategy.

Which do you think should be top priorities for your organization in 2023?

EMPLOYEES' RANK		HR PROFESSIONALS' RANK
1	Performing fair and competitive compensation evaluations and adjustments	6
2	Retaining top talent	2
3	Maintaining employee morale and engagement	1
4	Providing good health care coverage	14
5	Finding and recruiting talent with the necessary skills	3



Lack of budget and time are expected to be the key barriers to success for organizations in 2023.

We asked HR professionals what issues they foresaw in 2023 that could prevent their organization from meeting its priorities. Budget constraints top the list, jumping 10 percentage points from fourth place in 2022.

What do you see as your greatest barriers to achieving your organization's priorities for 2023?

		PERCENT AGREEING: HR PROFESSIONALS	CHANGE SINCE 2022
1	Lack of budget	48%	+10 ↑
2	Limited time or dedicated personnel	42%	+1
3	Senior leadership support or buy-in	41%	+4
4	Current organizational cultural norms	37%	-2
5	Employee resistance to change	37%	-4
6	Lack of necessary skills or training	22%	-3
7	Limiting or limited technologies	17%	+3
8	Uncertainty regarding the best actions to take	10%	-1
9	HR department support or buy-in	7%	+1
10	None (no barriers)	6%	0

The View from HR Executives

HR professionals and HR executives both rank the same barriers among their top five concerns. However, HR executives are more optimistic about 2023, citing fewer barriers overall. Comparatively, they worry less about budget and much less about senior leadership support. Instead, their highest concern is lack of time and personnel.

Greatest barriers to achieving organizational priorities in 2023—HR executives compared to HR professionals

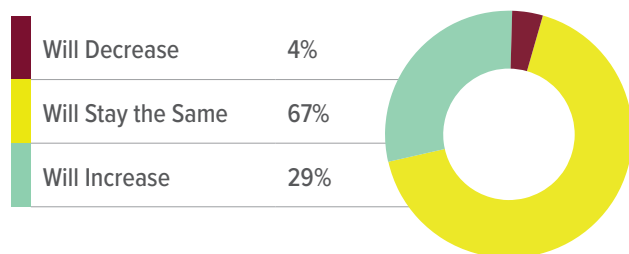
		PERCENT AGREEING: HR EXECUTIVES	DIFFERENCE FROM HR PROFESSIONALS
1	Limited time or dedicated personnel	44%	+2
2	Lack of budget	42%	-6
3	Employee resistance to change	30%	-7
4	Current organizational cultural norms	28%	-9
5	Senior leadership support or buy-in	21%	-20

According to HR executives, most HR departments will maintain or increase their number of employees, although they will have to pay them more.

We asked HR executives about their predicted changes to employee salaries and HR staffing for 2023. Most don't expect their departments to grow but also don't expect to lose positions. Salary increases for both current employees and new hires are expected to be similar and to rise by 2% to 6%.

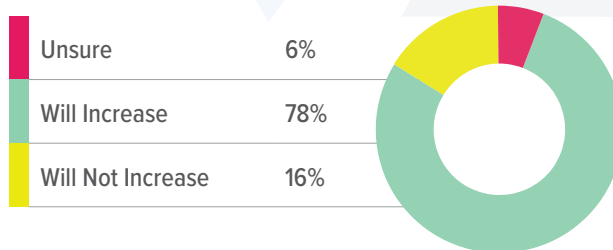
Compared to 2022, in 2023, my HR department's head count likely ...

HR DEPARTMENT HEAD COUNT



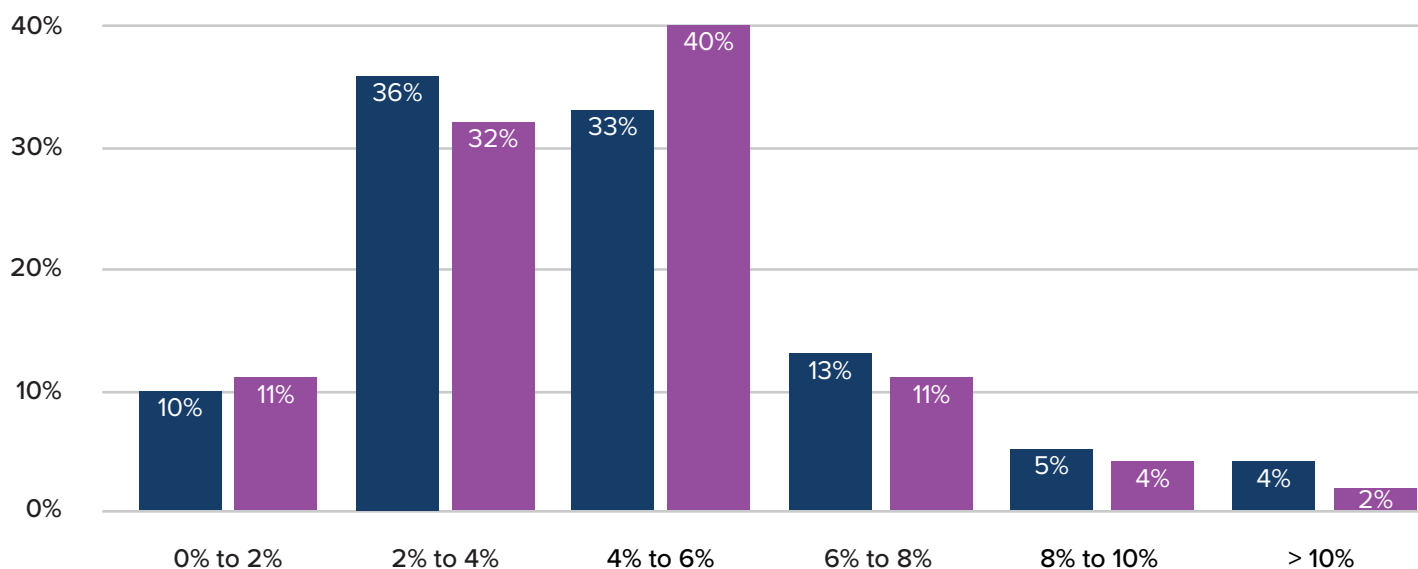
Compared to 2022, do you expect your organization to pay current employees more in 2023?

THE COST OF TALENT



*Compared to 2022 how much more do you expect your organization to pay for talent across departments?**

SALARIES WILL INCREASE BY



* Question asked of the 78% of HR executives who expect salary increases.

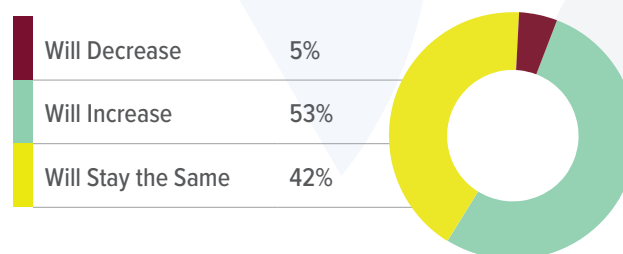
■ New Hires ■ Current Employees

Virtually all HR budgets are expected to either stay the same or increase for 2023, with the biggest increase expected for talent acquisition.

Of the HR executives surveyed, 147 indicated knowledge of 2023 budget projections. A slight majority believed their HR budget would increase. Of those respondents, the largest segment expected an increase of 4% to 6%.

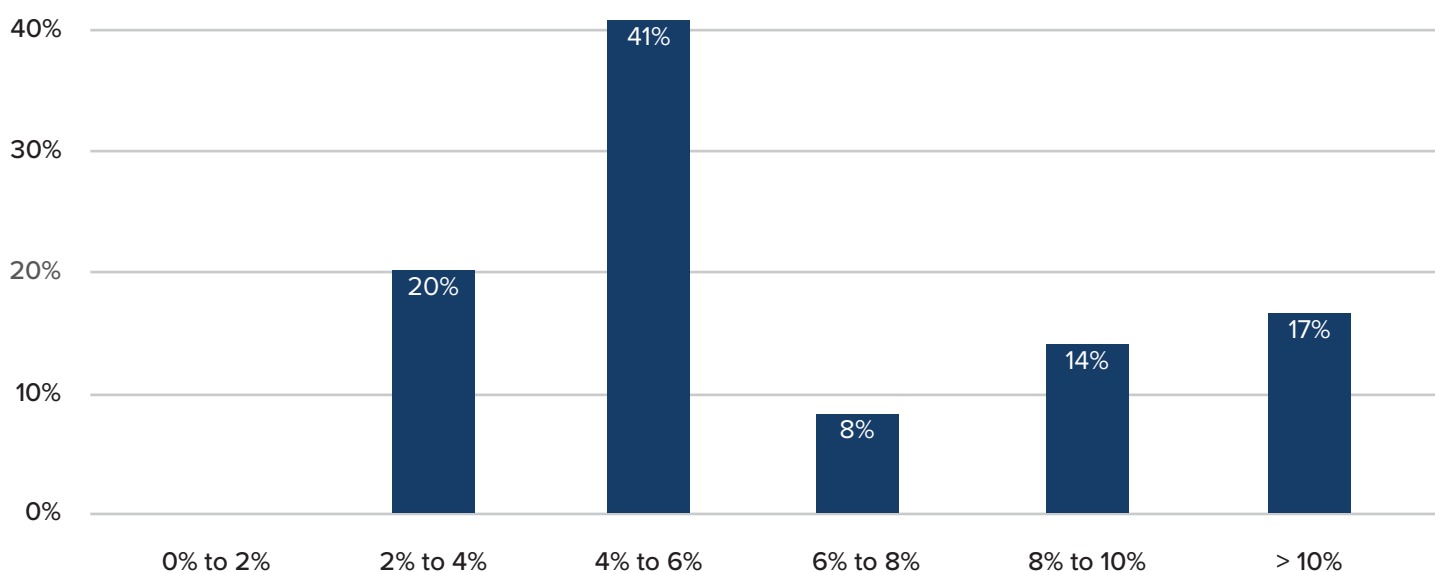
Compared to my 2022 HR budget, my 2023 HR budget ...

HR DEPARTMENT BUDGET



Approximately how much higher is your 2023 HR budget (compared to 2022)?

PERCENTAGE INCREASE IN HR BUDGET



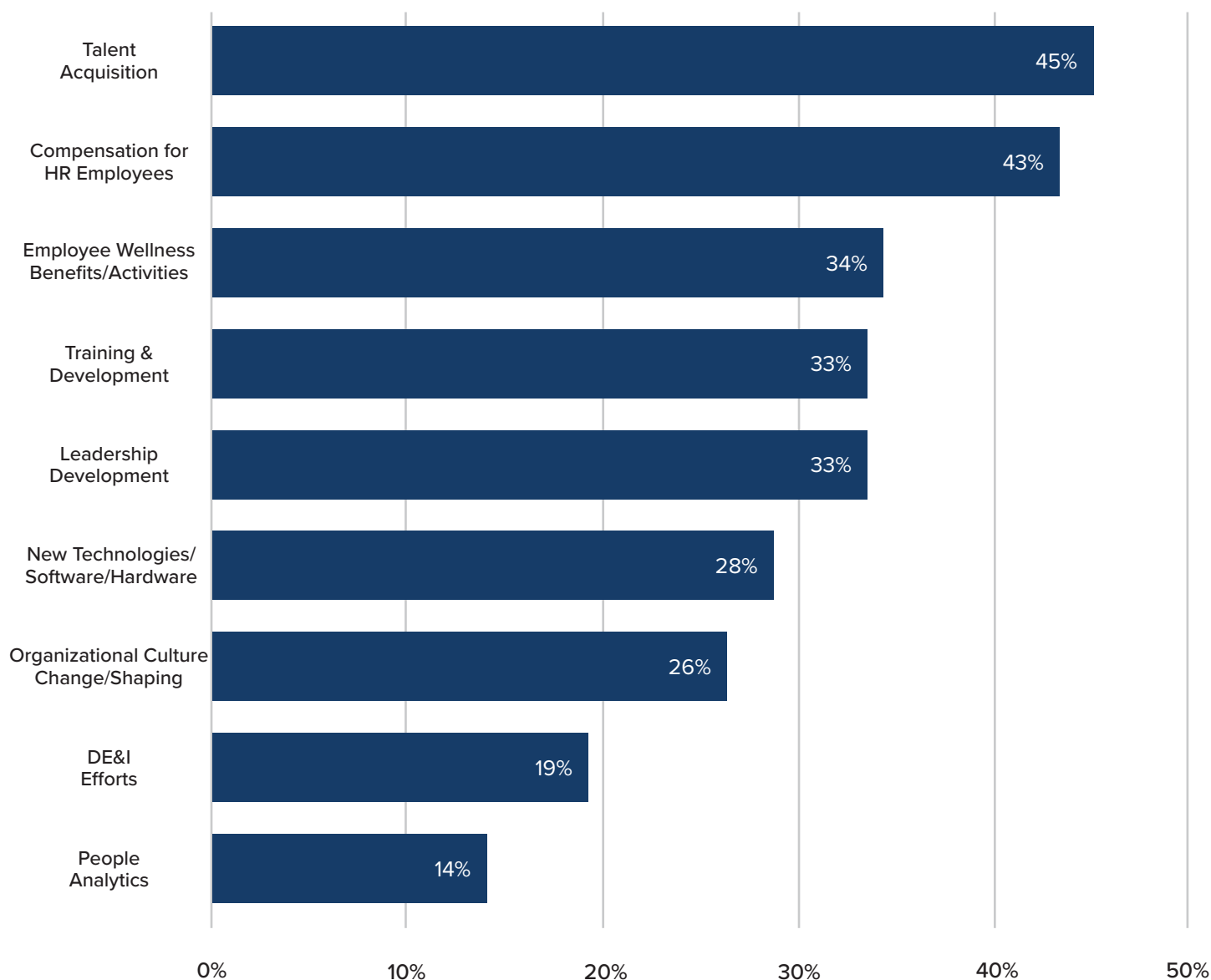
Of the different budget areas within HR, more than 40% of companies are expecting budget increases in these two areas:

- Talent acquisition.
- Compensation for HR employees.

On the other end, DE&I and people analytics are two budget areas with less than 20% expected increases.

Compared to your 2022 HR budget, what is your 2023 HR budget for the following areas?

PERCENTAGE OF HR EXECUTIVES REPORTING AN INCREASE IN EACH AREA



Inflation is an important issue that both employees and organizations recognize and are planning for.

80% of HR professionals expressed concern about how inflation would affect the organization, an increase of 7 percentage points since the same question was asked in May 2022. Just as HR professionals are most concerned about the effects of inflation on their employees, employees are most worried about the consequences for their household budgets.

68% of organizations are accounting for inflation in salary/cost-of-living adjustments for 2023, an increase from 63% in May.

HR professionals worry about how inflation will affect ...

HR PROFESSIONALS % AGREE	
The lives of our employees	86%
Our customers/consumers	67%
Our suppliers and wholesale costs	55%

Meanwhile, U.S. employees worry about how inflation will affect ...

EMPLOYEES % AGREE	
My household budget	77%
My organization's economic survival	33%
The chance of losing my job	32%

About half of HR professionals report their organization is planning for or would consider a hiring freeze as its first step in case of an economic slowdown. Few expect layoffs or location closures in the foreseeable future.



If there is an economic slowdown, what is your organization planning to do?

HR PROFESSIONALS % AGREE	
Hiring freeze	51%
Reduce or eliminate contract, temporary or gig workers	42%
Reduce or eliminate bonuses	34%
Reduce or eliminate merit increases	30%
Lay off employees	21%
Close offices or work locations	9%

HR professionals and executives agree that training people managers and hiring are important HR plans for 2023.

HR professionals and HR executives are remarkably aligned on their plans for 2023. Specifically, both groups ranked the top eight items in the same order with similar response percentages.

Does your organization plan to do any of the following in 2023?

GOAL	PERCENT AGREEING: HR PROFESSIONALS	HR PROFESSIONALS' CHANGE SINCE 2022	PERCENT AGREEING: HR EXECUTIVES
Train people managers on their roles in supporting talent management strategy	78%	-3	82%
Improve people managers' soft skills (e.g., empathy, compassion or communication) to better meet employees' expectations	76%	-2	76%
Increase employee head count	74%	-4	65%
Specifically recruit from more diverse or underutilized talent pools (e.g., people with disabilities or formerly incarcerated people)	65%	+2	62%
Implement a new DE&I initiative or expand an existing one	63%	+4	58%
Improve flexibility and leave policies to better fit the needs of the current workforce (including dependent care responsibilities)	52%	-1	50%
Offer increased mental health benefits or coverage to employees	51%	+9 	49%
Bring more of your workforce back to in-person work	35%	-13 	25%

Compared to 2022, HR professionals' responses were markedly different for only two items:

- Strengthening mental health benefits or coverage increased by 9 percentage points, being cited by about half of respondents. Recall that mental health concerns were the third greatest challenge for organizations in 2022.
- Bringing more of the workforce back to in-person work decreased by 13 percentage points, cited by only 35% of respondents.

Increasing people managers' expertise remains a top priority. The dual focus on talent management and people skills may reflect people managers' front-line impact on how employees experience their workplace and its culture.

Despite economic concerns, nearly three-quarters of organizations are planning to expand their workforce. It appears that the job market will continue to favor job seekers and that the talent crunch will not ease significantly in the near term. Importantly, HR professionals and executives are open to sourcing talent from traditionally underemployed groups, such as people with disabilities or people with criminal histories. This is good news for employers and for prospective employees alike.

Methodology

1,793 in HR Professionals Sample

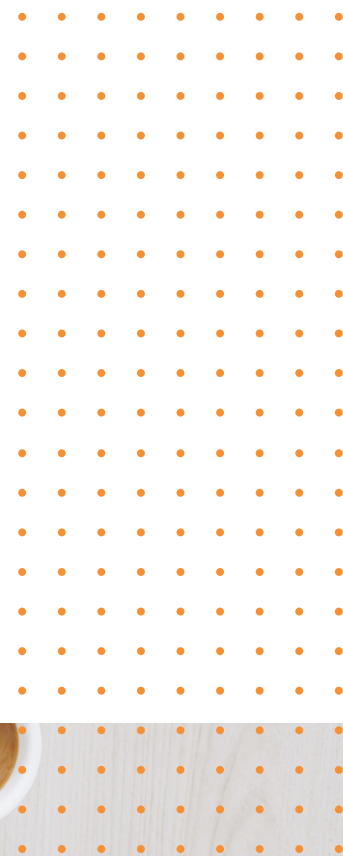
- Collected from SHRM Voice of Work Research Panel.
- Sample of active HR professionals in the United States.
- Survey dates: Nov. 3, 2022, to Nov. 8, 2022.
- HR professional results weighted to be representative of U.S. HR employees.
- Margin of error: 3.6%.
- Total panelists sampled: 8,335 (HR professional plus HR executive.)
- Total response rate: 23.2% (HR professional plus HR executive.)

276 in HR Executives Sample

- Collected from SHRM Voice of Work Research Panel.
Same survey and data collection period as HR professional sample.
- Includes only HR executives in the United States (not weighted.)
Jobs include: 223 C-suite officers (including vice president, CHRO and COO) and 53 CEOs or presidents.

585 U.S. Employees Sample

- Collected from third-party research panel.
- Nationally representative sample of employed adults in the United States.
All respondents employed in areas other than HR.
- Survey dates: Nov. 17, 2022, to Nov. 21, 2022.



Sample Descriptions

RANK	HR PROFESSIONALS	HR EXECUTIVES	U.S. EMPLOYEES
TOTAL SAMPLE	1,793	276	585
GENDER			
Male	13.2% (237)	19.6% (54)	50.0% (292)
Female	86.8% (1,556)	80.4% (222)	50.0% (292)
AGE			
18-29	8.1% (145)	1.4% (4)	23.7% (139)
30-44	44.2% (792)	24.3% (67)	33.5% (196)
45-59	40.0% (717)	56.2% (155)	29.5% (172)
60+	7.8% (139)	18.1% (50)	13.3% (78)
RACE/ETHNICITY			
Non-Hispanic White	76.2% (1,367)	82.2% (227)	61.5% (359)
Black	8.5% (153)	6.9% (19)	14.4% (84)
Hispanic	9.4% (168)	4.7% (13)	17.3% (101)
WORK SITUATION			
Remote	17.2% (309)	14.2% (32)	13.5% (79)
Hybrid	40.2% (721)	37.2% (84)	11.9% (69)
Onsite	40.9% (733)	46.5% (105)	64.3% (376)
U.S. REGION			
Northeast	17.0% (304)	15.2% (42)	18.7% (109)
Midwest	27.8% (499)	22.8% (63)	20.8% (122)
South	34.9% (625)	39.5% (109)	39.3% (230)
West	20.4% (365)	22.1% (61)	21.2% (124)

Study Author



Mark Smith is the director of HR thought leadership with SHRM Research. He has over 20 years of experience in HR research and consulting. His primary areas of expertise involve strategic research approaches, high-stakes test development and validation, and individual assessment. He joined SHRM in 2018 after spending most of his career in external consulting roles. At SHRM, he spent three years as director of exam development for certification before moving to SHRM Research in 2021. Mark holds M.A. and Ph.D. degrees in I-O psychology from the University of South Florida.