

2023-24

SHRM State of the Workplace Report

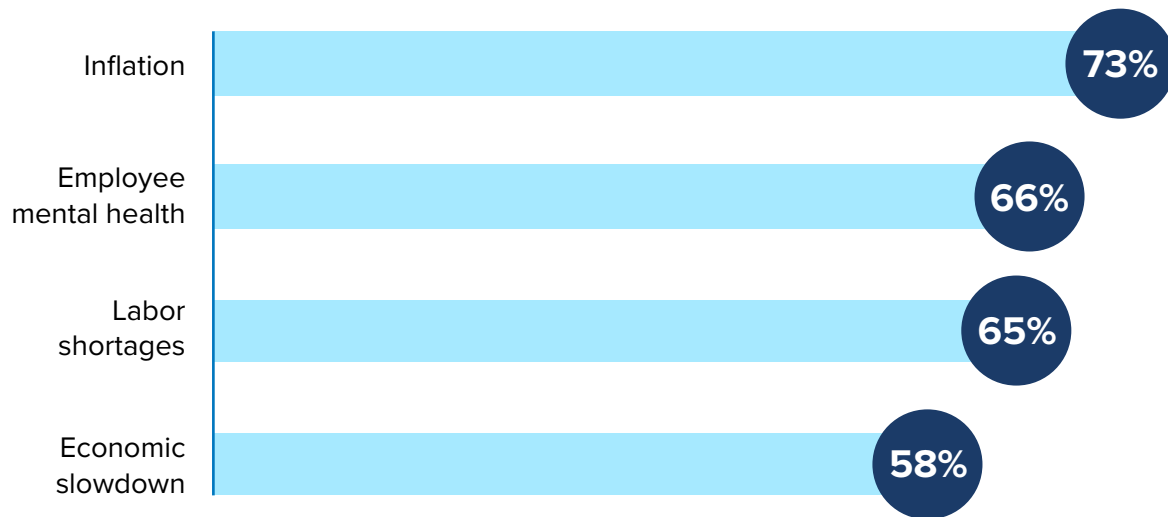
75TH ANNIVERSARY



Introduction

When SHRM asked HR professionals to describe 2023 in a few words, “change” emerged as the overwhelming theme. Despite this, many of the top concerns from previous years carried over into 2023, suggesting that organizations had to strike a balance between embracing change and addressing ongoing challenges.

What were the top concerns for organizations in 2023?



Inflation Remains Top of Mind

Not surprisingly, **inflation** remained the No. 1 concern for organizations in 2023. As [Morning Consult](#) reported in December 2023, several economic indicators were positive: continued low unemployment, falling interest rates and growing GDP. Yet 80% of consumers in its survey gave the economy a grade of C or lower, and the consumer sentiment index remained well below its pre-pandemic level. Notable price increases for everyday purchases appear to be the culprit.

73% of HR professionals say inflation is currently a concern at their organization.¹

Looking Ahead

Organizations expect inflation to remain a challenge in 2024 and express significant concern about how it will impact the lives of hourly/nonexempt employees (82% of HR professionals identified this concern), salaried/exempt employees (69%) and customers/consumers (67%)—and, therefore, the bottom line.

Bound by predetermined annual budgets, organizations may find themselves grappling with unexpected financial burdens as inflation continues to erode purchasing power. In fact, when it comes to achieving 2024 HR priorities, budget constraints are a top barrier. Correspondingly, the objective of **reducing costs and increasing efficiencies** is a top priority for organizations in 2024 (cited by 68% of HR professionals). This may prove challenging if conditions echo those of the previous year, as only 31% of HR professionals say their organizations were extremely or very effective at finding ways to reduce costs and increase efficiencies in 2023.



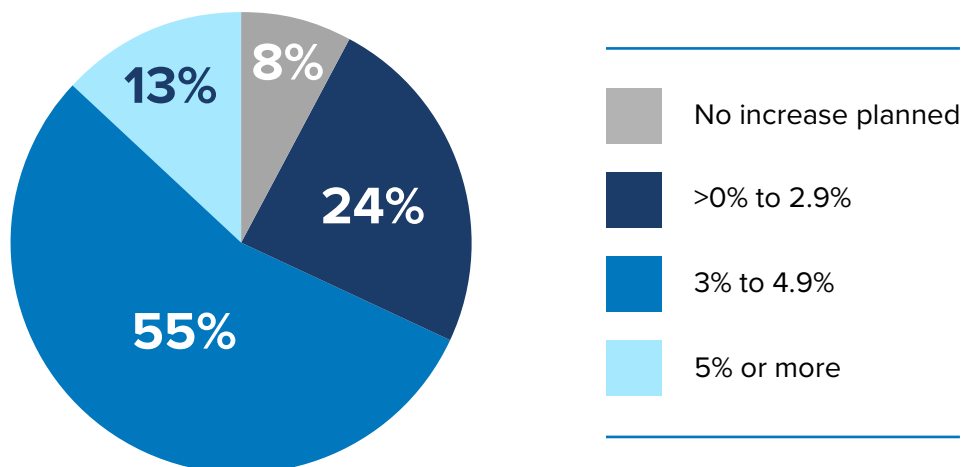
¹Includes responses from HR executives and HR nonexecutives.

At the same time, current and prospective employees are cognizant of rising costs and are seeking positions that offer highly competitive compensation. This may put organizations in a tricky position, because only 27% of HR executives say they factor inflation into annual pay raises. Amid budget constraints, organizations must find ways to ensure that workers continue to feel valued, especially since retaining productive workers is more cost-effective than trying to replace them.

Nearly 9 in 10 U.S. workers (87%) believe fair compensation for current employees should be the top priority.²

Yet 8% of organizations are planning no raises at all. Those that are primarily anticipate modest bumps of less than 5%.³

Projected compensation increases for 2024



²Throughout the text, "U.S. workers" refers to employees who work outside of HR departments.

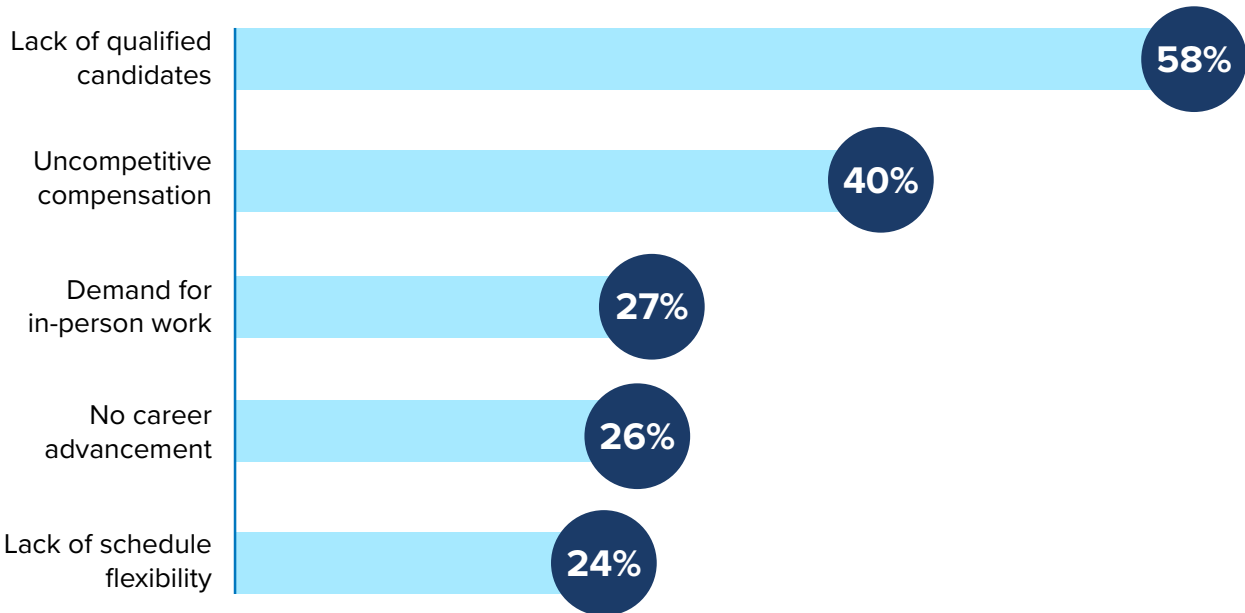
³Refers only to organizations that indicated they expect to pay more for talent in 2024.



Labor Shortages Persist

Concern over labor shortages remained among the top three challenges for 2023, especially given ongoing budgetary constraints and the competitive talent landscape. Finding qualified candidates remained by far the sorest pain point for HR professionals, followed by the inability to offer competitive compensation.

What was your organization's greatest challenge in acquiring talent in 2023?



U.S. workers outside of HR are **frustrated by staffing shortages and the toll that heavy workloads take on them**. They graded talent acquisition as the area where their HR departments were least successful in 2023.

How respondents graded HR departments on talent acquisition:

B-

HR workers⁴

B

HR executives

C-

U.S. workers

⁴Refers to nonexecutive HR workers.



Looking Ahead

HR departments are taking several steps to improve recruitment in 2024, including:

- Recruiting from more diverse and underutilized talent pools, such as people with disabilities and formerly incarcerated people (62%).
- Using pre-employment tests or assessments to identify qualified candidates (35%).
- Relaxing education/degree requirements (28%).

Despite these plans, persistent labor shortages are forcing HR departments to think more strategically about workforce management for 2024. In particular, organizations are prioritizing support for their existing workforce ahead of bringing in new talent.

The top three priorities for organizations in 2024, according to HR professionals:

1. Maintaining employee morale and engagement (81%).
2. Retaining top talent (78%).
3. Finding and recruiting talent with the necessary skills (70%).

Workers outside of HR largely agree. Their top five priorities (all at 80% or above) are:

1. Providing fair compensation for current employees.
2. Maintaining employee morale and engagement.
3. Providing good health care coverage.
4. Retaining top talent.
5. Finding and recruiting talent with the necessary skills.

Another important component of employee morale and engagement is a respectful workplace culture:

58% of HR professionals said their organizations were effective or very effective in ensuring a civil and respectful workplace in 2023. U.S. workers also noted civility as an area of high organizational effectiveness. On the other hand, while 90% of HR professionals report having had mostly positive interactions with co-workers, only 67% of U.S. workers said the same.

While maintaining employee morale and retaining top talent remain top priorities for 2024, **the strategic vision for the year incorporates several targeted initiatives** to help address core needs—such as employee reskilling, leadership development and mentoring programs.

1. Training and development for people managers remains vital.

Managers can make or break an employee's experience at work. Improving people managers' understanding of their roles and developing their soft skills (such as empathy) are top plans for 2024 (both selected by 76% of HR professionals).

2. Upskilling/reskilling current employees is a high priority.

Upskilling or reskilling the current workforce is a top priority for 53% of organizations. This attention is important for at least two reasons:

- Employee upskilling/reskilling ranks near the bottom of functions where HR professionals believe their organizations were successful. In 2023, only 21% reported that their organizations were effective in this area.
- A combination of Baby Boomers retiring and artificial intelligence capabilities expanding is likely to drive a greater need for workforce reskilling.

3. Succession planning and mentoring receive attention.

For 49% of organizations, succession planning is a top priority. Meanwhile, 63% plan to support a formal or informal mentoring program in 2024.

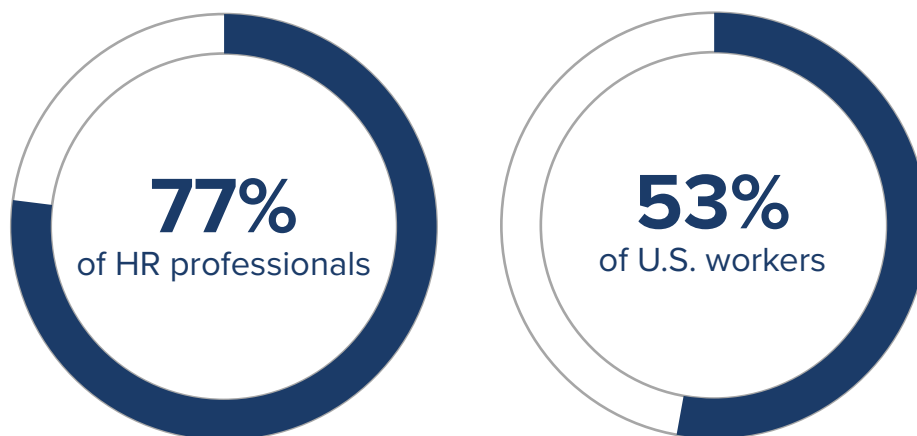


The Current State of Human Resources

HR professionals express notably positive attitudes toward their organizations and their roles, and they continue to have a seat at the leadership table regardless of their level in the organization. In fact, **78%** of HR professionals report that senior leaders rely on their help to navigate new situations or practices.

What's more, 89% of HR professionals report immense pride in the work that they do. HR professionals have positive feelings about not only their roles but also their organizations. Indeed, HR professionals have substantially more positive attitudes toward their organizations than other employees do. For example, 77% of HR professionals would recommend their organization to others as a great place to work, compared to 53% of other employees.

Would recommend their employer as a great place to work:



Despite these positive attitudes, more than a quarter of HR professionals are actively searching for a new job or planning to do so in 2024. Turnover intent among HR professionals actually exceeds the rate in the non-HR workforce.

Turnover intent by type of respondent:

	HR professionals	U.S. workers
I'm actively searching for another job.	27%	25%
I intend to pursue a job in another organization in 2024.	28%	26%

It appears that many HR professionals may be stressed, overworked and struggling with understaffed departments. The majority of HR professionals report working beyond normal capacity (57%), and there are significant turnover implications as a result. Specifically, those who are working beyond typical capacity are more likely than their colleagues who are not to be searching for another job (31% versus 22%). In addition, 56% of HR professionals say their department lacks sufficient staff to cover the workload. HR professionals in understaffed departments are more likely than their peers in adequately staffed HR departments to be actively job hunting (34% versus 22%).

More than half of HR departments are **understaffed** and **working beyond capacity**.

Perhaps this is why many HR executives say the greatest barrier to achieving their department's 2024 priorities is lack of time and dedicated personnel (58% cite this as their top barrier).

Looking Ahead

A large share of HR departments plan to increase their HR compensation budgets in 2024.

Across the board, lower percentages of HR professionals are predicting budget increases in any functional area of HR compared to 2023. Yet 34% of HR departments plan to increase their budget for HR employee compensation for 2024, making it the **second-highest area in terms of increased investment**. HR departments have a front-row seat to view the higher salaries newly hired employees attain by job hopping, and equitable compensation will be essential to retain HR employees.

HR department staffing is unlikely to increase in 2024.

Only 19% of HR executives expect to be able to increase their department headcount. The fact that staffing levels are unlikely to change is another reason why finding greater efficiencies will be important to reduce burnout in 2024.

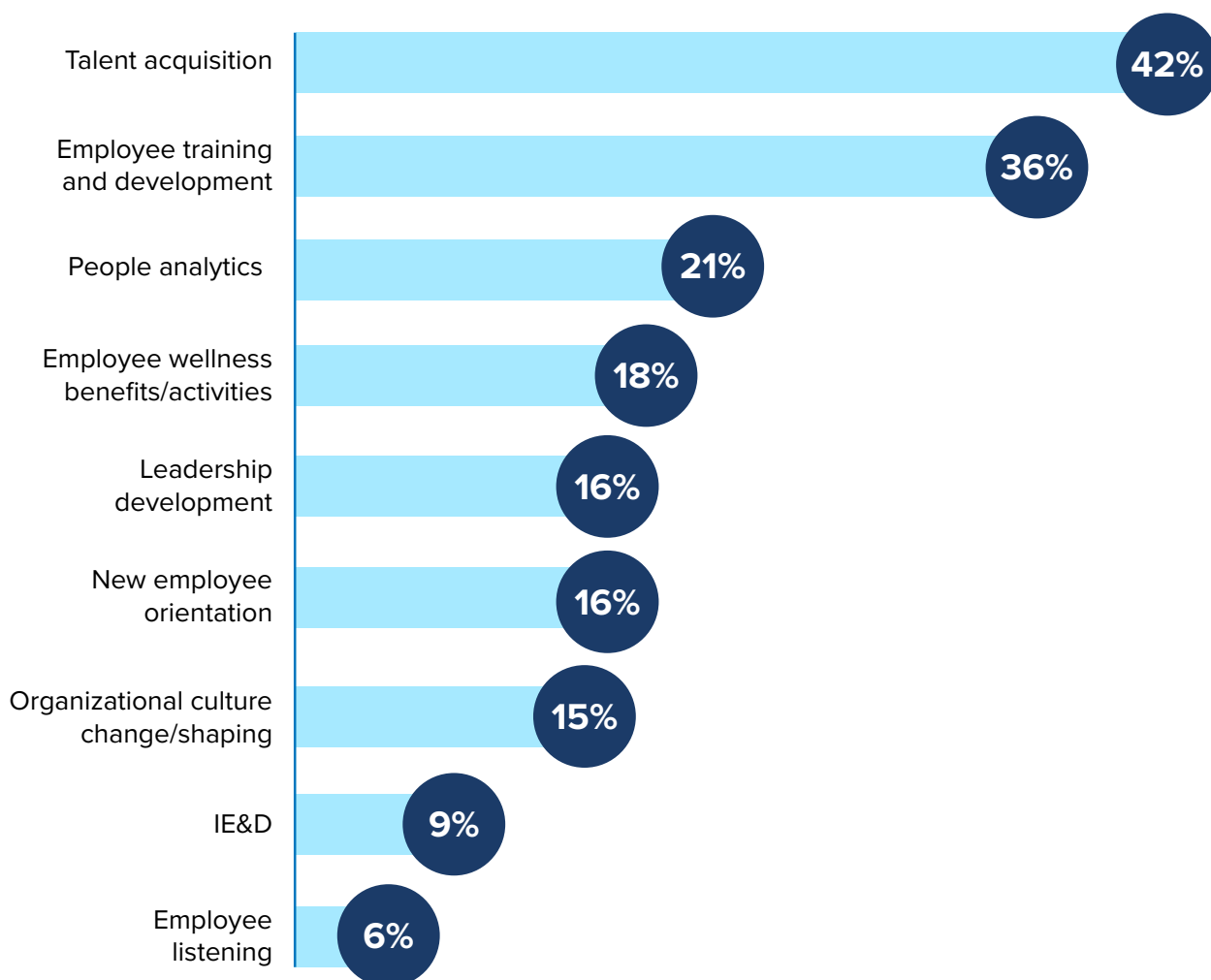


Organizations Move Toward Artificial Intelligence with Thoughtful Precision

Over the past year, the media has buzzed with excitement and speculation regarding the integration of AI in the workplace, and it isn't just hype. In fact, a **quarter of HR departments are using AI today**.

But where exactly is AI being integrated? Mostly for talent acquisition, followed by employee training and development—both areas where HR professionals report major challenges and opportunities for 2024.

For which HR functions do you use AI?



Despite the widespread notice AI has gained, both HR professionals and U.S. workers outside HR ranked this topic last in terms of organizational effectiveness in 2023.

Only 12% of HR professionals and 15% of U.S. workers believe that their organization is effectively integrating AI into the workplace. _____

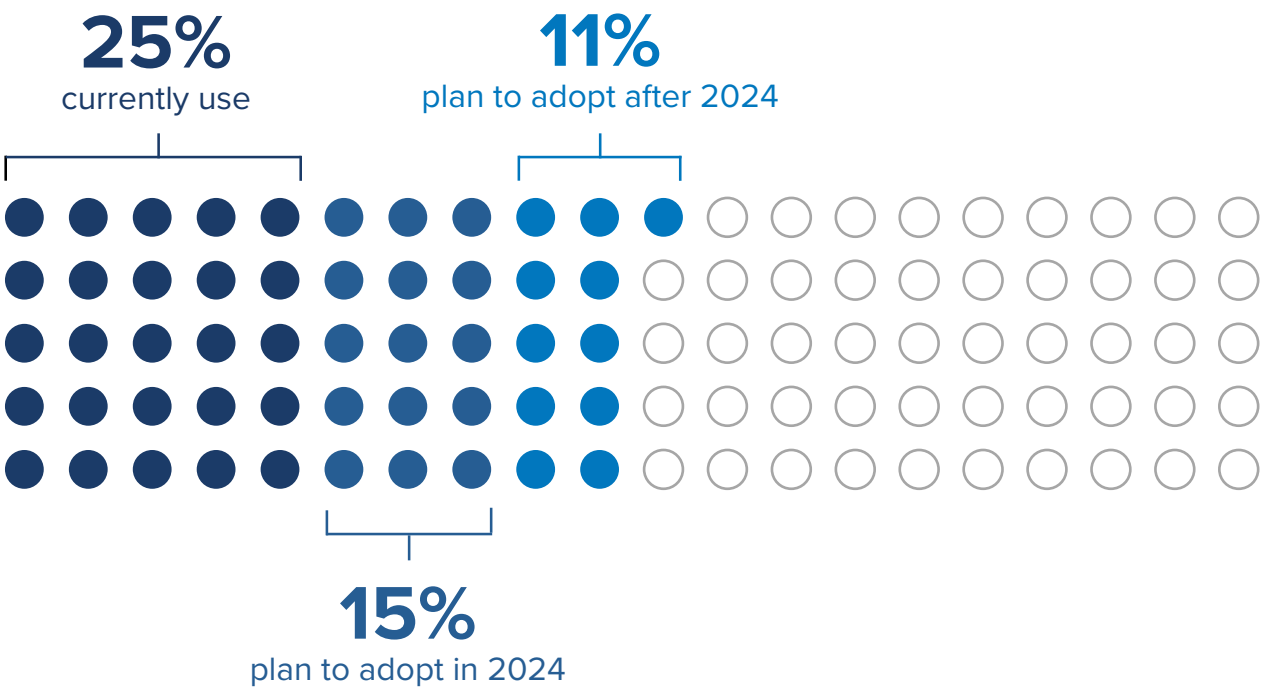
The issue is not as simple as technophobia, since 66% of HR professionals reported using technology to improve the HR function in 2023. Given that AI is so new, perhaps it is yet to be integrated into work processes. Plus, training and support are needed to ensure appropriate and ethical uses of AI, and with HR departments working beyond capacity, they are likely directing their resources to more urgent issues.



Looking Ahead

Employers are moving cautiously but strategically to use AI for specific functions. Roughly a quarter of HR departments plan to adopt AI applications in 2024 or thereafter. This means that by 2025, half of HR departments could be using AI. Despite this, only 20% of HR professionals report that integrating AI into the workplace is a high priority for 2024. Likewise, U.S. workers do not believe integrating AI should be an HR priority, ranking it 23rd out of 24 priorities.

By 2025, half of HR departments could be using AI:



Currently, 75% of organizations have no guidelines or policies regarding the use of generative AI. Yet nearly a third of organizations (30%) plan to use AI-based technology to improve employee effectiveness in 2024.

Having policies in place governing the use of AI is crucial for organizations to guide ethical behavior, ensure legal compliance, mitigate risks and build trust with employees and other stakeholders. As AI makes inroads into the workplace, organizations will have to move quickly to create a policy framework that ensures responsible use of AI, particularly in functions such as talent acquisition and performance management where it may exhibit or reinforce biases.

Recommendations for 2024 and Beyond

1. Make judicious use of AI to address key priorities.

AI has the potential to offer impactful solutions for top workplace priorities in 2024. Here are options that organizations may consider:

- 🔗 Targeted AI applications that minimize repetitive and time-consuming work can help reduce costs and increase efficiencies. AI applications that streamline HR functions could be valuable tools for reducing HR professionals' workloads and stress levels.
- 🔗 HR departments not yet using AI for talent acquisition may find that this is an avenue to reduce talent shortages. AI can streamline the recruitment process by generating job descriptions, efficiently reviewing and screening resumes, communicating with applicants during the interview process, and identifying suitable candidates, to name just a few steps. Additionally, its ability to analyze patterns and predict candidate success may enhance the overall quality of hires while increasing the objectivity of hiring and promotion decisions.
- 🔗 Both gamification and AI have the potential to expand initiatives in employee upskilling, reskilling and professional development. Together, these technologies create a more dynamic learning environment that can be personalized to an individual employee's performance and preferences. For example, AI can identify skills gaps and tailor the learning experience accordingly.

2. As an aspect of employee development, build out and increase employee knowledge of career paths.

According to SHRM research on the state of mental health in 2023, opportunities for growth within the workplace represent the single biggest factor in employees' overall mental well-being—surpassing even job security. [Globally, this is also a key factor](#) in an employee's decision to remain with their current employer rather than seek a position elsewhere. Providing workers with clear paths to advancement may help improve retention, reduce skills gaps and increase productivity, all while containing costs.



3. Lean into current strengths to attract and, more importantly, retain workers.

With stagnant budgets and modest compensation increases projected for 2024, organizations need to build on their existing strengths to attract and retain talent. A good place to start is where organizations may already be most effective: their benefits packages. For instance, providing affordable and comprehensive health care coverage is the area of greatest HR effectiveness (according to 60% of HR professionals). Some HR departments (35%) are planning to improve workplace policies around leave and flexible work, another cost-effective way to build engagement. In another example, mental health was the second-greatest concern for HR professionals in 2023, yet only 35% of HR professionals believe their organizations were effective in supporting employees with mental health concerns. This implies existing offerings and resources are not being communicated as effectively as they could be.

4. Sustain civility in an election year.

Amid these challenges, it is important not to underestimate potential pitfalls. For example, both HR professionals and U.S. workers agree that workplace civility is an area of strength, but HR departments must not let their guard down as we enter an election year, when political polarization tends to heighten. Vigilance is key in sustaining a civil and inclusive work environment.



Conclusion

The 2023-24 snapshot of where workplaces are now and where they plan to go shows continuing concern over the effects of inflation and difficulties in recruiting well-qualified talent. Yet, facing largely stagnant budgets and headcounts in 2024, many organizations are planning to direct more resources toward developing and supporting their current workforce rather than toward attracting new hires. HR departments are judiciously testing the AI waters, with a quarter currently using AI applications for specific purposes such as recruitment and employee professional development. Plans for 2024 reveal steady AI adoption in more organizations, but in general, this area is taking a backseat to other, more urgent priorities. HR professionals continue to express positive attitudes toward their workplace. Yet many are working beyond capacity and without sufficient staff for the workload, leading more HR employees than non-HR employees to seek positions in other organizations. This fact reminds us to set aside time to take care of ourselves, just as we care for others.

Methodology

2,028 HR professionals surveyed

HR professionals: 2,028 surveys were completed from Nov. 2, 2023, to Nov. 7, 2023. The survey was fielded electronically using the SHRM Voice of Work Research Panel to HR professionals, **22% of whom were HR executives**. The data was weighted so that respondents would reflect the distribution of U.S. HR employees.

599 U.S. workers surveyed

U.S. workers: 599 surveys were completed from Nov. 2, 2023, to Nov. 6, 2023. The survey was fielded electronically to U.S. workers employed in areas other than HR using the Amerispeak Omnibus probability-based panel from NORC at the University of Chicago. This panel is designed to be representative of the U.S. household population. All data was weighted to reflect the U.S. adult population.

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