

# HR in 2023 and beyond

Trends, challenges and priorities  
in the people profession

A research study by

**naturalhr**  
TRANSFORMING BUSINESS





# Introduction

As our State of HR report returns, it's been another year of unprecedented change for the world of work. With the lack of COVID-19 restrictions for the first time in two years, organisations were faced with key decisions about the future working arrangements of their employees.

As most businesses answered demands and adopted hybrid working environments, we've also seen a number of companies reverting back to traditional office working practices – blaming drops in productivity and less engagement as key reasons.

But if we've learnt anything from last year, it's that employers are no longer in the driving seat. Employee demands are increasing and businesses that don't adapt may well be the ones that struggle to attract talent.

There have been record high vacancies and massive talent shortages across the board as employees shop around for roles that suit their needs. Businesses are finding that salary isn't the only factor affecting decision making and that more attractive and competitive offers are needed to fill open positions – including flexible working.

It's clear that HR leaders are faced with significant challenges in 2023 and priorities are shifting to address concerns of employees.

It's now a candidate-driven market, and HR is putting people first.

This year, we wanted to uncover the thoughts and feelings of HR professionals across the UK and examine the trends, challenges and priorities facing teams in 2023. Throughout, we will compare our findings to last year's study and analyse the changes we've seen.



**46% of employers have hard-to-fill vacancies, an issue most common in transport and storage (60%), the voluntary sector (56%) and healthcare (55%).**

CIPD Labour Market Outlook (Autumn)

[CIPD, Labour Market Outlook, Autumn 2022](#)

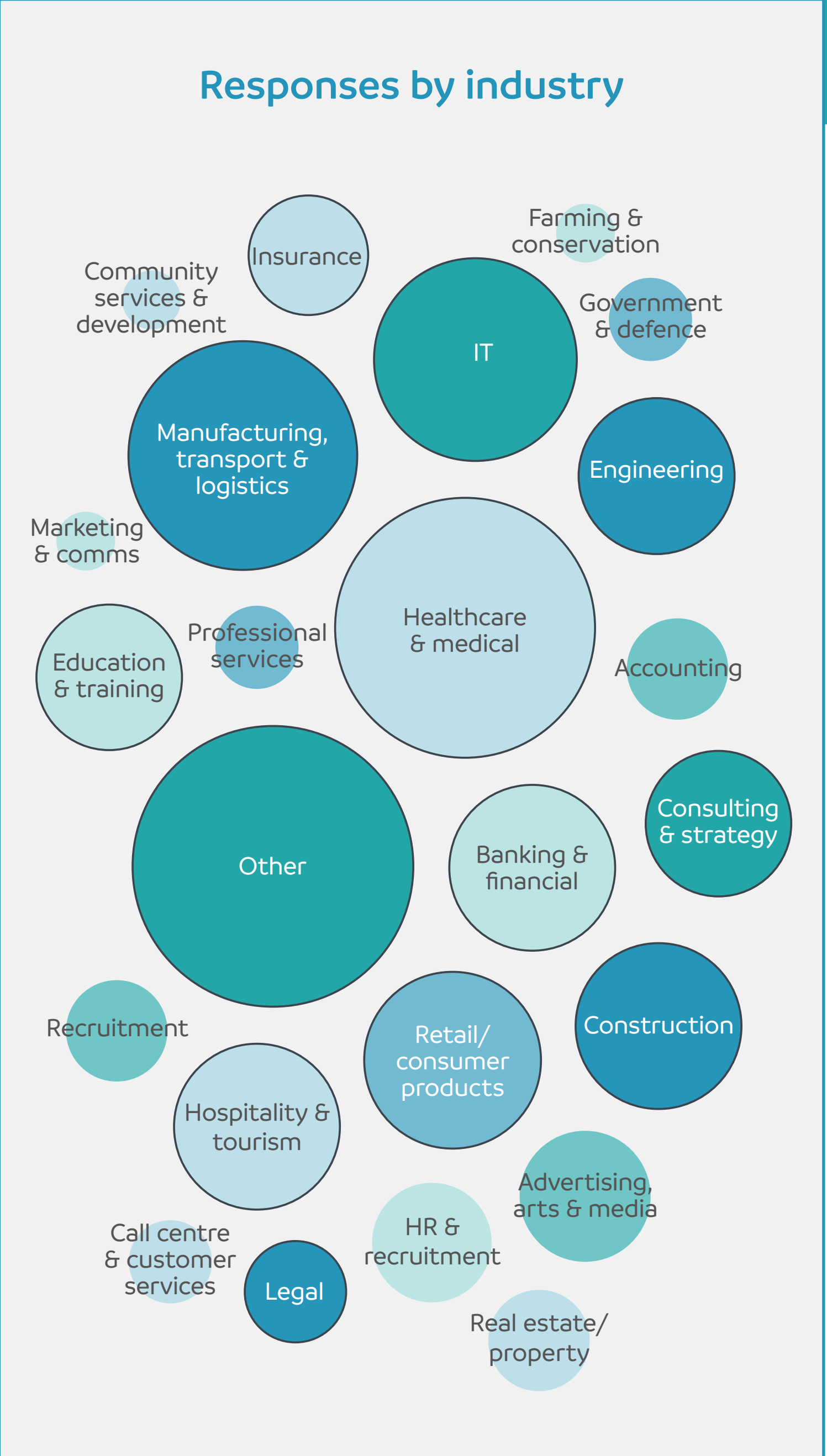
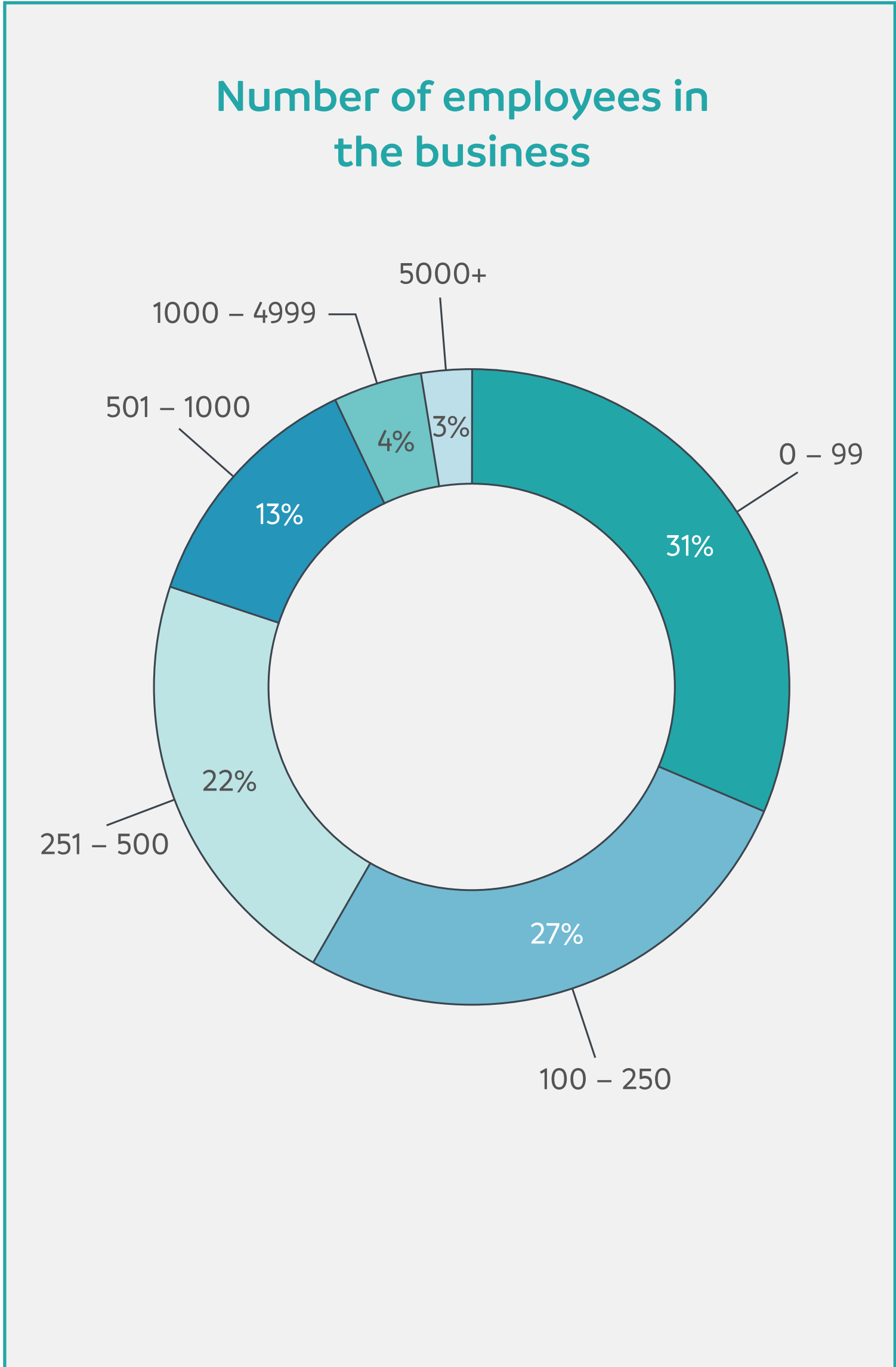


# Who did we survey?

In order to get a clear picture of human resources in the UK over the last year, we surveyed 156 HR professionals from various industries and seniorities to find out the main challenges they expect to face in 2023, and what they will prioritise in the year to come. We will examine how this has changed compared to our last report.

The participants shared their experiences in organisations ranging from sub-hundred-employee SMEs to enterprises with over 5000 employees.

From HR directors and managers to advisors and administrators, we wanted to understand how their priorities have shifted based on the seismic changes in the employment market and any opportunities created for the human resources sector in the new year.



# Is HR valued as a department?

**Our survey found that 17% of HR professionals felt HR wasn't valued in their organisation in 2023.**

This is consistent with last year's findings (also 17%) and is slightly improved on 2021's figure of 20%. However, the lack of change this year from 2022 still shows that a worrying proportion of HR professionals feel underappreciated in their roles, even despite the undeniable change in responsibilities for many.

HR underpins many of the strategic changes we've seen within organisations struggling with recruitment and retention in 2022 – varying from flexible work arrangements becoming the norm to the introduction of creative benefits packages to attract talent, for example.

But even now, when HR has proved to be the glue holding many organisations together, it continues to be misunderstood. It seems that although there has been a huge shift in the world of work, senior management and the workforce can sometimes still overlook the contribution that HR makes to each person and department, causing nearly 1 in 5 people to feel undervalued.

A quarter (25%) of these respondents belong to companies with over 5000 employees, showing that the larger the business, the more likely they are to feel undervalued.

But no matter the size of the organisation, HR is no longer a 'people fixing' or administrative department and should be seen as a key strategic part of the leadership team that will be able to mitigate many of the challenges facing businesses in 2023.



## **Do you feel as though HR is valued within your business?**

**“HR seems to be an afterthought, only usually appreciated when things go wrong.”**

**“It is kind of invisible in the background. Everyone expects for everything to work, but they don't really notice us doing the work, or appreciate it.”**

**“Not enough support is given to the HR function and the importance and value added by HR isn't understood.”**

**“HR aren't involved at a senior level – we're advised as an after thought on major decisions that impact the workforce.”**

**“We do not get the support and buy in from senior management which, in turn, creates a culture where HR is viewed as completing 'tick box' exercises.”**

**“The demands of the workforce has changed drastically in the last couple of years, that HR using old HR methodologies can no longer service their employees but instead end up becoming this transactional function. This is mainly driven by investors need for security and the fear of doing things different. It will, long term, hurt the business more or disable reaching higher potential quicker.”**

**“HR is valued by the ones who feel the benefit eg. those who have received extensive support. Managers and senior staff are resistant to change.”**



# Pay in HR

**When looking at the most recent data from Glassdoor on the average salary for an HR professional, it may reveal one reason why there has been no change in feeling valued as a department from 2022 to 2023.**

There has been a notable drop in the average HR professionals' salary, dropping from £47,178 in early 2022 to £43,815 in January 2023, according to Glassdoor. This decrease in the average wage for someone working in HR doesn't mirror the increase in contribution to businesses during the aftermath of the pandemic, so it's no wonder 17% still feel undervalued.

While this data indicates a dip in HR salaries, more than a third (38%) of respondents reported that staff in their organisations received blanket pay rises in line with the increased cost of living.

This applied mainly to smaller businesses, with 45% of sub-100 employees giving their teams a blanket pay rise. This trend decreases as the business size increases.

Of the different industries, 64% of manufacturing, transport and logistics employees saw a pay increase, but only 14% of those working in banking and finance reported the same.

[Glassdoor: Human Resources Professional Salaries](#)

With construction following at 43% receiving pay rises and hospitality and tourism at 38%, it could be argued that workers worse affected during the lockdown restrictions in 2020 – 2021 were most rewarded in 2022 giving workers in these sectors a much needed boost.

These industries also saw large-scale redundancies during the pandemic, therefore, blanket pay rises would naturally help with recruitment and staff retention – a big challenge facing companies this year.

Talent shortages, coupled with the cost of living crisis, are clearly putting pressure on business leaders to increase salaries but will this keep employees happy in the long term? If 2022 has shown us one thing in particular it's that workers demand more from their employers than ever before.

**“(Talent) shortages mean that firms are feeling pressure to raise wages, which is also driven by rising inflation for households. This only increases the need for firms to manage their overall pay bills in ways that allow for higher pay that firms can afford.”**

Neil Carberry, Chief Executive,  
Recruitment & Employment  
Confederation

[REC response to ONS labour market figures, October 2022](#)

**“Money will always be a major consideration but organisations need to get more creative, more radical and a lot braver in designing packages that appeal to the needs and preferences of all their people. They need to think about how that package can be customised, about the relationship between salary and flexible working patterns, about the funding and availability of training and development and all forms of recognition and reward, from perks to performance bonuses.**

**They need to understand what will aid retention and what will attract talent - and as we enter a more challenging economic cycle they should think about what unlocks productivity.”**

Alastair Woods, Reward and  
Employment Partner at PwC

[Alastair Woods, PwC UK: UK Hopes and Fears Survey, June 2022](#)



# Challenges facing HR in 2023

**While some organisations are offering pay rises in line with raised living costs, it seems more needs to be done to retain workers in the UK.**

According to the recent PwC workforce survey, over half of UK workers are currently weighing up whether they should move jobs and despite the cost of living pressures, this can't be solved simply through salary and benefits. The study also found that over two-thirds of people are looking for a fulfilling job, rather than monetary satisfaction.

This is why staff retention and recruitment remained the top challenges for HR professionals in 2023, with over half (55%) citing it as an issue.

It's no secret that many businesses have been experiencing difficulties in relation to widespread talent shortages and this has had a significant impact on business in general, as well as applying pressure on HR teams to fill positions.

Whilst the impact varies from industry to industry, staff turnover has been widely reported as the biggest issue rising to 63% from 56% in 2022, followed by the need to use more agency or temp staff (41%) to cover the loss in productivity.

However, those working in banking and finance seemed to be far less affected by talent shortages than others, with 43% of respondents reporting that they hadn't seen any real impact. This is a vast contrast to sectors like construction and hospitality and tourism which have experienced difficulties in some way – both of which are offering pay rises to staff.

We've also seen that problems with staff turnover are gradually exacerbated by the size of the business – with larger organisations suffering more than those with fewer employees. 43% of those with less than 100 employees said they'd been impacted by talent shortages, rising to 74% for companies with 501 – 1000.





# Challenges facing HR in 2023

And whilst retention and recruitment are priorities in 2023, it may come as no surprise that employee engagement remains one of the top challenges. Last year, 32% of HR professionals cited this as an issue and this has increased to 38% this year.

It appears that business leaders are still trying to find new and novel ways to engage their employees. With so many organisations adopting hybrid working models, employees will expect a certain level of engagement and development – no matter whether they are in the office or at home.

Those who let employee engagement slip risk falling victim to employee attrition and could later struggle to recruit new starters. Colleagues are looking for organisations that foster an inclusive and engaging workplace culture, and are willing to invest in staff development. This could set organisations competing for talent apart, so it's imperative that businesses get it right — or risk losing out.

Inefficiencies and admin also remained a widespread challenge for HR professionals in 2023, although this dropped to 35%, compared to 42% last year.



## How do you feel that remote and hybrid working styles are impacting employee wellbeing?

**“I think it is positive in the most part but it has impacted peoples willingness to participate in team activities, and sense of “togetherness” as a business. It does give people the freedom to manage their work life balance though and that is worth it’s weight in gold these days.”**

Whilst COVID restrictions and ever-changing guidance are no longer an issue, it's clear that HR continues to struggle with administrative and process-related problems due to the hybrid nature of work. As employees split their time between the office and home, HR is still finding it difficult to manage important processes, like onboarding and offboarding staff, learning and development, and employee engagement.

**“There is a significant long-term threat to company social culture unless flexible working is properly managed with the needs of the business foremost, but within this including what we as humans require in order to be part of a team and company.”**

**“People like the flexibility, it promotes better work life balance and reduces sickness absence.”**

This is leading to massive inefficiencies in the HR department, where staff are wasting time on repetitive, manual tasks which could be spent on planning strategic initiatives that add real value to the company.

A lot has changed in the past year, but for much of HR a lot of the challenges remain the same in a work landscape that is increasingly people-driven.

**“1 in 5 workers are very, or extremely, likely to look for a job in the next year.”**

**“Only 31% of people felt they had a clear plan to progress their career with their current employer.”**

**“Around a quarter (26%) of fully-remote workers are extremely or very concerned about being overlooked for developmental opportunities, 22% of them are extremely or very likely to switch employers compared to 17% of those who are full time in person.”**

PwC workforce survey

[PwC: Global Workforce Hopes and Fears Survey 2022](#)

# HR's priorities and initiatives in 2023

Recruitment and retention issues have been widely reported over the past year, and it's therefore no surprise that it was the most common priority among the HR professionals we surveyed, identified by more than three-quarters of respondents (78%).

Employee health and wellbeing is also at the forefront of priorities with 63% of respondents citing this as important, and 57% said that improving employee engagement and

experience was also high on the agenda for 2023. These have both been a big focus for employers looking to retain their talent.

The focus on wellbeing dropped from 2022's 80%, but this could be because HR teams have already sought to address this as a priority. Many businesses have already adopted initiatives designed to improve health and wellbeing, such as offering benefits packages which include mental health days or free counselling, for example.

Others have recruited or trained staff as mental health first aiders, while increased flexible working has also supported employee wellbeing. However, this is still a top priority for 2023 as organisations find ways to further support staff amid fresh pressures such as the cost of living.

The top initiatives for HR professionals in 2023 are consistent with 2022, as they try to strike the perfect balance of support to improve employee experience.

Staff burnout was a significant issue during the pandemic, and this hasn't gone away. There is more choice for candidates than ever before, so employees are more likely to leave a job if they feel overworked, undervalued, or unsupported. That's why a proactive focus on these initiatives is necessary.

With looking after employees high on the agenda, we wanted to find out how organisations would be putting this into practice, by asking what initiatives they were looking to implement in the coming year.

HR needs to find out how employees are feeling before it's too late and act on feedback about current company initiatives. One way to collect important data on employee sentiment is to use surveys which can be anonymised to protect

**"HR Leaders have to manage investments in people and technology, cultivating a positive culture and employee experience, and transform HR to be more automated and digital at the same time."**

**70% of companies have introduced new wellbeing benefits or increased the amount of existing wellbeing benefits."**

Gartner

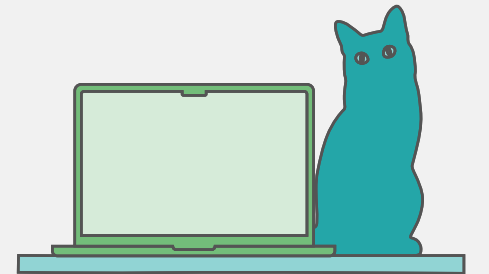
[Gartner: Top 5 Priorities for HR Leaders in 2023](#)

## Top HR initiatives in 2023

**76%**  
mental health



**66%**  
flexible working



**76%**  
employee wellbeing

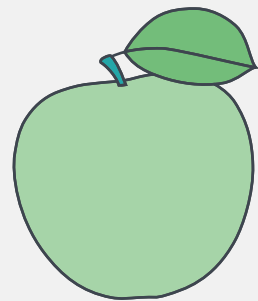


## Top priorities in 2023

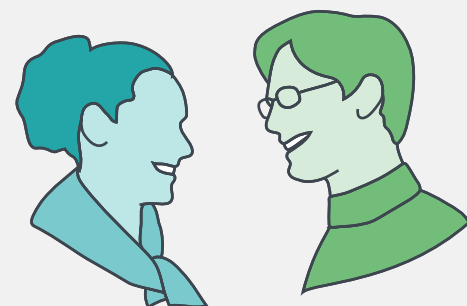
**78%**  
retention and recruitment



**63%**  
employee health and wellbeing



**57%**  
employee engagement and experience



workers and allow them to speak truthfully about their feelings. This can aid future changes to create a better working environment, and in turn, will mitigate staff attrition.

It's clear that organisations are much more focused on looking after their people in the current climate. Businesses that invest in their employees will benefit from higher staff retention and will be better placed to attract talent than their competitors. Employers have evidently realised the importance of this, with people and their wellbeing the most widespread priorities.



# The world of work in 2023

Gartner's recent survey on the top five priorities for HR leaders in 2023 found that over half (52%) of employees say flexible work policies will affect their decision to stay at their organisations. This is a huge proportion of the workforce, whose needs will have to be considered by employers looking to retain and attract the best available talent.

People Management, however, reports that only 7% of jobs are being advertised as remote, a third lower than at the beginning of 2022.

So we asked our respondents how their staff will be working in 2023, and 75% said that there will be a hybrid approach with a mixture of office and remote working. Only 3% answered that their employees will be fully remote.

HR leaders also thought that the most important factors to new recruits in 2023 were salary, flexible hours and hybrid working.

When asked about the impact of hybrid working styles on career progression, nearly a third (30%) believe that this could negatively affect it within their organisation. This could link to the lack of employee engagement seen in many industries.

We also wanted to find out about the effect of hybrid or remote environments on employee wellbeing with it being a main focus in 2023.

Of those respondents who are either fully remote or hybrid, just 6% said this negatively affected them, with the majority (79%) seeing positive impacts.

The main reasons for some seeing negative effects were the lack of collaboration and lack of company culture – both of which the HR community will be looking to develop this year as it prioritises employee engagement.





# The world of work in 2023

## Changes in working behaviours

The quiet quitting phenomenon slowly made its way into organisations in the UK in 2022, with Generation Z – those born between the late 1990s and early 2010s – seeming to spearhead this trend. Nearly a third of HR professionals (32%) have noticed this in their organisations and 95% of these respondents agree it’s negatively affecting them.

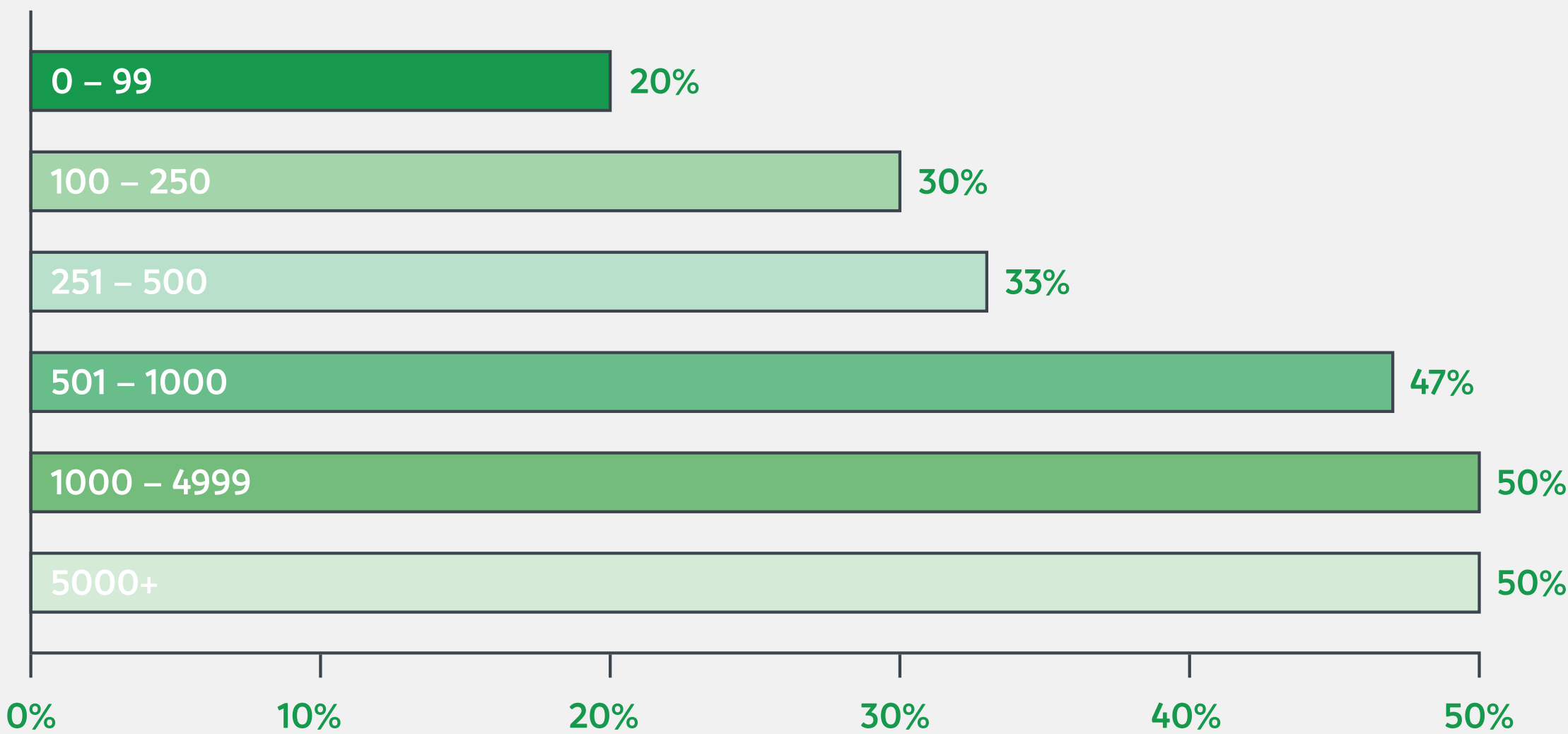
However, for those who haven’t witnessed this in their workforce, fewer people saw it as a negative (86%).

The amount of quiet quitting seen in organisations increases with employee size, with 50% of companies that employ more than 1000 staff acknowledging it within their business now.

This is yet another example of the swing towards an employee-driven culture, where people know exactly what they want from work. It seems that business leaders are now realising that delivering on this needs to be a key strategic focus.

“Quiet quitting is a term describing workers who choose to do the job they’re being paid to do, without taking on any extra duties, or participating in extracurricular activities at work.”

Quiet quitting impact by employee size



Have you noticed a trend for ‘quiet quitting’ in your organisation?

“It generally feels that people are out for themselves these days, not in a malicious or petulant way, but more self preservation and the business/ job will always come second to their personal priorities.”

“I don’t think its a new phenomenon for us, you are always going to end up with people in a business who aren’t a great cultural fit or become disenfranchised and this is one of the indicators of that. No recruitment process is ever going to be 100% perfect and sometimes people will disengage despite your best efforts.”



# HR and technology

As we reported last year, digital transformation has accelerated significantly due to the move to remote work. And the HR technology market has boomed as managers quickly realised the urgent need to update policies and processes to support the “new normal”.

But now the dust has settled on the post-pandemic world of work, we were interested to see how many HR departments are still using HR technology in 2023.

79% reported using some form of HR tech in 2022, compared with 80% in the previous year. This shows that HR on the whole is still realising the benefits that technology can bring to the sector.

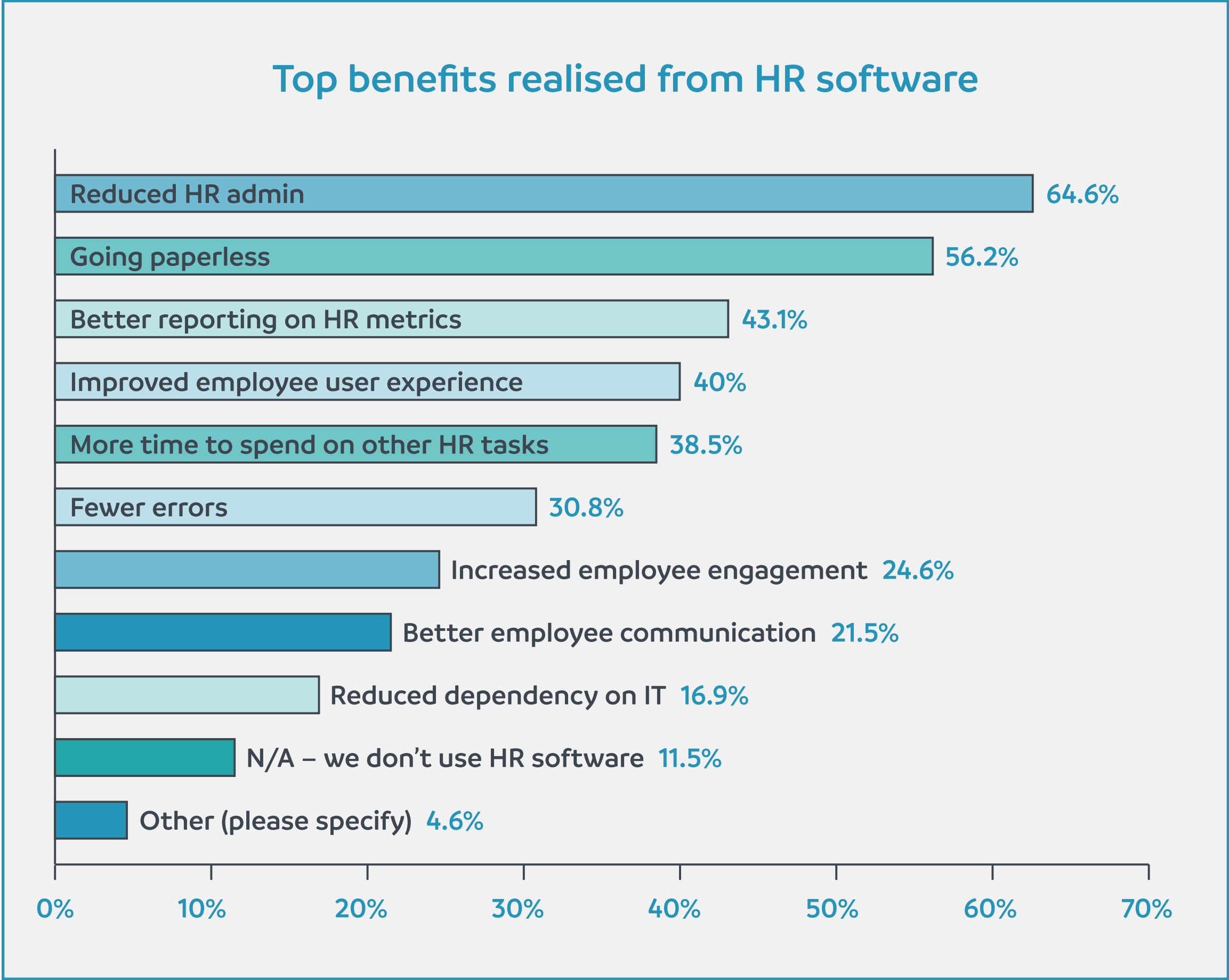
However, there is still work to be done, with 21% of respondents saying they don’t currently use HR technology. 10% of those, however, have plans to implement it in the next 12 months.

When asked about how important technology is to their current HR strategy, the majority (90%) of respondents said it was somewhat or very important. Of these, most already use software (85%) or plan to get it soon (10%).

Interestingly, banking and finance is the industry which sees the most value in HR tech, with 63% deeming it very important to their strategy and 37% seeing it as somewhat important.

Whereas, manufacturing, transport and logistics and the hospitality sector were at the other end of the value scale.

Reduced HR admin remained the top benefit of using HR technology with 65% of respondents saying they had experienced this. Whilst going paperless (56%) and better reporting on HR metrics (43%) are also the main benefits seen in 2023.





# The future of HR

“Instead of assuming we can predict future skills needs, access enough talent, fill future gaps by buying and building, and dictate when and where employees work, we need a new approach that unlocks new strategies.”

Gartner

[Gartner: Top 5 Priorities for HR Leaders in 2023](#)

As we look ahead to 2023, talent shortages and issues with recruitment and retention continue to dominate the agenda. Many will be wondering how they will navigate the new candidate-driven market and will be looking to make positive changes to attract top talent.

When we asked HR professionals how optimistic they felt about the future, the average score was 62 out of 100, compared with 71 last year. Those working in information, communication and technology had the most positive outlook with a score of 66, whereas, construction was the least optimistic with a low 42 out of 100.

This drop in score could signify that people are more alert and aware of how quickly things can change – a scar left by the pandemic. Perhaps seeing the back of

coronavirus lockdowns brought on a sense that things were changing for the better, only to be met with a fresh batch of pressures in 2022. But it could also be attributed to the difficulties they will no doubt face in such a competitive job market in the near future.

As 2023 gets underway, HR clearly has its job cut out and the outlook seems no less uncertain. But our report shows that human resources is determined to put a real focus on its people and harness new approaches to create better working environments. Gimmicks and performative, half-baked efforts at looking after and engaging employees simply isn't going to cut it in 2023, and it seems business leaders are waking up to what they need to do in order to develop workplaces that are conducive to the strong performance of their most important assets: their people.





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