HRO TODAY RESEARCH FLASH REPORT

Unpredictability of Recession Leaves Organizations Juggling Workforce Planning Strategies

HRO Today Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. *HRO Today* Flash Reports are focused briefs that can be used to support business decisions and further discussion among industry practitioners and thought leaders.

This report examines Talent Acquisition professionals' views about a recession in 2023, and what plans, if any, are being implemented to respond to a recession. Further, an examination of how HR technology addresses its most pressing needs is explored.

This study was sponsored by **Job.com,** though the sponsor of the study was not revealed to study participants.

Methodology

Between January 12, and February 17, 2023, a series of emails were sent to subscribers of *HRO Today* magazine and *HRO Today* newsletters inviting them to take part in an online study. Study respondents were at the manager level or above within their human resources departments. The total number of usable surveys was 66, and respondents were from North America.

Background

A national recession can completely derail workforce planning, forcing organizations to rethink priorities and adjust quickly to changing economic winds. But 2023 is at once recessionary and robust, and organizational response varies widely. And because of the required agility, the demands placed on HR technology have never been greater. But how well technology is meeting those needs is open for debate.

EXECUTIVE SUMMARY

This study revealed six key findings about workforce plans in 2023 and beyond, as well as how well HR technology will support those plans:

1. **Despite ongoing headlines about layoffs, for most, (57%) the organization workforce will increase in 2023,** seven times as many who felt their workforce would decrease in size (8%). The most typical expected increase is in the 3-5% range, but surprisingly, 44% anticipated a change of 6% or more with the average increase 6.9%.

2. **There is little consensus on companies anticipating whether a recession is currently happening or will happen in 2023.** While opinions were split, the largest segment (44%) did not anticipate a recession. This view likely leads to continued plans for workforce expansion.

3. **Organizations preparing for a recession are taking a variety of steps, with no one option being explored by most organizations.** The most widespread step being taken is eliminating previously planned open positions, as indicated by 48% of respondents. There were three other steps often being taken: temporarily reassigning roles of current employees (33%), planned use of more contingent workers (33%), and planned reduction in workforce (26%).

4. **There is an array of factors that greatly influences hiring plans.** The area with the greatest impact is employee retention, with 88% of study respondents indicating it had a great or moderate impact. Inflation also has a substantial impact for nearly three-quarters (74%). The third area with substantial impact for most was the lack of qualified workers to fill open positions, according to two-thirds (69%) of HR leaders.

5. **Existing HR technology is often not adequately addressing the biggest concerns of HR.** Among all the areas examined, workforce planning is addressed best by HR technology, though with only 29% considering it extremely or very well at addressing needs.

6. **There are many areas of HR technology that will be the focus of future investment, though there is no one area of mutuality.** The most common area of focus is employee engagement (46%). Learning & Development was selected second most often by 41% of respondents, which is not surprising as reskilling the workforce is among the greatest needs.

DETAILED FINDINGS

How Workforce Will Change in 2023

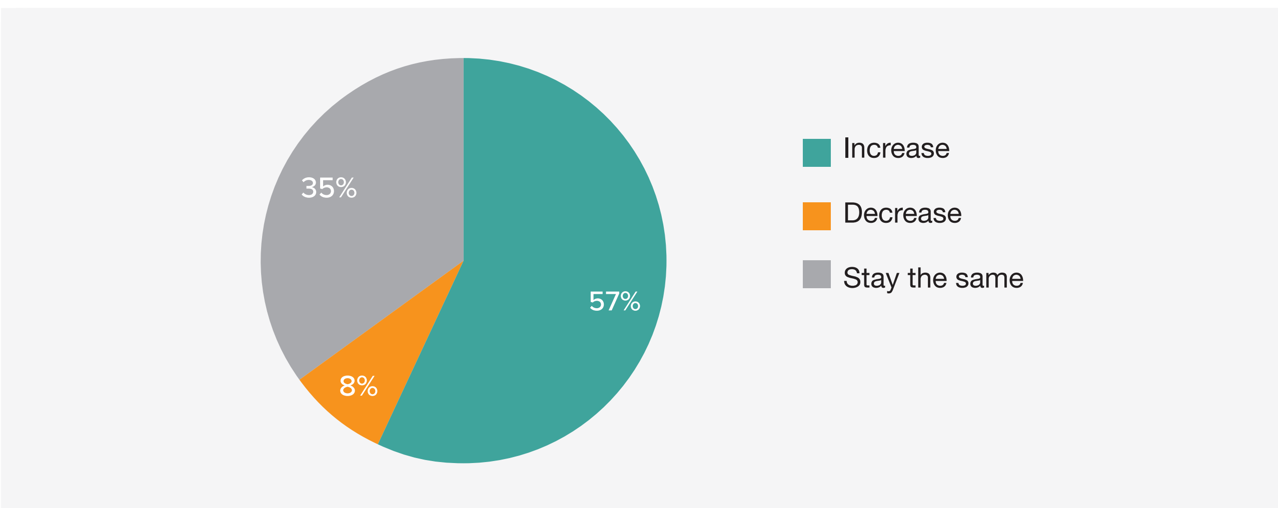
How do you anticipate your workforce size will change in 2023?

Study participants were asked how they anticipated their workforce will change in size in 2023. The majority (57%) indicated that their workforce will increase in 2023, seven times as many who felt their workforce would decrease in size (8%).

The optimistic view is supported by recent labor department statistics. While news of layoffs, particularly in the technology sector, are dominating headlines, U.S. Bureau of Labor Statistics data suggests otherwise. Employers added a startling 517,000 jobs in January, the first sign of how the labor market might fare this year, with increases widespread across industries from leisure and hospitality to health care, the Labor Department reported.[1]

The surge in job creation comes despite the Federal Reserve's efforts to slow the economy and bring down inflation from its highest level since the early 1980s. The Fed has raised its benchmark interest rate eight times since March 2022.[2]

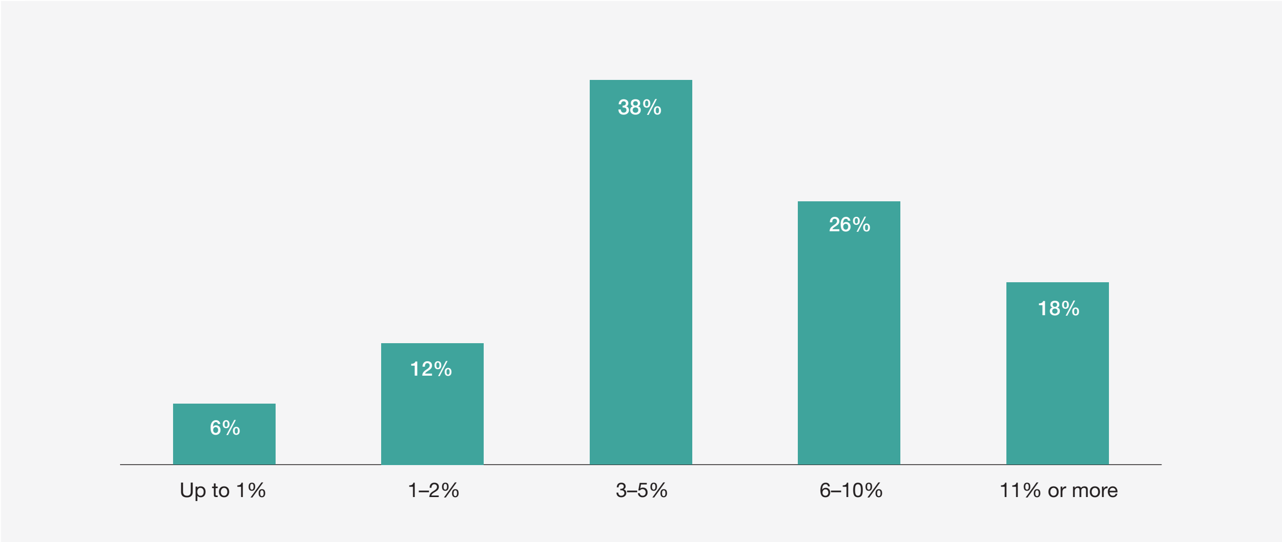
How Workforce Will Change in 2023



Size of Workforce Change

By what percentage are you planning for the size of your workforce to increase in 2023?

Respondents that previously indicated they anticipated an increase in the size of their workforce were asked to select the range that contained their estimate as to the magnitude of the increase. The most typical expected increases were in the 3-5 % range, but surprisingly, 44% anticipated a change of at least 6%, with the average increase at 6.9%.



The 8% of respondents who anticipated a decrease in the size of their workforce indicated that the average decrease would be 6.3%.

There will be continued uncertainty about the labor market for most of the year. Making accurate predictions at this point is problematic. But one thing economists can predict is how the American labor market will continue to be hard to define in simple terms. The global economy is still rocky due to rising interest rates, inflation, and the persistent threat of a recession. As a result, many major corporations continue to announce layoffs and hiring freezes.[3]

2023 Recession Outlook

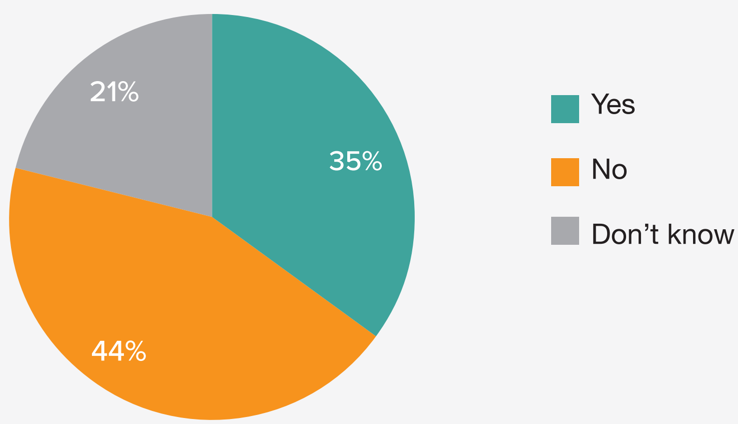
Is your company anticipating a recession in 2023?

Study participants were asked to indicate if their company is anticipating a recession in 2023. Opinions were split, but the largest segment (44%) did not anticipate a recession.

Confusion about a recession is understandable. Economic signals continue to be mixed and vary considerably depending upon industry. Some industries, such as healthcare, will continue to thrive while others, such as technology, may struggle. In the healthcare sector, the nation's workforce is still trying to recover from the COVID-19 pandemic nearly three years after it began as labor shortages stress hospitals and clinicians, spurring increased burnout among staff ranging from nurses to executives.[4]

In technology, many firms over-hired during the pandemic. More than 102,000 workers in U.S.-based tech companies (or tech companies with a large U.S. workforce) have been laid off in mass job cuts so far in 2023, according to a Crunchbase News tally. In 2022, more than 140,000 jobs were slashed from public and private tech companies.[5]

Likelihood of a Recession



Steps Being Taken to Prepare for Recession

What steps are you taking to prepare for a recession?

Respondents indicated the steps they are taking in the event of a recession. The steps organizations will take to prepare for a recession is broad, with no option explored being used by over one-half of respondents. The most common step taken is eliminating previously planned open positions, as indicated by 48% of respondents, while 34% are taking no steps at all.

In the U.S., the number of job openings increased to 11.0 million at the end of December 2002. But job growth is not consistent, even by state. Job openings rates increased in ten states and the District of Columbia and decreased in one state. Total separations rates increased in seven states and decreased in six states.[6]

There were three other steps commonly being taken, each by at least 26% of respondents: temporarily reassigning roles of current employees (33%), planned use of more contingent workers (33%), and planned reduction in workforce (26%).

The temporary reassignment of roles of current employees can be an effective way to balance the workload and avoid layoffs. But its application is limited to how transferable the skill set of the employees are, and what response they have to the change, even though temporary. Low unemployment rates make this option problematic, and it may encourage workers the organization wants to keep to leave.

According to a recent article from the Financial Times, US businesses are increasingly hiring workers on temporary contracts as recession fears discourage companies from adding more permanent staff.[7]

Just over one-third (34%) are taking no steps to prepare for a recession, as most of this group do not anticipate a recession.

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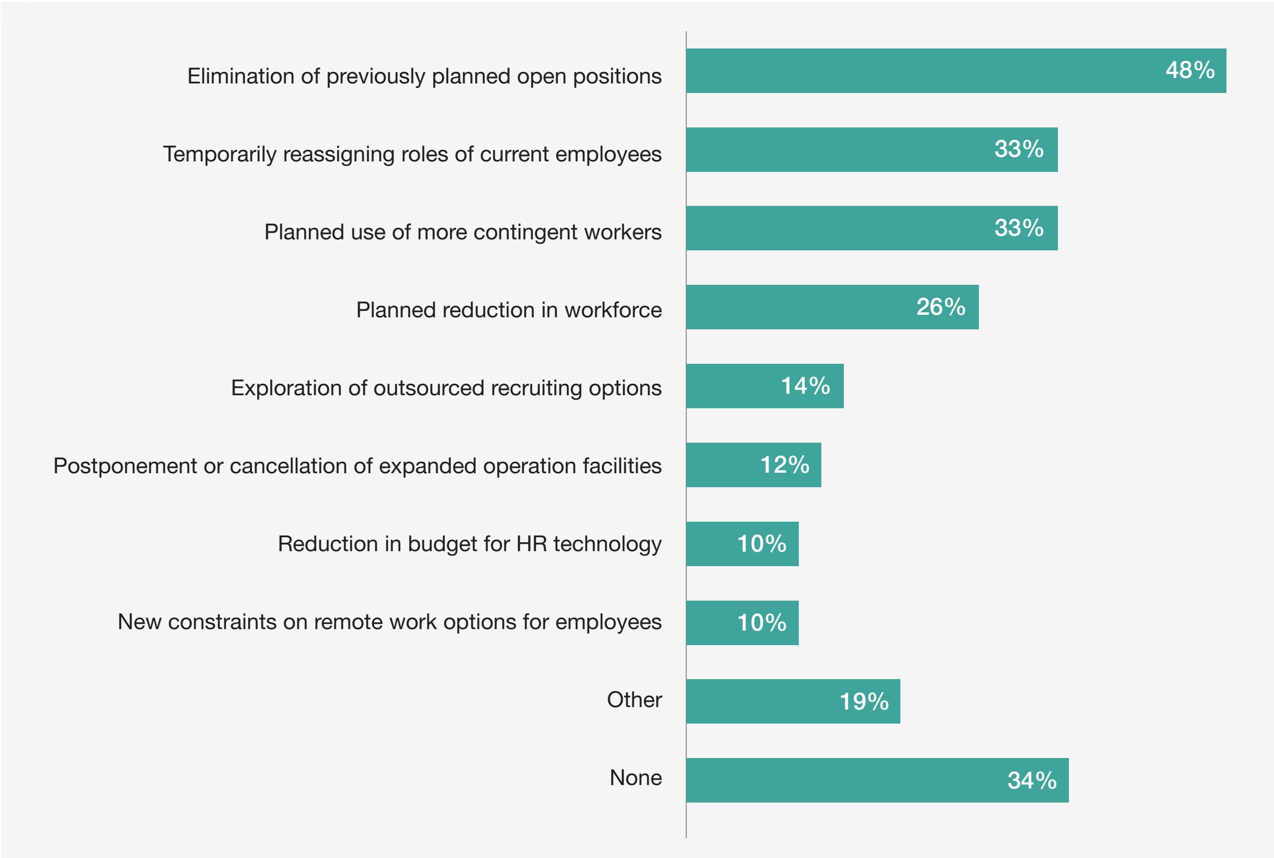
Steps Being Taken to Prepare for Recession



The top four plans among those who anticipate a recession is the same as the overall sample, though the extent and order are different. Nearly two-thirds (61%) of this group are eliminating previously open positions, while just under one-third are planning to use more contingent workers, reduce the workforce or temporarily reassign roles of current employees.

Steps Being Taken to Prepare for Recession Base: Anticipate a Recession	**ANTICIPATE A RECESSION**
Elimination of previously planned open positions	61%
Planned use of more contingent workers	30%
Planned reduction in workforce	26%
Temporarily reassigning roles of current employees	26%

What is Impacting 2023 Hiring Plans

Please indicate how each of the factors listed below is impacting your hiring plans for 2023.

Study participants were asked to indicate how each of eight factors impacted their hiring plans for 2023 on a scale of 1-5, with five being a great impact and one being no impact. Five of the eight areas had at least 50% indicating the impact was great or moderate, suggesting there are multiple factors greatly influencing hiring plans.

The area with the greatest impact was employee retention, with 88% indicating it had a great or moderate impact on hiring plans. U.S. employee annual voluntary turnover jumped nearly 20% in 2022, from a pre-pandemic annual average of 31.9 million employees quitting their jobs to 37.4 million quitting in 2022, according to Gartner, Inc.[8] This level of turnover means TA leaders are constantly refilling roles to replace departing employees.

Inflation had a substantial impact for nearly three-quarters (74%) of survey takers. Price inflation leads to wage inflation, making it costly for organizations to attract and retain workers. The annual inflation rate for the United States is 6.4% for the 12 months ended January 2023.[9] If an annual raise is between 3–5%, employers are losing ground economically.

The third area with substantial impact, on the majority, was the lack of qualified workers to fill open positions, according to two-thirds (69%) of those responding to the question. The current US unemployment rate is 3.4%,[10] near historic lows, meaning that qualified workers will be taken quickly, making the competition for them intense.

Over one-half (57%) indicated that focus on DEI initiatives is considerably impacting hiring plans for 2023. While DEI initiatives are not new, they became much more of a focus in May of 2020 after the murder of George Floyd and they continue to be emphasized in the hiring and internal mobility processes.

The last area with more than 50% of respondents greatly or moderately impacted by is reskilling the workforce. Employers are focusing on internal measures to address skills and labor shortages. According to a recent PwC study, 40% of employers are upskilling workers to address skills and labor shortages.[11]

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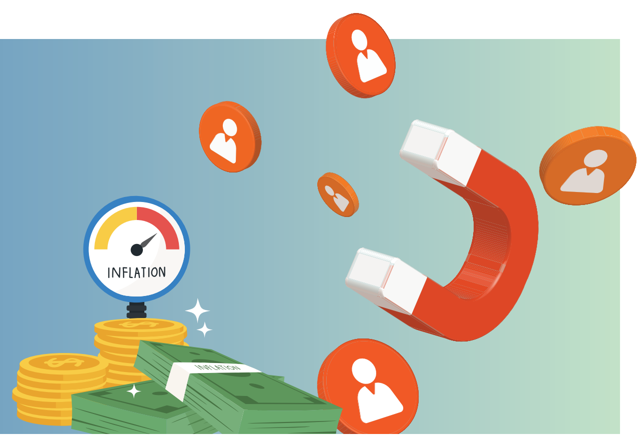

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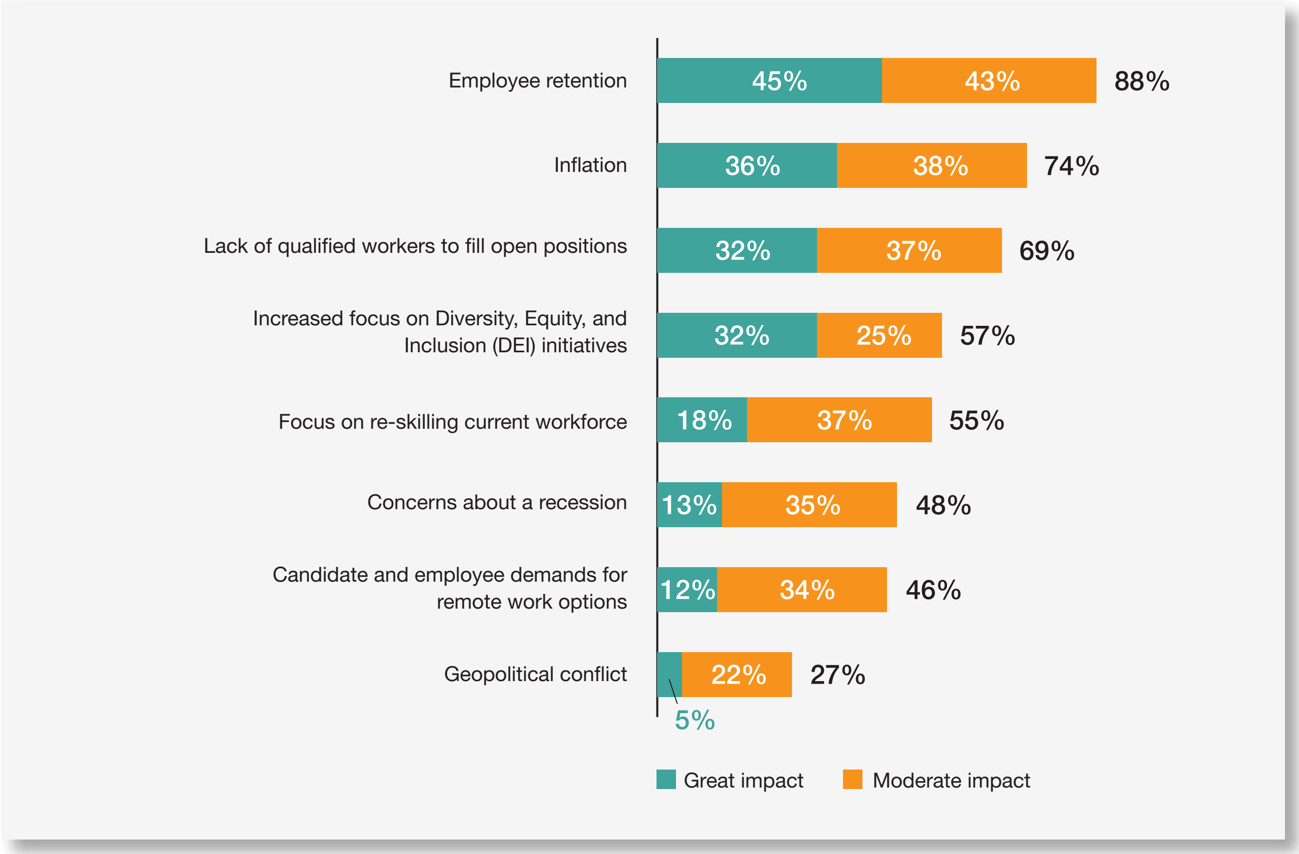

How Well Existing HR Tech Addresses Needs

How well does your existing HR technology help you address each of the areas listed below?

Respondents were asked to indicate how well their HR technology helps them address a series of seven areas. The scale used was one to five, with one being "not at all" and five being "extremely well." Five of the seven areas explored here were similar to the factors impacting hiring plans in 2023 in the prior question.

Overall, existing HR technology is not addressing needs well. The average score across all seven is a tepid 3.50 on a scale of 5.00.

Workforce planning is addressed the most by HR technology, though with only 29% indicating it is addressed extremely or very well. HR tech can provide the tools needed to support workforce planning, such as hiring, retention, DEI initiatives, and succession management.

The lack of qualified workers was addressed very poorly by HR technology but is among the factors impacting hiring the most in 2023. Recruiting technology can be essential in finding qualified workers, though they are highly coveted. Ways this can be done include through improved use of social media, enhanced talent pool management, evaluate and rank shortlisted candidates, resume screening and overall speeding up the hiring process.

Employee retention is addressed poorly by HR technology, with only 20% indicated it is addressed Extremely/Very well. Retention is bolstered by better recruitment, as well as consistently scheduled evaluations of the employee and their manager.

Reskilling the current workforce was the area that for many (38%) HR technology did not address at all, despite its impact on hiring. But that does not have to be the case. Technology can identify skills gaps, make recommendations and deliver personalized reskilling programs.

One-in-five (20%) study respondents indicated that technology addressed their DEI goals Extremely/Very well. DEI goals can be more easily met through the use of technology that reduces bias in job descriptions. An Applicant Tracking System (ATS) can collect, track, and measure data that shows if diversity recruiting strategies have been successful or need improvement.[12]

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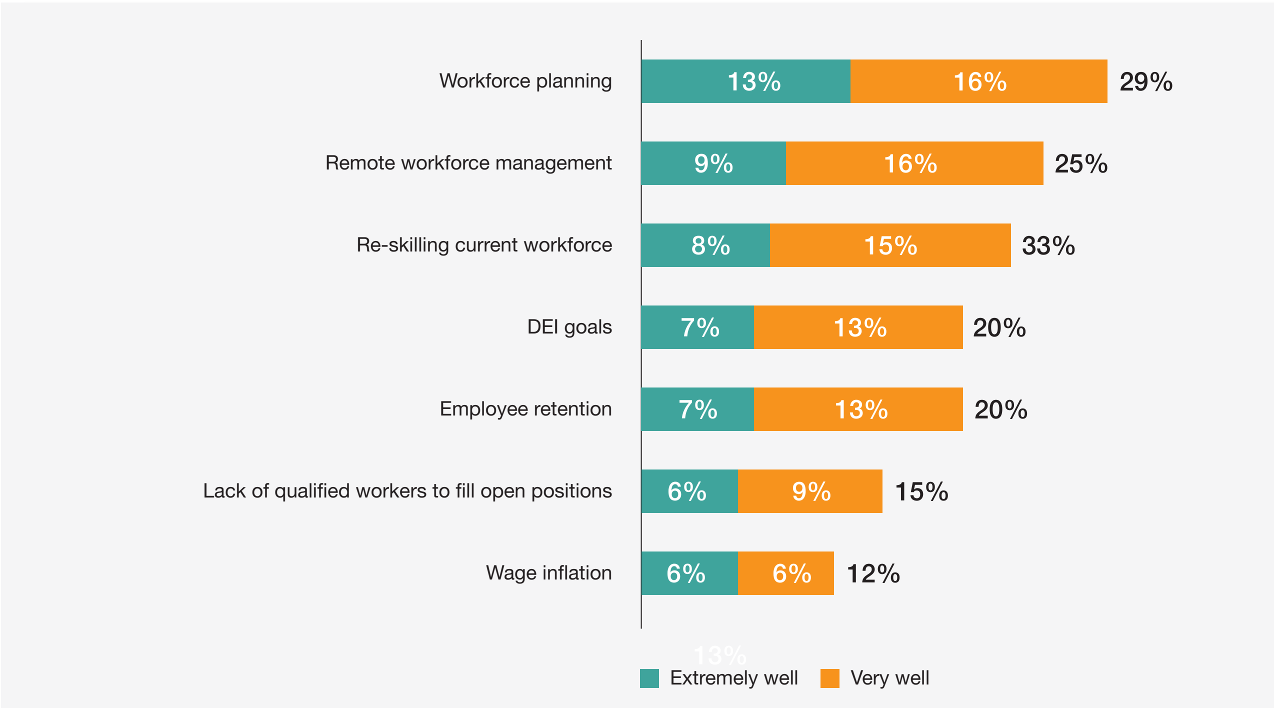
How Well Existing HR Tech Addresses Needs



HR Technology Does Not Address Need

Focus Looking Forward on HR Technology Investment

Where will your company's focus be as you look forward on HR technology investment? Please pick up to three from the list below.

Study participants indicated up to three areas of HR technology they think will be their company's focus looking forward. There were 11 different areas considered. 78% of respondents felt there would be at least one area of focus. Opinions about the emphasis on which HR Technology varied, with no area selected by at least 50% of those in the study.

Respondents selecting at least one area of focus most often indicated employee engagement (46%). Employee engagement is how strongly employees feel connected to their work and their employer. It drives performance and retention.[13] Technology can be used to enhance employee engagement through the use of AI-powered tools or business automation software. Gamification can be used to maximize sales. Other ways technology can be used is to enhance employee social networks, performance management software, and a digital reward system in place that includes gift cards, online movie/music subscriptions, or virtual courses that can help keep your employees highly engaged.[14]

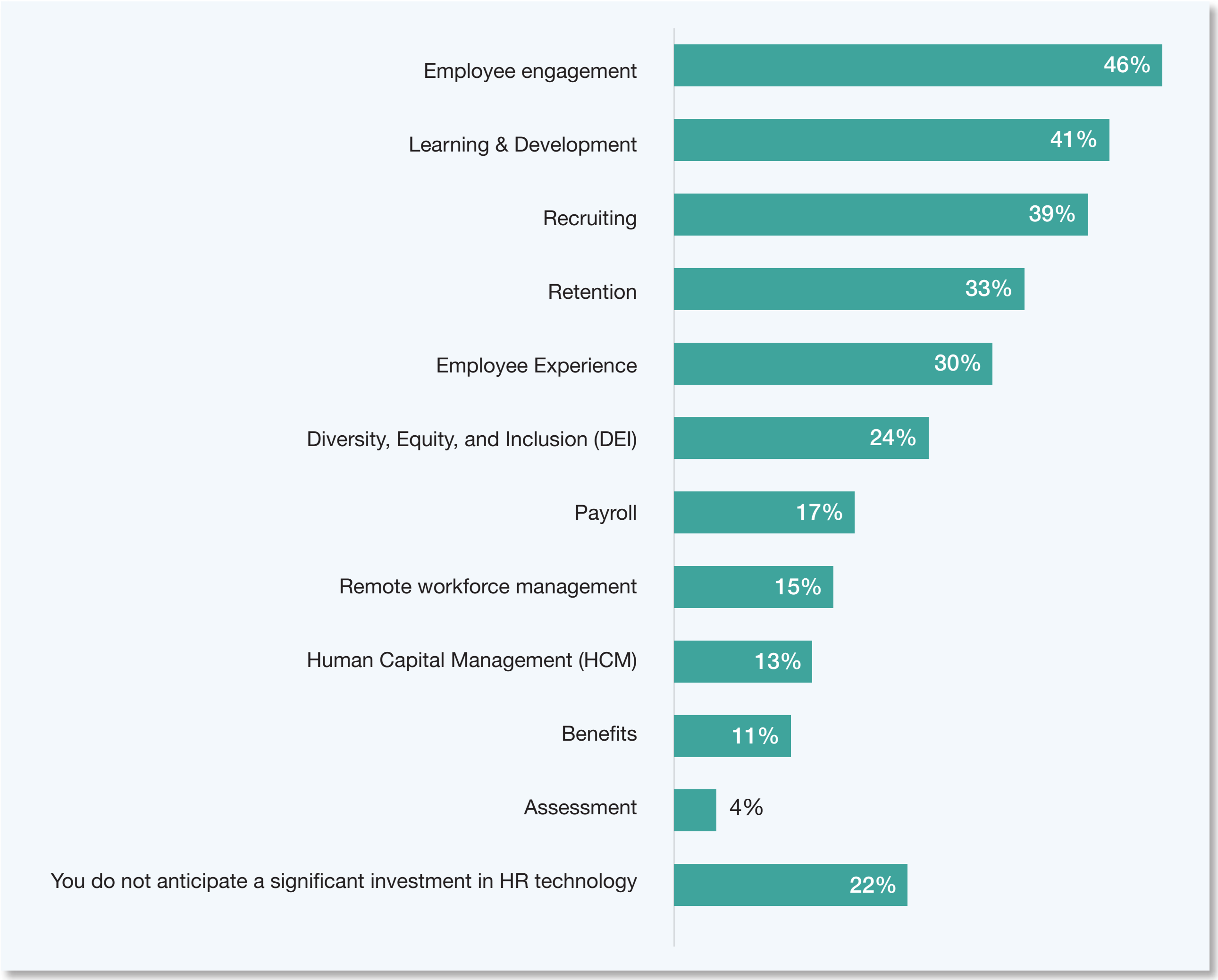
Learning & Development was selected second most often (41%), not surprising as reskilling the workforce is among the greatest needs and the area identified as most likely not to be addressed by HR technology. In 2022, $1.5 Billion was spent worldwide on Learning & Development technology venture capital investment.[15]

Recruiting was indicated third most often as a technology focus looking forward, as 39% selected it. Employee retention and the lack of qualified workers to fill current positions were both identified earlier in this study and are related to recruiting.

Automation can now take some of the copious manual activities off human recruiters' plates. Automated tools can now source candidates, administer assessments, schedule interviews, and provide regular updates to candidates throughout the process. It's a great way to use AI to reduce effort on both sides of the recruitment equation.[16]

Other ways technology can be used is to enhance employee social networks, performance management software, and a digital reward system

Focus Looking Forward on HR Technology Investment



Conclusion

The findings suggest that, despite ongoing headlines about layoffs, most organizations anticipate an increase in their workforce size in 2023, and there is little consensus on whether a recession will take place in 2023. Organizations who are preparing for a recession are taking a variety of steps and it's clear the biggest factor impacting hiring plans comes from employee retention. While it's perceived that HR technology is not adequately addressing the biggest concerns of HR, there is huge potential to invest in HR tech for better recruitment and retention efforts. ■

Notes

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