HR DIVE

TRENDLINE

The comprehensive list of HR trends to watch in 2023

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NOTE FROM THE EDITOR

People management is forever an evolving landscape and 2023 is shaping up to be no exception.

The HR Dive team reached out to labor and organization experts, DEI consultants and employment law attorneys to gauge what's on the horizon for the year. The consensus? Not only can HR steer the ship of their organization's business goals and workplace culture, but also employers have an opportunity to recognize and celebrate HR's role in company leadership.

Talent professionals and HR teams can make an impact by facilitating flexibility and championing compassion. Built on a foundation of trust, a positive, purposeful employee experience can be within reach, experts told HR Dive.

That's not to say meeting these objectives will be easy. In the DEI lane, practitioners appear to be struggling with questions like, "How do we keep up 2020's DEI momentum sparked by Black Lives Matter protests?" Equity initiatives, financial literacy discourse and caregiver support may be some answers, experts said. Political talk at work, ahead of the 2024 U.S. presidential election, poses more potential problems.

Both federal and state governments – contemplating pay transparency proposals, employee privacy conundrums and bans on noncompete agreements – continue to propose rules and legislation that may challenge HR. Here are the HR trends to watch in 2023.

Caroline Colvin
Reporter

5 trends that will shape HR in 2023

The attention paid to people issues has placed HR leadership in the C-suite's spotlight, but the next task is keeping the momentum going.

By: Ryan Golden • Published Jan. 24, 2023

Another year has passed for HR. If it felt like time flew by, perhaps that's because HR professionals were busy, caught between the **tail end of the Great Resignation** and **the belt tightening** that marked 2022's waning days — not to mention chatter about **a potential recession**.

That doesn't even take into account the **changing nature of the COVID-19 pandemic**, which has more or less defined HR's objectives for the past two years. HR leaders are still sorting out the pandemic's long-term impact on how people work, not the least of which is **how their organizations will approach flexibility** and the role of remote work and hybrid work.

The same conversations dominating HR's attention in 2022 **largely overlapped** with that of CEOs, CFOs and other C-suite executives. The pandemic may have demonstrated just how central people issues are to core business processes and goals. Now that HR has the attention of leadership, it will be up to the profession to highlight its role in responding to the challenges of 2023.

The following are five HR trends that may dominate this year.

#1: Positioning HR as a partner for leadership

At its core, HR has to partner with leaders to maintain influence on the direction of an organization, said Rebecca Kehoe, associate professor of HR studies at Cornell University's School of Industrial and Labor Relations. "This is a two-way street," Kehoe noted, but that doesn't absolve HR from getting outside of its comfort zone to understand the needs of the business.

In her work teaching for Cornell ILR's master's program, Kehoe said such conversations have taken center stage: "Increasingly, we're doing a good job of training them to understand the needs of the business and that those needs need to be at the center of our policies and decisions."

It's much the same for executives who are veterans of the field. Reggie Willis, chief diversity officer at Ally Financial, told HR Dive in an interview that interacting with management and leadership has been a core component of his work during the past few years.

"For many HR leaders it's, 'How do you provide that guidance?,'" Willis said. "That's the million dollar question."

Part of that work is communicating organizational priorities to workers, too. That work has always been important, but it's especially top of mind after a year in which workers across multiple industries **made their voices heard**. Public discourse around wage increases, leave benefits, flexibility and other issues soared in 2022, and Kehoe said she expects many of these trends to continue.

"At a certain point, each organization is going to have to land on how they're going to address each of those trends," she added. "From an HR perspective, there's a really clear need to be more proactive in establishing the stance and the role of HR within the organization around different issues."

#2: Flexibility: An opportunity for HR to prove itself

Transparency **became a central theme** of 2022's final months, with employees and regulators alike demanding it from organizations. Internal pressure is also building. An October 2022 Conference Board report found that investors are looking to company boards to **form clear human capital management strategies** and connect those strategies to business and financial outcomes.

Flexible work is just one opportunity for HR to engage with leadership and show transparency in 2023. In the early stages of office reopening conversations, Kehoe said she was surprised to hear that many organizations pushed return-to-office decisions onto managers, letting them decide which arrangements worked best for their teams.

Some may still take this approach, but "what HR found in many cases was that managers themselves were uncomfortable having to navigate that flexibility within their teams, and they didn't want to have the burden of that decision landing on them," Kehoe said.

Instead, HR can step into a more supportive role, providing policy information, guidance and support for managers who may not know how to navigate flexibility. Willis said that Ally's HR department has done this work in part by educating leaders on authentic, purpose-driven leadership strategies.

"It's really about having that adaptiveness," Willis said. "For some people, coming into the workplace is an outlet and a needed opportunity for collaboration and for heads-down working." But an organization's core values, he noted, must extend to wherever an employee is working.

Regardless of where an organization lands on whether it will permit employees to work from home permanently, some of the time, or none of the time, it must take a clear stand — and HR can be a key player in forming that stance, said Mike Lamm, VP of people, America at technology company Monday.com.

According to Lamm, collaboration has weighed heavily on the minds of HR staff at Monday.com throughout the past few years. The company shifted to fully remote work and only recently began to open new brick-and-mortar hubs to bolster its North American operations. Throughout that process, he said, Monday.com had to balance the in-person collaboration and community aspects it views as central to its culture while maintaining the flexibility that served employees.

“With in-office expectations, the overall play is that you have to take a stand on it,” Lamm said. “What has worked really well for us and for other companies is that transparency is what people want to hear.”

The work doesn’t end at setting a policy. HR needs to be there for leaders to help manage through the changes brought on by flexibility and other trends, Willis said. He noted that Ally seeks to help leaders think through what it means to be authentic, act with purpose and express themselves.

HR departments, Willis said, can talk through **how to establish trust with employees** and ensure that work is getting done while also ensuring safeguards are in place to check in with workers. “You have to be aware of how your teams are engaging in this environment, how you’re providing outlets for conversations and ensuring that work is being done at the same level.”

#3: Purpose drives response to downturn

The U.S. has faced months of declining economic outlooks, and **corporate layoffs have featured heavily** in 2023's early headlines. Adding to the uncertainty, many organizations **are cutting back hiring budgets** despite a persistent need for skilled talent, according to a recent survey of CEOs and CFOs by Mercer.

In this kind of climate, HR may need to refocus on purpose and its place in modern organizations. Willis said this has been an important focus for Ally as the company winds down its external hiring. "What can we do for our employees and our leaders of people to continue to instill a thoughtfulness in them?," he said. "What does it mean to be a human leader? What does it mean to be empathetic?"

These may not be easy questions to answer, but they are nonetheless important to keep in mind as social and economic issues bleed into the workplace, Willis said. To that end, he added that employers should consider how to unify employees around a sense of purpose and community.

Purpose will be an important draw for talent, Kehoe said, both in terms of how an organization approaches purpose with respect to external issues as well as enterprise-wide goals. Specifically, if employers communicate clearly how employees create value through their work, this can help employees feel that they are making a difference in their roles, she said.

"That gives something to employees to hold onto and to value as they do their work day to day," Kehoe added.

There are other aspects of the employee experience that can contribute to a sense of purpose. Willis said Ally's annual stock grant program is an example of the kind of program that can help to align employee success with that of the organization. "It creates a mentality that's pervasive, that says we have some skin in this game," he said. "We all have the ability to affect that stock price by the actions that we take and the care we give to each other as employees."

#4: Talent operations turn inward

Without the ability to expand recruiting in the new year, many organizations will need to reassess what they can do with their internal talent pools to meet future needs, Kehoe said. That work may see employers recommitting to employees' individual career trajectories, a trend that could prove troublesome for the industry.

"If HR has gone there, it's been in the context of succession planning for higher-level roles," Kehoe said.

HR professionals don't have to build internal mobility plans by themselves. Instead, they can work with front-line leaders to determine short-term and long-term needs, and whether those needs align with employees' own career goals and skill sets.

It may also help HR to consider whether employees in one segment of the organization **could be developed nonlinearly** to work in completely different roles or domains. Kehoe suggested the idea of a "lateral" approach to talent mobility, whereby employees who may not be ready to take the next step forward in their careers could develop skills and qualifications that allow them to contribute in new ways. Other approaches, **like job shadowing**, may also be applicable.

Still, managers may not have the bandwidth to facilitate this kind of growth, Kehoe said, meaning that HR teams could step in to provide training, resource guides and real-time support.

Aside from internal pipelines, employers also may want to explore how they can leverage **alumni networks** and client organizations, like suppliers, to find potential talent. "You know what you're getting when you hire from a trusted partner," Kehoe said, "and it can be a basis for strengthening trust with external partners."

#5: Staying the course despite change

For all the progress that HR departments have made in drawing attention to their work in the past three years, fears of slowing progress persist. Diversity, equity and inclusion programs have been a particular focus along these lines; a 2022 Glassdoor survey found that **access to DEI initiatives** stood at 41% in the third quarter of last year, compared to 43% in 2021.

Willis said he has seen those concerns first-hand. Commitment from top leaders can help, however, and it may help for HR people themselves to reassess their approach.

“Be very intentional about why you’re doing this work,” Willis said. “Challenge your organization to see if the current state of things is going to take us down the path to success in this regard, and if not, what can we do to change that direction?”

At the end of the day, founders, CEOs and other leaders make business decisions and own them, Lamm said, and HR’s role has the power to shape those decisions.

“We finally have a seat at the table,” he said. “But that seat is evolving in a way. The value that we placed in HR leaders at the beginning of the pandemic, I think it made people realize how important this role was.”

HR departments will need to hold themselves and their organizations accountable to previously stated goals, particularly in areas like DEI, Willis said. Qualitative outcomes, such as the amount of funds the employer has given to charitable causes or the number of connections made with external community partners, are one method of doing so.

“Stay the course,” Willis said. “Keep score, and make sure you’re measuring what you said you’re going to do.”

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6 diversity and inclusion trends to watch in 2023

As HR researchers clock DEI as a way to attract top talent, here's what labor experts told HR Dive are top 2023 workforce trends.

By: Caroline Colvin • Published Jan. 25, 2023

Are diversity, equity and inclusion efforts on the chopping block in 2023?

A **Glassdoor exec told HR Dive** as much in 2022. Monster and Workhuman researchers published their 2023 workforce trend reports, also noting **DEI is among the "first to go"** when leaders have their backs against the wall and need to cut company costs.

For HR managers asking, "Then what is the point in pursuing DEI initiatives?": Job candidates are increasingly interested in DEI when vetting potential employers. Many studies through 2022 indicated as much, with words like "purpose," "values" and "alignment" cutting through the noise of the Great Resignation.

Assessing early 2023 job market outlook reports, labor experts told HR Dive that employers can differentiate themselves and attract choosy top talent by championing DEI.

HR Dive spoke to three workplace consultants about the trends they are seeing emerge among their corporate clients that will have staying power in 2023.

2023 diversity trend: Political affiliation bias

"Traditionally, talking about politics has been very taboo," said Mandy Price, co-founder and CEO of DEI technology company Kanarys. But as the U.S. gears up for a 2024 presidential election, Price foresees political prejudice will be a big issue this year.

Already, the Society for Human Resource Management is tracking an uptick in this kind of bias. Price points to SHRM's August 2022 report, wherein 24% respondents said they have experienced either positive or negative differential treatment due to their political views. This is up from 12% of respondents who said the same in 2019.

2023 diversity trend: Embracing humility

Laura Stamps, Financial Finesse's head of strategy for DE&I engagement financial wellbeing, wants to see people "learning at their own expense" among 2023's trends. "People have a fear of not offending and being perfect in this work. Everyone comes from their own vantage point," Stamps said. "Just because I'm a multicultural Black woman does not mean that I know all things about all people. Being considered a 'diverse' person does not make me an expert on everyone."

"Have the humility to want to learn about people, knowing that you're going to step in it," she added.

2023 equity trend: Pay transparency

“Pay transparency is an area that we have seen a lot of movement around,” Price said, nodding to the laws in California, Washington state and New York City. “We’re going to see other states follow suit, along with employees calling for more pay transparency.”

Price pointed to data underscoring that workers want insight into **how employers calculate compensation**. In Visier’s 2022 pay transparency report, 62% of respondents said they know what factors go into determining compensation. Not only does this data indicate a considerable number of workers in the dark, but Visier noted that this knowledge differed “significantly” by gender and generation.

2023 equity trends: Retirement education for BIPOC

Working in the financial wellness space, Stamps spoke to insights she’s seen in Financial Finesse’s collaborations with the Employee Benefits Research Institute. Notably, EBRI research demonstrates that Black and Hispanic people tend to bring nonmortgage debt into retirement. “They tend to have less retirement dollars saved,” she emphasized.

A phenomenon Stamps said she’s been thinking about lately is medical challenges forcing early retirement. “If you’re forced to retire, you’re theoretically less prepared for retirement than the average [person] and you have more debt. That’s more challenging because now you have a sort of fixed income if you’re lucky. Getting any kind of fixed income that you have to depend on kind of perpetuates the racial wealth gap.”

A 2023 goal for HR leads and benefits professionals: Introduce these conversations to workers earlier. “Let’s not wait until 10 years before retirement — because for those populations, they don’t have the luxury of that time. We’re already catching up,” Stamps said.

2023 inclusion trend: Increased caregiver support

While no single policy exists to make a business “family-friendly,” there are definitely some amenities that are highly sought after and can make a difference, Sadie Funk, director of The Best Place for Working Parents, a business community, told HR Dive. Child care support, for example, makes a huge difference.

And on-site care is not the only solution. “One opportunity is through child care assistance. That may be a subsidy to help cover a portion or all of the cost.”

A dependent care FSA, which is structurally similar to healthcare FSAs, can also apply to elder care, she said. This can be especially helpful to members of the “sandwich generation,” Funk said.

She explained how the caregiver support discourse about resources has only snowballed since 2020. “Leading up to COVID and even [during] early COVID, a lot of these policies were still thought of as a ‘nice-to-have.’ What we’re seeing today is it’s no longer ‘nice,’” she said. “‘Family-friendly’ isn’t just a perk, but it’s really a must-have for those businesses who are trying to compete.”

2023 inclusion trend: Embracing veterans

Stamps also said she wants to see more conversations about veterans — especially conversations with nuance. The veteran community has different branches (Army, Air Force, Coast Guard, Marines, Navy and Space Force). From those branches come veterans with either operational or combat experiences.

Additionally, military-related physical disabilities and mental health challenges vary. “Some people have combat-related injuries. My husband is 100% disabled from the Marines, but you couldn’t tell by looking at him,” Stamps explained.

As military personnel re-integrate into civilian life, their Veterans Affairs Administration compensation and benefits breakdown affects their approach to work. Employers should think about how a workers' veteran status affects their financial goals, as well as how they relate to the world and whether "they feel seen," Stamps said

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Nothing quiet on the talent front in 2023

Companies will guard their existing workforces and hire strategically this year, experts say.

By: Ginger Christ • Published Jan. 25, 2023

Despite trends ranging from quiet quitting to quiet firing to quiet hiring, the talent side of human resources is anything but silent heading into 2023.

While whispers of an economic downturn hover around the water cooler and news of downsizing in the tech sector lingers, most executives aren't planning massive layoffs. At least, not yet.

A **recent survey by PwC** of 4,410 chief executives in 105 countries found that while 73% expect global economic growth to decline this year — **the most pessimistic business leaders have been** about the economy since PwC started asking about it 12 years ago — 60% don't intend to cut their workforce in the next 12 months.

Instead, companies likely will be more strategic in their hiring, human resources executives say. Paul Lewis, chief marketing officer at **Adzuna**, an employment website company, characterizes this as "purposeful hiring." Long gone is the explosion of hiring in late 2021 and early 2022, a time when candidates fielded multiple job offers and companies vied for talent.

"Companies will focus on quality candidates rather than scrambling to fill a plethora of open positions," Lewis told HR Dive via email.

Recruiting: Candidate experience is key

Finding those high-quality candidates will involve creating a better hiring experience.

"Companies should foster more transparency throughout the hiring process, be that improving salary transparency or stopping ghosting candidates. This is essential to make sure you get the right candidates in the door and to establish trust right from the beginning of the hiring process," Lewis said.

He recommended businesses find ways to streamline the hiring process and cut the time to hire to both save money and keep candidates engaged.

Albert Galarza, global vice president of human resources at **TELUS International**, an IT and customer service provider, said his company has reduced the time from application to offer to two hours for front-line workers.

“We still have a lot of candidates who are interested in evaluating the company’s efficiencies just by the interview process,“ Galarza said.

Some candidates, Galarza said, see a slow hiring process as indicative that a company itself moves slowly.

Galarza expects the hiring market to be about 95% as competitive as it has been the past two years. Despite major layoffs at tech companies like Amazon, Microsoft, Twitter, Google and Facebook, the U.S. unemployment rate remains low, he said.

“We expect some softening but not a lot given how low unemployment is overall,” Galarza said.

That’s why, he said, a company’s No. 1 job is to retain employees and not get complacent about their existing workforce.

Retention: Build trust and focus on who is present

Jennifer Shewan, vice president of people at **Wonolo**, an on-demand job marketplace, said it’s most cost-effective for a company to invest in the employees they already have to prevent disengagement and quitting — quiet or otherwise.

Internally, Wonolo invests in learning and development and has created career pathing to help employees gain new skills.

Carmen Bryant, workplace expert and VP of marketing at **Wizehire**, an online hiring platform for small businesses, expects to see companies hoarding labor this year, afraid to have layoffs after experiencing recent hiring challenges.

Bryant said companies will need to work on building trust with their employees in 2023, especially as economic concerns arise.

“Employees will have questions about the health of the business,” Bryant said. “It’s important to invite them to share their concerns and use it as an opportunity to be transparent to foster a sense of trust, address challenges and brainstorm solutions.”

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State, local laws to drive compliance trends in 2023

“There are some federal things to look out for,” one expert said. “But really, it’s about the state level, which makes things pretty complicated for employers.”

By: Katie Clarey • Published Jan. 30, 2023

When reflecting on the compliance trends employers must consider in 2023, the ever-increasing patchwork of state and local laws overshadows federal developments, according to King & Spalding Partner Amanda A. Sonneborn.

“There are some federal things to look out for,” she said. “But really, it’s about the state level, which makes things pretty complicated for employers.”

Employers have had to keep up with updates, revisions and changes to existing federal law dispensed by the agencies, of course. But it’s been some time since the federal government enacted a dramatically different employment law, Sonneborn said. “The reality for employers is that most of the changes are happening at the state and local level,” she said. “Assessing how you deal with it on a local versus federal model is the biggest challenge.”

In speaking with Sonneborn and two other attorneys, HR Dive identified five compliance trends for employers to watch in 2023.

#1: Pay transparency

“Pay transparency laws seem to be the way of the future,” according to Kelly Cardin, shareholder at Ogletree Deakins. The laws, which generally require employers to include salary range information in job postings, **have cropped up** most recently in California, Washington and New York City.

“These laws are unique in that they seek to correct pay gaps and inequities on the front end by informing candidates what an employer is willing to pay for a position,” Cardin told HR Dive in an email. “The idea is that by informing candidates of the pay range, systemic pay disparities are less likely to be carried forward.”

As more pay transparency laws appear, it’s likely the new requirements will translate to new expectations among candidates, Cardin said. So even where pay transparency laws aren’t in effect, job seekers may push the change forward.

#2: Employee privacy

The enactment of the **California Privacy Rights Act** brought employee privacy to the forefront in the U.S., Sonneborn told HR Dive in an interview. The law, which went into effect Jan. 1, follows the Illinois Biometric Information Privacy Act, which was enacted in 2008. But the California law encompasses much more than its midwest counterpart. The **Illinois law** sets forth rules about collecting, retaining and disclosing biometric identifiers and biometric information. The California mandate "governs all aspects of the employment relationship and how the data is used in context of that relationship," Sonneborn said.

"It's just dramatically different from what employers have traditionally had to do," Sonneborn said. Because the law went into effect in California, employers with job applicants or employees there will have to consider how they plan to handle compliance, and whether their privacy policies will apply country-wide.

#3: Leave

Employers will continue to see movement on paid leave from a state and local level, Sonneborn said. Illinois, for instance, passed the Paid Leave for All Workers Act Jan. 10. Once the law takes effect next year, employers **must annually provide** covered employees up to 40 hours of paid leave, which can be used "for any purpose."

Even as broad, progressive leave laws like this one start to take effect, Sonneborn doubts employers will see anything leave-related come out of Washington, D.C. "I think there will be various states that continue to move on certain parts of leave. And that will make it harder for employers to comply," she said.

Because there's no consistent approach to leave across all 50 states, employers are left to decide how they'll comply with differing requirements, and whether they'll provide consistent benefits to employees in different pockets of the country.

#4: Labor

There are some topics to watch on the federal level, of course. Sonneborn recommended paying attention to the labor decisions from the Biden administration.

She also noted a change within labor itself. The more labor-friendly administration is coupled with "what I would call a proliferation of union organizing techniques," she said. "We're seeing unions in the tech sector and the food and beverage sector organize in ways they haven't in the past."

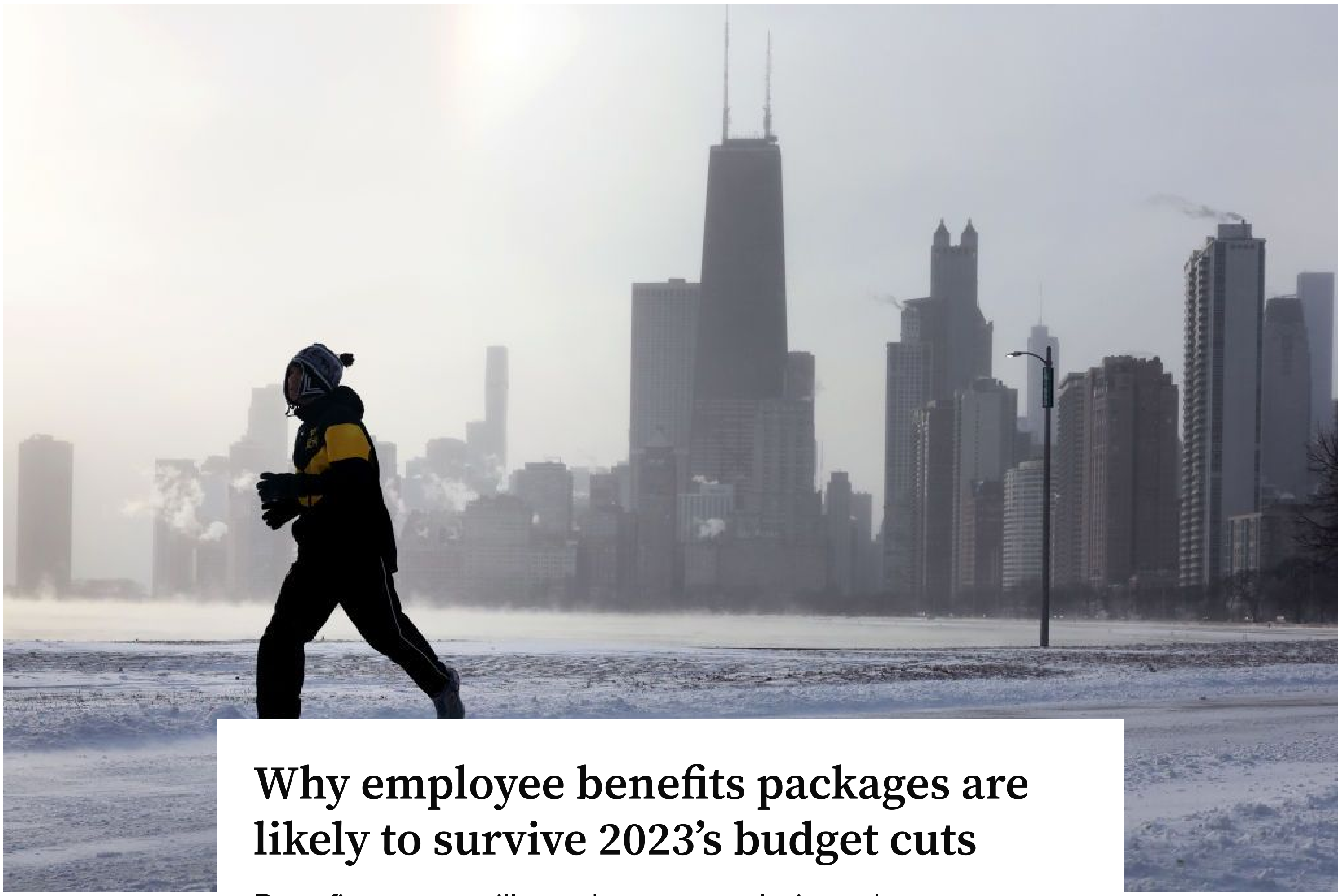
#5: Noncompetes

Another federal issue to watch: the Federal Trade Commission's **proposed rule** to ban noncompete agreements. "The FTC's ban on non-competes reflects a sharp reversal of the cooperation between federal and state authorities that has marked antitrust enforcement for decades," Proskauer Partner Colin Kass told HR Dive in an email.

"If the FTC is successful in enforcing its ban on non-competes, it will fundamentally change the relationship between employee and employer. Until now, the protection of trade secrets and know-how justified limited non-competes," he said. But if that justification fades, companies will have to rely on other means to protect sensitive information — means that will likely be less effective and more expensive, Kass noted.

But the rule is unlikely to be adopted as is, Kass said. "However, it's not the only tool in the FTC's toolbox and they appear to have an agenda for antitrust."

Article top image credit: Justin Sullivan via Getty Images



Why employee benefits packages are likely to survive 2023's budget cuts

Benefits teams will need to ensure their packages meet employees' most pressing needs while justifying their investments to leadership.

By: Ryan Golden • Published Jan. 27, 2023

In 2023, compensation and benefits teams will face a crucial challenge: how to balance the need to offer competitive total rewards that attract and retain key talent with the reality presented by an economy in flux.

This is reflected in research by firms including insurer Principal Financial Group, which found in a survey of 500 U.S. employers that while 70% said they agreed a recession is **likely to happen by midyear**, 52% would not reduce the level of benefits they offered and 58% would not reduce salaries. Small employers were more likely than large employers to say they would not make cuts.

Cost containment has long been a priority for benefits leaders, according to Regina Ihrke, North America well-being leader at WTW, and 2023 is shaping up to be no different in that respect. WTW survey data from last September showed that more than two-thirds of U.S. employers said they planned to **prioritize controlling healthcare costs** over the next three years.

The question, Ihrke said, is “How do you try to have the most robust programs you can within the budget, as much as possible?” To answer that, employers will need to ensure their packages meet employees’ most pressing needs, from mental health to financial security to preventative care, all while ensuring that executive leadership is on the same page.

Going to bat for your benefits

The latter portion of that strategy is particularly top of mind for benefits teams in the early stages of 2023, said Tony Guadagni, senior principal in Gartner’s HR practice. Organizations are expecting that this year will be more “cost constrained” than years past, but benefits are inherently a difficult function in which to cut costs.

“Offering benefits generally doesn’t get cheaper over time,” Guadagni said. “In fact, it’s the opposite. It becomes a challenge to reduce costs on that front.”

Healthcare alone defies cost reduction. Employers are likely already accustomed to annual healthcare cost increases, and 2023 seems poised to deliver on the front. In December, Mercer published results from a survey of U.S. employers that showed an average **projected cost increase of 5.4%**, compared to 2022’s actual average cost increase of 3.2%.

Ihrke said some organizations can attribute ballooning costs to delays of care **that began during the pandemic** and have resulted in an increase in high-cost claimants. She said she has not seen many employers respond to the resulting increases by shifting costs to employees: “That really is not the strategy that we see as much.”

Instead, employers are doing what they can to buy benefits smarter and connect their plan designs to offerings from higher-quality provider networks, Ihrke said. And if they do need to try cost shifting, employers may be able to do so without putting too much pressure on the lowest-earning members of their organizations, she added.

Employers are also seeking to address areas of prevention and primary care, such as vaccination, cancer screenings and ongoing management of chronic diseases, Ellen Kelsay, CEO of the Business Group on Health, said in an email.

Guadagni said that his conversations with employers have generally yielded little in the way of plans to roll back healthcare contributions. “Health contributions are just such an important part of the employee value proposition,” he said. “When you look at what retains individuals, it’s usually personal relationships and core medical benefits that are just so impactful.”

Look beyond spend to demonstrate ROI

Despite the C-suite’s recognition of the value of certain benefits, the need to justify spending is real. Ihrke said she had recently spent five hours working with a client in the technology sector discussing the return on investment and value of various benefits programs. While those conversations can be difficult, she said benefits teams should not shy away from ROI, as there many ways they can demonstrate that metric.

“ROI is not so much about the dollar amount,” Ihrke said. “It’s also about, ‘Am I providing a service that solves for a gap in the system? Do my employees value and want this?’ Sometimes, in these services, I’m only touching a small group of people. Only 1% of people use this, but it’s very high-value for that 1%.”

That could be especially true for solutions that fill needs not met by existing medical plans. For example, Ihrke noted the strong level of employer **investments in virtual care solutions** for conditions ranging from musculoskeletal health to diabetes management and mental health. These solutions may provide services that didn’t previously exist, and they can lead to better regiment and condition management for employees, which in turn can lead to better productivity for those employees. Nonetheless, these services cost money, Ihrke said and it may be hard to calculate the cost savings they provide.

“There are other programs where we’ve said you have to spend some money,” she added. “We’ve been honest. You may not see that ROI.”

Benefits teams may need to think through the kinds of qualitative evidence that they can present to leadership to demonstrate the impact that total rewards programs are having, Guadagni said. That may include placing employee success stories showing how a particular service affected an individual as context behind the numbers.

Still, there may be opportunities for employers to consider simplifying the webs of vendors they may have created over the years. “Most employers have at least 15 vendors that they’re managing at this point,” Ihrke said. “That’s a lot for small teams … They’re starting to be like, ‘I bought this, but what’s the governance structure and decision-making process for whether or not I should continue to do this?’”

Employers will be increasingly looking to — and expecting — their health plan and vendor partners to deliver more robust quality outcomes measures and to implement solutions that drive towards value and address long-standing challenges related to healthcare affordability," Kelsay said. "There will be increased scrutiny — and potential removal — of health plan and vendor partners who cannot deliver on these expectations."

Aside from financials, benefits teams also will need to evaluate how a particular benefit connects with the organization's overall environmental, social and governance values, Ihrke said. If a solution has positively affected the business' diversity and inclusion goals, for example, that may justify keeping it, she added.

Employee voice can be a powerful tool as well. Benefits teams may be undertaking survey research of employees to understand which benefits they value and why, which is a good starting point, according to Guadagni. But if employers are not already engaging in focus group studies of employees, "This is a year where it's worthwhile to make that type of investment," he said.

"Employers are still very concerned about retaining and also recruiting top-level talent," said Candice Sherman, CEO of the Northeast Business Group on Health. "In order to do that and be competitive, employers are certainly offering a robust array of benefits."

It also may be helpful to enlist clinicians, or other experts, who can review particular solutions to determine whether they are having their intended impact on workers, Ihrke said.

Mental health stigma being 'slowly broken down'

Mental health has emerged as an area of concern for both employers and vendors, Ihrke said. A 2022 WTW survey of employers found that 67% said they planned to make mental health and emotional well-being programs **one of their top three health priorities** over the next three years, and 88% said they took measures to address mental health in 2022.

Stigma about the topic “is slowly being broken down, especially among the youngest generation,” Ihrke said. Kelsay noted that adolescent and youth mental health is one of several emerging areas of focus for employers in 2023, along with substance abuse disorder treatment and suicide prevention and postvention.

Employers also have concerns about whether there are a sufficient number of care providers to meet demand, she added, and about the extent to which employees pay out of pocket for services.

That may explain why some employers have opted to **expand the number of employee visits** with mental health professionals that they will cover. Ihrke said employers are generally looking to improve contracting for these services as well as create better access and timeliness.

“There’s been tremendous investment on the well-being side over the course of the last two years, and it’s coming to a point where organizations are feeling like they need to defend those investments to the people who okayed them in the first place,” Guadagni said. While total rewards professionals believe such investments are worthwhile, he continued, “it’s a real struggle to connect something like a well-being program to the company’s bottom line.”

But some well-being solutions are also lower in cost compared to other benefits areas, he noted, which can strengthen the case for keeping them. Ihrke noted that mental health benefits in particular may lead to improvements in metrics such as the volume of disability leave claims organizations experience.

For 2023, Ihrke said employers are also looking more into wellness benefits after a lull in that area during the pandemic, as well as navigation and advocacy services that help ensure workers can get the most of available solutions. “That’s the biggest challenge,” she said of well-being benefits utilization. “Employees just don’t know.”

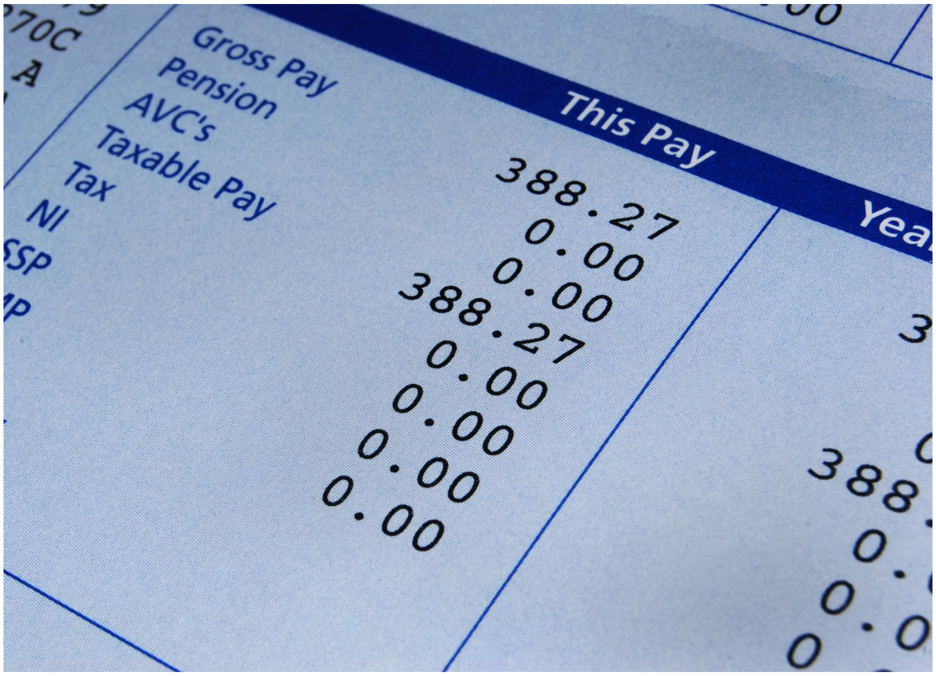
Addressing financial health during a downturn

Financial well-being benefits, on the other hand, may be experiencing their own kind of shift entering 2023, according to Ihrke. Whereas retirement savings may have been at the forefront of employer attention to this segment, “now it’s all about the instant time of need in that space,” she said.

Employers, for example, have sought solutions to ensure employees can access funds more quickly — like same-day pay — as well as helping employees to set up emergency funds or pay off loans. These kinds of solutions have seen integration support from payroll providers, Guadagni said, and they’ve earned positive feedback from workers.

“We’ve heard it’s something for employers that’s really highly valued,” he said of early pay access benefits. “Employers know they’re competing with the likes of Uber [and other] ways that employees can make money and have it on the same day, and this is real competition.”

Pay increases may be on the table, too. “We’re going to see pay raises that we haven’t seen in the last decade,” said Ihrke. Last November, WTW published survey data indicating the employers planned **average pay increases of 4.6%** in 2023, up from 4.2% the year prior.



A 2022 Willis Towers Watson survey found that employers projected average pay increases of 4.6% for 2023, up from 4.2% the year prior.
MJHollinshead via Getty Images

Still, rising living costs due to inflation mean that many employees have seen their purchasing power decline, Guadagni said. “There’s going to be a lot of disappointment in this upcoming merit increase cycle,” he added, due to workers not getting wages that cover the cost of inflation. “What’s important is that while benefits are critical, they have to be balanced carefully and considerably with salary demands.”

Aside from pay, employers are also paying attention to how they may be able to address equity concerns through their total rewards programs, Ihrke said. For example, they could explore ways to help low-wage workers cover emergency expenditures.

A separate 2022 Mercer report found that employers are considering a variety of other strategies to **address equity gaps in benefits** as well as health disparities in their employee populations. Those strategies range from specialized behavioral health support to providing communications in languages other than English to search functionalities to identify acceptable providers.

Virtual care programs have particularly resonated with diverse populations, said Tracy Watts, senior principal and national leader for U.S. health policy at Mercer.

Similarly, voluntary benefits offerings may help in areas like critical illness, hospital indemnity or pet insurance, but education is important as employees may not realize the spectrum of voluntary benefits available to them, Ihrke said.

Ensuring employee awareness

In an effort to tackle that issue, employers are upping efforts to more deliberately experiment with benefits communication this year, Guadagni said. “We’re coming into a year where communication around total rewards is more important than it’s been in recent memory.”

Time remains a key hurdle to communications efforts, and employers will need to strategize around how to best provide workers with training and education while maintaining focus on their day-to-day work. “People aren’t going to do this at night,” Ihrke said. “You start to see this connection of, as an employer, ‘How am I going to give you time off to do this?’”

Employers also may need to take into account the ways in which different segments of the workforce prefer to receive information, Sherman said. Some may be more comfortable interacting with virtual chats or internal social media sites, while others may prefer physical mail, email or text messages.

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