



2023 Midyear HR Trends

Presented by Sullivan Benefits



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In today's rapidly evolving employment landscape, HR professionals are crucial in shaping and driving organizational success. However, the role of HR teams has become increasingly complex and strategic. By staying current on trends, these professionals can navigate the shifting labor market, leverage the latest HR technology and adapt to changing employee needs. Ultimately, this can enable HR teams to contribute meaningfully to their organizations by better attracting, developing and retaining talent, driving employee engagement and fostering innovation.

Midyear is a great time to evaluate HR progress and recalibrate any efforts to close the year strong or inform forward-thinking strategies to maintain a competitive edge moving into 2024. This article highlights HR trends to follow during the second half of 2023.

Continued Labor and Talent Challenges

Recent economic indicators and data reveal that the labor market is resilient and starting to cool down. However, the labor landscape is still highly competitive as employers work to attract and retain today's top talent. Employers can expect to face continued labor and talent challenges throughout the rest of the year, and likely into 2024.

According to the U.S. Bureau of Labor Statistics (BLS), the country encountered an unexpected 10.1 million [job openings](#) in April 2023—compared with a revised 9.75 million in the month prior—following three months of declines. As a whole, monthly job openings have dropped from a record high of 12 million in March 2022 but remain well above the pre-pandemic benchmark of 7 million.

Additional BLS data also shed new light on other employment trends in the country. The May 2023 [jobs report](#) uncovered that U.S. employers added 339,000 nonfarm jobs throughout the month, surpassing expectations. Job growth has remained positive now for 29 consecutive months. Furthermore, the unemployment rate rose from 3.5% in April 2023 to 3.7% in the following month—the highest since October 2022 and near its lowest level since 1969. A larger labor supply helps ease a tight labor market and puts downward pressure on wages since there's less competition among employers for job candidates.

The recent jobs report indicates that the labor market continues to be stronger and more resilient than expected. Additionally, the report is helping to ease worries that the U.S. economy is heading into a possible recession. Notably, workers' wage increases have slowed even as hiring has strengthened. Slower wage gains could result in less upward inflationary pressure on the economy.

The demand for labor is still strong, indicating that employers' struggles to attract and retain workers will likely continue for the foreseeable future. With this in mind, employers should continually monitor employment trends to stay competitive in today's evolving market.

Looming Form I-9 Requirements

Earlier this year, the U.S. Department of Homeland Security (DHS) and the U.S. Immigration and Customs Enforcement (ICE) announced that employers have until Aug. 30, 2023, to complete a physical inspection of identity and employment eligibility documents for any employee whose Employment Eligibility Verification form (Form I-9) was completed virtually according to the temporary flexibilities extended during the COVID-19 pandemic. While these flexibility provisions will end on July 31, 2023, the announcement from the DHS and ICE clarifies that employers have until Aug. 30, 2023, to perform all required physical examinations of identity and employment eligibility documents. This means employers have been given just a few months' warning to complete such examinations and update all virtually completed Forms I-9 to comply with federal requirements. Many employers are concerned that the cost and inconvenience of resuming physical inspections of remotely completed Forms I-9 will be overly burdensome and potentially lead to costly errors, especially since they have limited time to meet with the deadline.

Looking ahead to the future of Form I-9 reporting, the DHS and ICE recently proposed a permanent rule to allow employers to remotely review Form I-9 identity and employment eligibility documents when hiring, reverifying and rehiring employees. If finalized, the proposed rule would allow the DHS to create a framework to authorize alternative options for Form I-9 document examination procedures for some or all employers, according to a Notice of Proposed Rulemaking. The proposed rule would formalize the department's authority to extend flexibilities, provide alternative options and conduct pilot programs further to evaluate alternative procedures for some or all employers, regardless of whether their employees physically report to work on-site. Midyear is a valuable (and necessary) time for employers to ensure they are prepared for the upcoming Form I-9 deadline.





Remote, Hybrid and In-person Work

Everyday life has started to look and feel similar to the pre-pandemic days. Remote work offered safe and convenient accommodations for workers during the height of the pandemic. While some organizations have adopted fully remote workplace models, some are moving forward with hybrid setups, requiring employees to be on-site a few days each week. Some employers have even returned to fully in-person models, requiring employees to be back on-site every day. This ongoing debate around work arrangements and locations is heating up as the COVID-19 federal public health emergency declaration ended in May 2023. Many employers are ready to return to pre-pandemic norms, but they are faced with meeting employees' shifting needs as they continue to compete for top talent.

This debate is largely between employers and workers. For the most part, employers want talent working on-site, whereas employees feel they can do their jobs just as well remotely. Some workers are even willing to make employment decisions based on retaining this freedom. Some large organizations, including Amazon, Apple, Disney, Goldman Sachs, Google and JPMorgan, have already required employees to return to their offices. In response to on-site requirements, some employees are considering walkouts to demonstrate their displeasure.

Private sector businesses employ most U.S. workers; according to the Pew Research Center, 61% of workers do not have jobs that can be done remotely. Additionally, 41% of full-time workers with jobs that can be done from home are now working hybrid schedules, representing an increase from 35% in 2022. Taking a closer look at these arrangements, 63% of hybrid workers are required to work on-site with some regularity, and 59% typically work from home three or more days each week.

Given the country's lingering economic uncertainty, many workers have mixed feelings over whether to stay with their current employers or move on to potentially more promising job opportunities. Mandates around working arrangements may be a deciding factor for many employees, whether they prefer to work from home or commute daily. At this point in the year, employers should make it a priority to assess current workforce needs and discover employees' preferences.

After all, employers have a lot to consider. Leaders are now considering whether they will mandate in-person work arrangements, and, if so, how they will successfully incentivize these workers to come into the office. This trend is expected to continue in the back half of 2023 and into 2024.

Proposed Overtime Rule

The U.S. Department of Labor (DOL) revealed it will issue a proposed overtime rule in August 2023, according to the most recent regulatory agenda. This is the third time the department has delayed publishing the proposed overtime rule. The DOL originally planned to publish the proposed rule in April 2022 but delayed it until October 2022. The agency then announced at the start of the year that it would issue the proposed rule in May 2023. Even though the proposed rule is set to be published in August 2023, it could be delayed again based on the DOL's previous postponements. Since the new overtime rule should be released soon, now is the time for employers to review it if they haven't already.

According to the regulatory agenda, this proposed rule is expected to address how to implement the exemption for executive, administrative and professional employees from the Fair Labor Standards Act's (FLSA) minimum wage and overtime requirements. Many employers still have questions as the new rule continues to be delayed. These delays in issuing the proposed rule likely have been due to other DOL priorities, such as classifying workers as employees rather than independent contractors amid the expansion of the gig economy. Additionally, the delays may indicate that the rule will be more comprehensive instead of a one-time increase of the threshold.

The agency's new overtime rule could significantly affect organizations' operational and compliance costs and increase their litigation risks, so it's critical that employers understand the new rule and its potential impacts on their businesses. Employers can start preparing despite further delays; the rule change would alter existing laws and significantly impact both employers and employees.

Lingering Workplace Concerns About AI

Artificial intelligence (AI) chatbot ChatGPT has been making waves for producing human-like text and communications from user inputs. Accessible to anyone with a computer and internet connection, ChatGPT produces usable written material on a wide range of topics and helps make decisions. These functions are leading many employers to consider ways to incorporate this technology into their organizations to enhance workflows, streamline operations and improve the customer experience.

Nevertheless, some major companies, including Goldman Sachs, Verizon, JP Morgan, and, most recently, Apple, have banned or restricted the use of external AI tools in the workplace due to security concerns.

Many companies have expressed concerns that external AI tools, such as ChatGPT, could unintentionally disclose confidential or proprietary information to third parties. Other companies have banned or restricted ChatGPT in the workplace over concerns that uploading sensitive information into external chatbots could pose security risks to their operations. There may also be potential legal ramifications for specific uses of AI technology. For example, the content generated by ChatGPT can create privacy issues or violate copyright infringement laws. Therefore, employers must be cautious if they embrace or allow ChatGPT and other AI tools in the workplace.

AI technology has the potential to impact every aspect of an organization. While this new technology presents opportunities to increase efficiencies, it also carries unique risks that should be carefully considered. Employers should stay up to date on recent AI developments and consider any potential issues with such technology. Even if employers don't plan on incorporating AI technology into their operations, it's still wise to understand these tools and their limitations because employees may use them without their employers' knowledge or permission.



Winning Over Gen Z

Slowly but surely, Generation Z (Gen Z) is taking up a larger share of the labor market. As a result, organizations' attraction, retention and other employment initiatives should focus on how to best win over the newest generation in the workforce. In fact, over the next 10 years, the amount of Gen Zers in the workforce will triple, according to a commissioned report by social media company Snap.

While there are varying definitions, Gen Z is typically considered to be those born between 1997 and 2012; therefore, they are digital natives.

They've never known life before the internet, which makes them tech-savvy and quick learners when it comes to technology. It's important for employers to connect with these workers on multiple social media platforms. From an attraction standpoint, employers are ensuring their company websites and hiring processes are mobile-friendly, and developing innovative recruitment videos that can be easily shared on YouTube and TikTok to attract new talent. Despite a reliance on technology, this generation craves one-on-one connections and the opportunity to build meaningful personal and professional relationships. Related to the current remote work debate, many Gen Zers prefer to come into the workplace as they are interested in being part of an in-person community. This generation also wants to work for companies that are good global citizens and committed to prevalent societal challenges, such as sustainability and diversity.

Additionally, Gen Z workers are concerned with financial stability at the cost of their health, similar to millennials (those born between 1981 and 1996). They have seen previous generations struggle to make ends meet despite putting in hard work, evidenced by substantial student loans and the Great Recession. What's more, they have entered the job market amid high inflation and economic challenges. This makes Gen Z more well-being orientated than other generations, expecting mental health support and similar job benefits to offset workplace stressors. Workplace wellness isn't just a Gen Z desire; the pandemic and economic uncertainty have further stressed the financial and mental health needs of all generations in the workforce. Holistic and supportive workplace wellness efforts are one way that employers can combat attraction and retention difficulties.

Prioritization of Skills-based Hiring

As labor challenges continue throughout the year, more employers are exploring skills-based hiring to help them compete for job candidates and expand talent pools. While specific qualifications may be valuable for some roles or industries, HR professionals may consider candidates based on desired skills rather than experience or education. With robust learning and development initiatives in place, employers can hire workers who are an excellent cultural fit and then train them on specific skills or tasks later. In the current worker-friendly market, many employers are having luck with taking a chance on candidates eager for a challenge and willing to learn on the job.

Skills-based hiring isn't just aspirational; some employers and job posting channels are taking note and prioritizing finding the right fit for open positions based on skills rather than education or experience. For example, the employment website Indeed recently launched a skills-based hiring tool called [Skill Connect](#). According to Indeed, this product helps job seekers find positions based on their skills and training rather than their credentials. Similarly, a coalition of roughly 50 organizations launched a "[Tear the Paper Ceiling](#)" campaign to raise awareness about the more than 70 million workers in the United States who are skilled through alternative routes. This movement to tear the "paper ceiling" refers to the invisible barrier many job seekers face while searching for a position without a bachelor's degree. The argument is that many American workers have developed valuable skills through community college, workforce training, certificate programs, military service or on-the-job learning—and they hope this movement will challenge misconceptions about skills and preparedness and

encourage upward mobility for millions more workers. As this movement grows, many other employers rightfully are cautious to withdraw educational requirements that are necessary for open positions. This movement is a newer trend for employers to be aware of and monitor.

More employers have found that skills-based hiring tools can benefit their workplace by incorporating qualified workers from different backgrounds into their teams. While many hiring processes factor in college degrees and other credentials for legitimate reasons, more of today's employers are considering the skills-based hiring trend and updating their hiring and recruiting practices to help them find the best possible talent.

Summary

Midyear is a great time to evaluate progress on HR efforts and pivot or amp up efforts to finish 2023 on a strong note. As the competition for top talent continues this year, there will still be ways to elevate and strengthen workplace strategies to be sustainable, supportive and attractive to today's workers. As such, savvy employers are already monitoring the latest trends impacting the workplace and resonating with the current workforce.

Contact us for more guidance on these topics and other workplace trends.

