



# 2021 Pulse of HR Report

Leading in a New Era: HR Leaders' Challenges, Priorities, and Predictions for the Modern Workplace

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# 2021 Paychex Pulse of HR Report: Leading in a New Era

A dramatic shift is underway in the structure and management of the workplace — and HR professionals are at the forefront of this evolution. Some of the factors shaping this seismic change include transitions related to the COVID-19 pandemic, an increasingly diverse workforce, and recruiting and retaining talent in a uniquely challenging labor market. Furthermore, the increased adoption of HR technology and ongoing innovation in the market continues to drive change for the role of HR.

The fifth annual Paychex Pulse of HR Report provides an in-depth look at how HR professionals are contributing to the success of the companies they serve. Despite the fact that seven in 10 HR leaders say this has been one of the most challenging years in their career, HR professionals are still integral to the strategic decision-making in their organizations. Nearly eight in 10 HR leaders say they are a strategic partner within their company and continue to be involved in C-suite conversations about new business initiatives.

The 2021 Paychex Pulse of HR Report uncovers how HR professionals are:

- Engaging HR technology to reach company goals
- Leaning on training and development to build and retain their workforce
- Evaluating and improving employee benefits to remain competitive
- Keeping pace with new and evolving laws and regulations
- Prioritizing diversity, equity, and inclusion initiatives
- Planning for and managing the return to the workplace





# 2021 HR Priorities, Challenges, and Trends

As businesses approach a new way of working in response to the COVID-19 pandemic, revised priorities for HR professionals are clear. For the first time ever, HR technology has emerged as a leading focus, just ahead of an emphasis on productivity. Team training and development holds steady as the number three HR priority, while new work arrangements edged out program development and company culture as additional topics on the minds of HR leaders.

## HR professionals are focused on:

Employee HR self-service as a key initiative	<b>81%</b>
Measuring workplace productivity and efficiency	<b>80%</b>
Staff training and development programs	<b>79%</b>
Building a plan for the return to the office	<b>77%</b>
Developing remote work arrangements	<b>76%</b>



“My company is emphasizing the importance of technology to help keep employees and managers connected.”

– Nevada-based HR professional at a 46-person medical/dental company

“We are focused on training of employees. Remotely, this can be challenging, so we are trying new tools.”

– Virginia-based HR professional at a 150-person financial services/accounting/bookkeeping company

“There is an innate connection between productivity, training, technology, and workplace flexibility. It’s the job of the HR leader to balance all of these exceedingly complex factors to ultimately create a culture in which employees are positioned for success.”

– Alison Stevens, Director of HR Services at Paychex



**Seven in 10 HR leaders** say this has been one of the most challenging years in their career, but **eight in 10 HR professionals** say they are still integral to the strategic decision-making in their organizations.



## The Evolving Role of HR: Challenges and Changes

2020 tested the indomitable spirit of HR leaders. While HR leaders are looking toward the future in their planning, the impact of the past year cannot be understated. The COVID-19 pandemic has transformed the role for all but two percent of survey respondents.

HR professionals in the survey explained that the role has changed due to an increased emphasis on these top issues:

1. Workforce health and safety
2. Employee mental health and emotional well-being
3. The need for technology that keeps employees, managers, and HR teams connected

**98%** of HR leaders report that the COVID-19 pandemic has transformed their role.

The biggest challenges HR leaders face are:

1. Attracting talent: 61%
2. Planning/managing diversity, equity, and inclusion (DE&I): 57%
3. Offering competitive benefits: 57%
4. Keeping current on HR technology/solutions: 57%
5. Keeping up and complying with regulations: 56%

**When we look at the responses by industry group, it becomes clear that each industry faces unique obstacles.**

### **Top Challenges**

#### **Computer Software/Internet**

- 1st      Administering benefits

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- 2nd      Onboarding new employees

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- 3rd      Retaining talent

#### **Financial Services/Accounting/Bookkeeping**

- 1st      Attracting talent

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- 2nd      Keeping current on HR technology/solutions

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- 3rd      Planning/managing diversity, equity, and inclusion (DE&I) programs

#### **Manufacturing**

- 1st      Offering competitive benefits

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- 2nd      Attracting talent

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- 3rd      Training and development

#### **Construction/Contracting/Electrical/Landscape/Plumbing, etc.**

- 1st      Tracking employee satisfaction, attitudes, concerns, etc.

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- 2nd      Planning/managing diversity, equity, and inclusion (DE&I) programs

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- 3rd      Administering benefits

#### **Retail**

- 1st      Tracking employee satisfaction, attitudes, concerns, etc.

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- 2nd      Planning/managing diversity, equity, and inclusion (DE&I) programs

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- 3rd      Administering benefits





“The nature of work has changed, and the nature of the HR role has changed with it.”

– North Dakota-based HR professional at a 250-person computer services/consulting company

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“We’re providing flexible schedules, encouraging employees, handling manager communication, and providing employee assistance programs.”

– California-based HR professional at a 480-person education/training company

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“It’s a challenging time to be an HR leader, but an exciting one too. Many opportunities are within reach for HR leaders, including real gains in collaboration and communication, as well as the chance to expand the workforce to include the right talent. To do so, leaders need to continue to adapt and stay ahead of what is most difficult for their organization right now.”

– Alison Stevens, Director of HR Services at Paychex

# HR Technology: The Cornerstone of HR Success

The importance of technology has *increased across the board* in the last year. New in this year’s survey responses is a noted widespread reliance on technology to connect different HR systems and improve the employee experience.

## Respondents in 2021 report that their technology:

Allows HR leaders to be more strategic in their roles	<b>88%</b>
Enables HR systems to talk to each other/integrate effectively	<b>88%</b>
Improves the employee experience	<b>86%</b>
Enables employees to be more efficient and productive	<b>86%</b>

Over the last year, technology has become increasingly important to help support team communication — eight in 10 HR professionals agree it is more essential than ever. When we asked respondents how they are benefiting overall from HR and collaboration technology, they told us:

- It’s possible for teams to collaborate more easily than before the pandemic
- It’s easier for employees and managers to collaborate than before the pandemic

**80%** of HR leaders say they have tools in place to measure workplace productivity and efficiency.

**“We are trying to stay as connected to employees as possible and make sure they have the right technology to do their jobs.”**

– Michigan-based HR professional at a 500-person personal services company

## The Cost of Not Using HR Technology

Although technology has been central to HR leader success in the last year, some HR tasks are still handled manually. When companies rely on a manual approach, HR effort increases significantly according to the survey.

This table shows the level of inconvenience HR leaders told us they experience with various HR tasks based on whether they use technology.

Task	Using manual system — very inconvenient	Using an integrated HR system — very inconvenient
Responding to employee phone calls/emails related to administrative tasks	54%	18%
Managing employee performance and career development	52%	19%
Administering/managing employee leave	51%	17%
Chasing down employees' time/hours worked	45%	21%

**“Technology has always provided a competitive advantage to HR leaders, but perhaps never as much as it does now. It empowers teams to pull ahead in every area from attracting talent and onboarding new hires to maximizing workforce productivity and enabling collaboration.”**

– Alison Stevens, Director of HR Services at Paychex



# Recruiting and Retaining Talent in Today's Challenging Labor Market

Finding top hires is a priority area for HR leaders this year. On average, HR leaders expect their overall head count to increase by 11% over the next 12 months, with a focus on increasing the diversity of their workforce.

Technology plays an important role when it comes to current recruiting:

- 76% of companies say they use **data to create optimal profiles** to attract the right hires — a 28% increase from last year
- More than 80% of companies say their **HR systems helps them attract talent**

The way HR professionals are evaluating the performance of employees has evolved in the last year. With a focus on retention, more than half of HR leaders are opting to assess team performance instead of individual employee performance, up 32% in the last year. Now more than ever HR teams must execute strategies that support the needs of the modern worker, requiring collaboration across all functions of an HR team.

**54%** of HR leaders are opting to evaluate team performance instead of individual employee performance, up **32%** in the last year.



And, HR leaders' spending plans seem to align with their focus on attracting and retaining talent. The most important expenditures reported for 2021 HR budgets include:

1. Improve our HR technology
2. Improve our recruiting
3. Improve benefits
4. Improve our training and professional development
5. Add staff

**“A big HR contribution this year was using more technology and fewer human resources.”**

– Colorado-based HR professional at a 100-person construction company

**“Technology improved our ability to introduce qualified staff to the company. We really streamlined the interview and onboarding process.”**

– Massachusetts-based HR professional at a 200-person financial services company

## Employee Engagement at the Center of HR

As the economy continues to rebuild, retention concerns rise. HR leaders say that employee engagement has decreased in the last year by more than 50 percent. This is an issue for many HR leaders since engagement is typically correlated to an employee’s willingness to stay with a company.

To meet this challenge head-on, HR professionals are using many tactics, including:

### 2021

Engagement	Retention
<b>45%</b> Offer training to help employees develop new skills	<b>41%</b> Offering remote work options
<b>39%</b> Empower employees to suggest new work methods or projects	<b>41%</b> Providing financial incentives
<b>39%</b> Regularly survey employees about job satisfaction	<b>38%</b> Providing flexible work options

Although the survey reflected that the focus on company culture has waned slightly as efforts are directed to managing an evolving workplace, company culture is still important. Seventy-six percent of HR leaders report that workplace culture is key to successful hiring and retention. They have built or enhanced their company culture in the last year by:

Developing a training program	<b>40%</b>
Providing remote and flexible work options	<b>39%</b>
Communicating the culture to the team	<b>35%</b>





As a testament to how important culture is to HR leaders, some took more drastic measures to preserve their company culture. One in five respondents have terminated employees who “don’t align with our company culture.”

## Benefits and Perks to Stay Ahead of the Pack

In addition to training — the very top tactic for increasing engagement — roughly three-quarters of HR leaders are developing remote work plans to assist with employee retention. And, the same percent of HR professionals have adjusted company time off policies during the last year.

When we asked HR leaders to share how they will structure the workplace going forward, they told us that the top three leading remote work options they plan to offer are:

- For people whose job allows for it
- For people who can demonstrate a need
- On set days of the week

**77%** of all HR leaders are also developing a remote work plan as a means of retention.

As with previous years, survey respondents continue to rely on benefits and perks as an engagement and retention tool. Health benefits and support for family and retirement planning emerged as this year’s leading benefits.

2021 Top Benefits	2020 Top Benefits	2019 Top Benefits
Health insurance	Flexible scheduling	Flexible scheduling
Parental leave	Employee assistance program (EAP)	Tuition reimbursement
Retirement plan	Career development program	Career development program
Life insurance	Financial counseling	Financial counseling
Telecommuting/ remote work	Discounts on company products/events	Free meals



# HR Leaders at the Forefront of Change

## Accommodating the Priorities of the Modern Workforce

HR leaders have been hard at work accommodating the emerging needs of today's workforce. As was the case in 2020, nine in 10 HR leaders feel prepared to accommodate changing laws, regulations, and societal norms.

The domains in which they feel the least ready for what's ahead include:

- Managing social media use in the workplace, in accordance with the National Labor Relations Act (NRLA)
- State-level marijuana legalization

“I am running in a lot of directions and trying to accommodate a lot of new laws to help protect [our] people.”

– California-based HR professional at a 44-person real estate company

“Particularly during the pandemic, HR leaders have increasingly been tasked with monitoring the ever-changing regulatory landscape to help business partners understand the intricacies of new local, state, and federal laws and how they apply to their business. HR leaders have had to remain agile with plans to adjust policies and inform employees and customers as regulations change.”

– Alison Stevens, Director of HR Services at Paychex

## Building Diversity, Equity, and Inclusion in the Workplace

Diversity, equity, and inclusion (DE&I) is increasingly becoming an organizational priority. HR leaders say their companies are planning to increase the emphasis they put on DE&I efforts this year by approximately 30%. In fact, only a fraction of organizations — 6% — report that they aren't making any strategic changes to support DE&I initiatives.

Employee recruitment, retention, and the belief that it is “the right thing to do” are the top motivators for organizations to ramp up their DE&I efforts. To bring about these changes:

- 32% of companies will put someone in charge of DE&I work
- 72% of HR leaders have put training in place to address employee discrimination and workplace harassment

While the momentum and resources are there for HR leaders to increase their DE&I efforts, they are facing some challenges including the top three listed here:

1. Finding the right resources to attract diverse candidates
2. Changing company culture to embrace DE&I initiatives
3. Finding an internal DE&I program owner or sponsor

HR leaders say the emphasis on diversity efforts has increased by **30%** this year.

“We’ve realized just how important it is to make sure that we diversify all aspects of our workforce.”

– Michigan-based HR professional at a 27-person food/beverage/restaurants company





## Mental Health in the Workplace

The topic of employee mental health in the workplace has gained significant prominence over the last year. At this point, only 4% of HR leaders do not see employee mental health as an employer responsibility. While COVID-19 is not the only factor impacting employee mental health, 52% of HR leaders feel it is important to support mental health challenges associated with the pandemic, including increased anxiety and depression and decreased enthusiasm, motivation, and focus.

Forty percent of HR leaders “increasingly see” a link between employee mental health and productivity, and company profitability. When we asked HR leaders about the impact of mental health challenges on the workplace, they said the greatest effect has been on:

1. Productivity
2. Quality of work
3. Safety
4. Employee morale
5. Employee collaboration

Only **4%** of HR leaders do **not** see employee mental health as an employer responsibility.



The majority of organizations are taking action to address workplace mental health concerns. Only 3% of survey respondents reported that they are not doing anything to address employee mental health. Specifically, HR leaders are taking the following steps to support the mental health of their employees:

Promoting employee awareness of mental health and mental health resources	<b>48%</b>
Offering online communication tools to keep managers and employees connected	<b>42%</b>
Providing support for work issues such as adjusting to a new role or managing work responsibilities	<b>42%</b>
Providing technology to facilitate responsive and confidential communications on HR-related questions	<b>42%</b>
Offering flexible schedules	<b>42%</b>
Offering an employee assistance program	<b>42%</b>
Encouraging employee/manager check-ins	<b>40%</b>



“This year we have evolved to be much more concerned with employees’ obligations and other responsibilities.”

– California-based HR professional at a 24-person personal services company

“We have taken much more interest in our people and how they respond to work conditions. We look at our people in a new light, as they are a very important part of the company.”

– Kansas-based HR professional at a 22-person construction/contracting/electrical/landscape plumbing, etc., company

“The modern employee is no longer satisfied by the status quo. COVID-19 radically accelerated efforts to promote work-life balance, raise mental health awareness, and provide emotional, social, and financial support. People will be drawn toward employers who offer an inspiring combination of easy-to-access benefits that meet their personal needs. It will be crucial for HR leaders to consider expanding their benefits programs beyond traditional offerings that prioritize wellness, in order to foster a workplace that allows your employees, and your business to thrive.”

– Alison Stevens, Director of HR Services at Paychex

# Transitioning to a New Normal

Seventy-seven percent of HR leaders are involved in developing plans to return to the workplace. The top motivators for returning to work include improved morale, business requirements, and increased employee productivity and efficiency. Only 51% of businesses say they are very prepared to return to the office. Their plans for how they will “return” to the workplace are shown here.

Location of Workers	Before Covid-19	Currently	In 12 months
Full-time on-site	<b>65%</b>	<b>45%</b>	<b>52%</b>
Part-time on-site	<b>12%</b>	<b>17%</b>	<b>18%</b>
Full-time remote/virtual or work-from-home	<b>11%</b>	<b>21%</b>	<b>15%</b>
Part-time remote/virtual or work-from-home	<b>6%</b>	<b>10%</b>	<b>8%</b>
Contract/freelance/gig worker	<b>6%</b>	<b>7%</b>	<b>7%</b>

The plans for and challenges of managing the return to the office vary by industry.

Percent Fully Back to the Office	Top Motivator to Return
Retail <b>30%</b>	Improve morale
Computer Software/Internet <b>28%</b>	Need for employees to collaborate in person
Manufacturing <b>25%</b>	Increase employee productivity/efficiency
Financial Services/ Accounting/ Bookkeeping <b>23%</b>	Increase retention





## Planning for and Managing Remote Work

In some companies, workers have transitioned back to the workplace completely, or never left due to the essential nature of their work. But, for businesses in which remote work arrangements are here to stay, some new HR practices and policies are emerging.

HR leaders in the survey say that some employees are more interested in working remotely than others. In order of most to least interested, those groups are:

1. Women
2. Senior management
3. Millennials
4. New employees

While offering remote work options can be beneficial for companies in many ways, it can also come with challenges. The top three remote work challenges noted by HR professionals include:

1. Training and development
2. Engagement and retention
3. Management and oversight of work

HR leaders say the following initiatives will help them better manage remote workers:

1. Increasing training opportunities in order to optimize remote employee productivity
2. Offering a secure method for employees to receive confidential answers to HR questions, without having to meet in person
3. Supporting employees with policies and programs to maintain a better work/life balance
4. Providing online communication tools to help managers and employees stay connected
5. Implementing a system to help plan and track regularly scheduled manager/employee check-ins



# Summary

The rapidly changing HR landscape and competitive hiring market have challenged HR leaders to bring their formidable strategic and problem-solving skills to the forefront. As 2021 continues to unfold, exciting opportunities exist for businesses to strengthen employee communication and collaboration through new policies, ongoing training, and technologies. As HR leaders continue to focus their efforts on DE&I and providing more support for their employees, a new vision for the workplace is emerging which may maximize productivity — in a way that benefits both employees and employers — like we've never seen before.

## The Power of Paychex

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To learn more, visit us online today at <https://www.paychex.com>, contact us at [sales@paychex.com](mailto:sales@paychex.com), or call [800-322-7292](tel:800-322-7292).



# About Paychex

Paychex, Inc. (Nasdaq: PAYX) is a leading provider of integrated human capital management solutions for human resources, payroll, benefits, and insurance services. By combining its innovative software-as-a-service technology and mobility platform with dedicated, personal service, Paychex empowers small- and medium-sized business owners to focus on the growth and management of their business. Backed by 50 years of industry expertise, Paychex serves approximately 710,000 payroll clients as of May 31, 2021 across more than 100 locations in the U.S. and Europe, and pays one out of every 12 American private sector employees.

## About the 2021 Paychex Pulse of HR Report

The 2021 Paychex Pulse of HR Report is based on the findings of a survey that was conducted via an online survey May 11-June 3, 2021 among 1,000 HR decision-makers at U.S. companies with 20 to 500 employees. It is the fifth in an annual series of benchmark surveys investigating HR leaders' challenges, priorities, and use of technology.

For more data insights from Paychex on the challenges and priorities of HR leaders, business owners, and employees please visit [go.paychex.com/research](https://go.paychex.com/research).



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