# HCM TECHNOLOGY TRENDS TO WATCH IN 2023

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## THE BOTTOM LINE

Going into 2023, the trends that will impact HCM technology buying decisions include the need to improve decision-making through actionable insights and predictive assessments, expansion of employee perks such as on-demand pay, and the discovery of new ways to rectify staffing shortages in hourly industries. As HR departments continue to face a challenging job market and economic uncertainty looms, shedding the costs of low-value technology is a high-priority initiative to ensure business survivability.

# MARKET OVERVIEW: CONSOLIDATING THE HR TECH STACK

Over the past three years, Human Resources departments have undergone a rapid shift in perception, from being viewed as a cost center to a fundamental driver of business survivability. The constantly changing work landscape over this time has led to increased investment in HCM software to prepare organizations to respond to general market uncertainty. Facing an impending economic recession, teams must be more discerning of which tools deliver quantifiable value to their organization. The HCM market reflects this, as saturation and close competition have driven increased mergers and acquisitions, with full-suite HCM providers acquiring niche players to fill in functionality gaps. Nucleus expects this trend to continue into 2023, as suites reinforce their positioning, leaving niche providers to either be acquired or struggle to survive. Areas of investment will follow greater areas of concern in the market, including the need to efficiently screen candidates, leverage analytics to improve existing strategies, fill shifts quickly in hourly industries, and provide employees with benefits that drive increased long-term retention.

> **HCM market consolidation will continue into 2023**

# SUPPLEMENTAL SCREENING METHODS

Screening materials such as cover letters are quickly fading into obscurity. While we will likely not be seeing the same happen to the resume in 2023, there has been an increased presence of psychometric or skill-verification assessments within screening processes. Gaining visibility into the employee beyond hard skills and into soft skills and behavior helps organizations to improve retention and avoid the costs associated with replacing an employee that turned out to not be the right fit despite meeting technical criteria. It also helps predict future job success with improved insight into succession planning by aligning employees with the correct paths for career growth. Into 2023 and beyond, Nucleus expects more organizations to begin taking advantage of behavioral assessments as a supplement to their hiring process to add another level of structure to their candidate pipeline. Additionally, the efficiencies driven by modern psychometric screening tools could also feasibly cut out the process of gathering and contacting references, which can often drive recruiters away from value-add tasks such as sourcing and interviewing other candidates and

ultimately stall time-to-hire. In assessing the general value of automated recruiting, Nucleus found that leveraging tools such as conversational AI, on-demand interviews, and resume parsers can pull the hiring timeline forward by five to seven days (Nucleus Research T171 – *The Real Benefit of Automated Recruiting* – December 2019.) The introduction of new means of screening will enable HR teams to add another level of efficiency to the hiring pipeline, thus further accelerating the process.

## TURNING ANALYTICS INTO ACTION

The past year saw people analytics functionality become a much more accessible reality. Previously reserved for large enterprises with the data scientists and additional IT resources necessary to run it, the ability to run HR-specific analytics with reporting and predictive capabilities is fast becoming table-stakes functionality. Nucleus found that the primary benefits of people analytics tools include HR time savings and reduced IT time previously spent managing databases and reports by at least 50 percent. This can be attributed to the intuitive interface of people analytics solutions, enabling less-technically literate HR departments to gain better visibility into their workforce and improve decision-making.

As people analytics continues to become less of an intangible and unattainable concept, pioneers in the space have begun to take the next steps toward the innovation of current people analytics features. HR leaders have the data necessary to easily identify trends within their workforce, and even predict future areas of opportunity or concern. However, vendors are beginning to take this information and make it actionable, with features such as automated nudges and suggestions. This can not only ease the adoption of people analytics platforms but help HR staff further improve decision-making and strategies based on the increased context behind the insights they are presented with.

## THE "GIG" IS UP

Ongoing labor shortages in hourly industries have left a window open for gig work to make its way into traditional work structures. While gig work typically conjures thoughts of rideshare drivers or freelance designers, some well-established vendors have launched shift marketplaces for a range of use cases. For example, a restaurant leveraging a shift marketplace can choose to go beyond allowing for internal shift bidding and swaps, extending open shift work to non-employees. For salaried industries, these types of features can also be used to market internal projects that specific employees may be looking to take on due to their having a specific skillset required, or simply wanting to gain more experience

in a specific area of expertise. Nucleus expects more organizations in high-turnover industries to take advantage of these marketplaces to respond to and offset the high cost, burnout, and subsequent resignations caused by staffing shortages.

## EVEN MORE WORKERS WANT ON-DEMAND PAY

On-demand pay continues to gain traction among hourly industries such as retail, restaurant, and hospitality. It is not only inexpensive to offer as an employer, but a proven method of attracting employees. In a recent survey of hourly workers, Nucleus found that 70 percent of respondents would leave a current position for one that offered on-demand pay functionality (Nucleus Research W5 – *More Workers Need On-Demand Pay* – January 2022.) With low levels of employee loyalty among hourly industries and a significant portion of the country being unbanked or underbanked, on-demand pay has become a critical tool for retaining an hourly workforce. This can also reduce callouts and no-shows, both of which degrade an otherwise optimized labor schedule and negatively impact operations, customer satisfaction, and sales. Nucleus found that employers can reduce absentee rates by 50 to 70 percent by leveraging on-demand pay functionality.

**On-demand pay reduces absenteeism by 50 to 70 percent**

While on-demand pay currently has a more well-defined use case for hourly industries, economic uncertainty has led more salaried workers to want the security provided by instant access to earned wages. Organizations of all sizes can take advantage of on-demand pay functionality, and there is ample opportunity for more organizations outside of the traditional target market to take advantage of its benefits over the coming years.

## LOOKING AHEAD

The job market has experienced volatility, with mass resignation and labor shortages in some industries, and layoffs and hiring freezes in others. Ongoing and future HR trends will continue to be driven by these market conditions, and as organizations brace for an impending economic downturn, the most valuable solutions will be those that help teams act proactively and maximize efficiency with existing resources. As HR teams find themselves

left with several disjointed solutions purchased over the course of the pandemic, shedding their technology stack to only include value-add tools will be the most important next step in remaining agile and surviving the downturn. Product innovation that caters to these needs, either through the introduction of native functionality or mergers and acquisitions of smaller niche providers, will best prepare HCM vendors to maintain market positioning regardless of economic circumstances and high levels of competition.