



HR IN 2022 AND BEYOND

Trends, challenges and priorities facing the people profession

A research study by

naturalhr
TRANSFORMING BUSINESS



1.

INTRODUCTION

After one of the most turbulent years in this generation's history, hopeful HR leaders embarked on a journey in 2021 seeking calmer waters for their profession, their businesses and importantly, their people.

While the world of work changed for good, the people profession had to evolve too. As businesses the world over experienced seismic shifts in perspective and priorities, HR teams led the charge in championing the human element of work to effectively balance productivity with employee engagement, satisfaction and happiness at a time that saw us more separated than ever.

And here we find ourselves in 2022.

It goes without saying that the continued uncertainty surrounding the global pandemic has compounded the need for talented HR professionals in businesses from every walk of life.

Our last [State of HR](#) survey looked ahead to 2021 and yielded some fascinating insights into the profession, especially as we began to deal with COVID-19. But in a year in which we could refine the lessons learned through 2021, we also came to terms with new challenges such as 'The Great Resignation' and the continued surges in remote and hybrid work, 2021 was, in its own way, just as challenging as 2020 was for HR leaders.

Once again, we took to the virtual streets to uncover HR leaders' views, thoughts, and opinions from across the UK. Throughout this report, we'll take a deep-dive into the people profession and examine the trends, challenges and priorities facing HR teams in 2022 and beyond.

It will also examine the ongoing (and seemingly lasting) impact that COVID has had on the world of work and what 2022 may bring for HR.

With responses from Heads of HR, CHROs, HR Business Partners and Advisors; this report is designed to provide an overview of the state of the HR profession and deliver insights into current and future priorities and challenges.

Throughout, we compare this year's findings with previous years' and examine the reasons for changing trends and attitudes towards HR.

“For all its challenges, the pandemic has demonstrated the immense value of HR and we will see its role continue to evolve and develop as we move forward.

“As businesses carve out a ‘new normal’ and respond to the changing expectations and needs of employees, **HR is playing a key part in reimagining and reshaping the workplace going forward.**”

People Management

2.

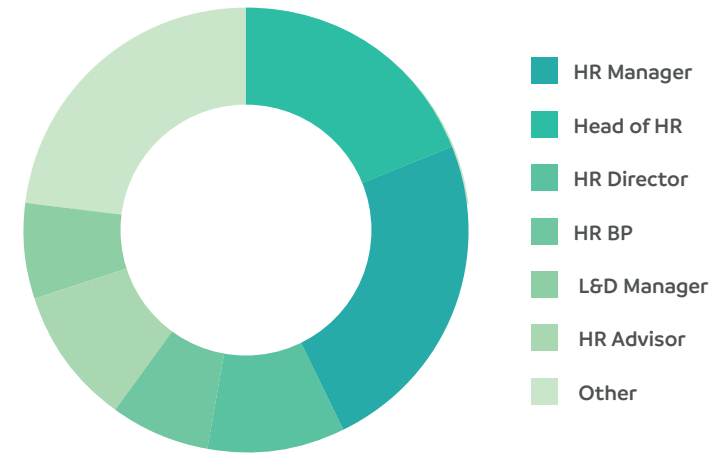
WHO DID WE SURVEY?

To gather a snapshot of the world of HR and the current state of the profession, we surveyed over 110 HR professionals from across the UK to understand how they found 2021 and how their plans for 2022 were shaping up.

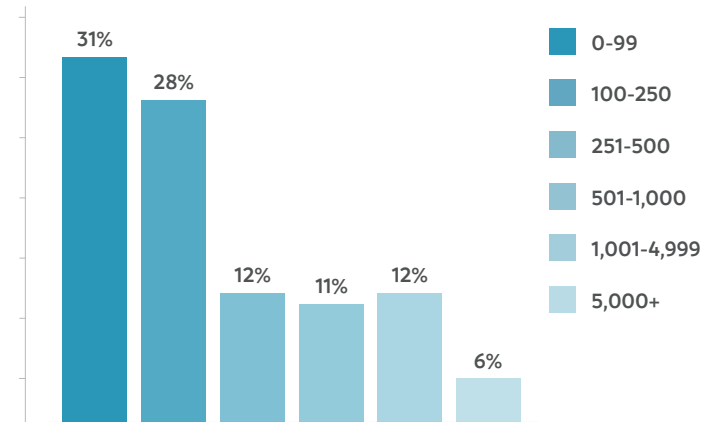
HR professionals shared their experiences in businesses ranging from sub-hundred employee SMEs to giants with over 5,000.

What's more, we gathered responses from HR professionals at all stages in their careers, from CHROs to HR Business Partners, Co-Ordinators and Advisors to provide a well-rounded picture of the people profession.

What is your job title?



How many employees does your business employ?



3.

IS HR VALUED AS A DEPARTMENT?

One of the most significant findings from previous 'State of HR' surveys we have carried out was the worrying lack of value placed on the HR function. Back in 2019, we found HR to be significantly undervalued, with 1 in 5 stating that they believed HR was not valued in their business. To boot, this figure remained unchanged in 2020, despite a year where the world of work as we knew it changed overnight!

While this figure has improved by 3%, **17% of respondents continue to believe that HR is not valued in their business.**

As HR teams rose to the challenge of another year living and working with COVID-19, the majority of

professionals will be at the forefront of supporting their businesses in adjusting to the changing working world.

All the while, the remaining 17% of respondents continue to state that HR is not valued in their business. A lack of understanding of the importance of HR, being perceived as 'people fixers' and being overlooked by senior management has left a significant proportion of HR professionals feeling undervalued in their roles in 2021.

While 2021 may not have been as upending as 2020 was, the hurdles facing HR teams were still remarkably challenging. The pandemic created a huge shift in the way employees view

HR in 2022 and beyond

their jobs and what they want from life in general. The work/life balance that flexible working affords employees, working at times to suit them and changing attitudes on benefits and perks have led huge swathes of employees to change roles or even switch careers entirely.

It is clear that HR will never be a profit centre, but as a department that can single-handedly increase employee performance and engagement, it has a profound impact on every organisation's success and value.

Here are just some of the reasons why our respondents felt the department wasn't valued in their business...

“Historically, HR has been viewed as a functional team rather than utilised for strategic benefit.”

“Very limited understanding of the HR role, still a desire for us to be ‘people fixers’ spending a lot of time listening to unhappy staff so that managers don’t have to.”

“Leaders want us to be strategic but focus on the administrative aspect of HR [...] they do not know how to measure our work unless it’s purely operational.”

“The Senior Leadership Team don’t fully understand or appreciate the importance of a solid and thorough people function.”

4.

PAY IN HUMAN RESOURCES

In the most recent data published on Glassdoor in early 2022, the average salary for those working in HR in the UK is £47,178. And yet, the average salary cited by our respondents was between £35,000 and £45,000.

Interestingly, this year's research found that 45% of women earned more than the national average compared to 51% of males working in HR roles.

Reassuringly, the number of men and women in receipt of wages in excess of £75,000 was fairly evenly split, with 13% of women earning over £75,000 and 15% of men.

In 2022, the best-paid industry for HR continues to be **real estate and**

property with all respondents earning in excess of £55,000 – a staggering £8,000 more than the national average. This is followed closely by the **professional services and legal sectors**, with 75% of respondents working in these industries earning more than the national average, and **manufacturing, transport and logistics** where 50% earn more than the average.



Real estate and property is the best paid sector for HR

5.

HR'S PRIORITIES IN 2022

It is clear that the COVID-19 pandemic has fast-tracked changes in the way we work – prompting a slew of changes and trends in HR, to which the entire function had to respond in a coordinated and controlled manner.

For this reason, it doesn't come as a surprise that the biggest priority for HR leaders in 2022 is **improving employee engagement and experience** (cited by 70% of respondents).

The world of work isn't the same as it was when many of today's HR leaders took up their roles and the volatile nature of the COVID-19 pandemic has forced many to re-evaluate entire HR strategies on the fly to adapt and adjust to a new era of work.

As remote work becomes the norm rather than the exception and we continue to live with the coronavirus, keeping employees engaged takes on a very different format.

The ways in which employees express themselves as they carry out their jobs, what motivates them and the methods that foster an engaged workforce have changed dramatically. Being physically distant from a workplace has changed the way employees perceive companies, and how and where they fit into overall business goals.

What's more, some leaders may fear that remote teams are harder to manage, and communication may be difficult or break down entirely.

In our last survey carried out while we continued to navigate lockdowns, furlough and remote work, employee health and wellbeing topped the priority list for HR teams looking ahead to 2021. At a time when the methods or advisory services recommended to employees to support their health and wellbeing in the past may not have been as readily available, HR professionals took it upon themselves to prioritise employee health and wellbeing in the wake of the coronavirus.

For employees, the pandemic and a surge in remote working has transformed the job market into a true candidate's playground. With individuals able to apply for roles across the country (and in some

cases, across the globe), the work from anywhere attitude has become a key deciding factor for many seeking new opportunities.

As such, it isn't surprising that the **recruitment and retention of employees** is also high on the priority list for over two-thirds (67%) of HR managers. While the pandemic caused unfortunate redundancies on a huge scale, Brexit also led to significant labour shortages across industries such as logistics, hospitality and healthcare.

The combination of COVID-19 lockdown and restrictions, and Brexit coming into effect, has seen a lot of EU workers returning home - and not coming back to the UK.

The UK's new immigration rules means that both EU nationals and those from the rest of the world must now apply to work in the UK via a new points-based system that is designed to attract workers with specific skillsets. HR and talent teams continue to compete fiercely for the best talent and, as a result, they must develop new strategies to attract and keep that talent for the long-term.

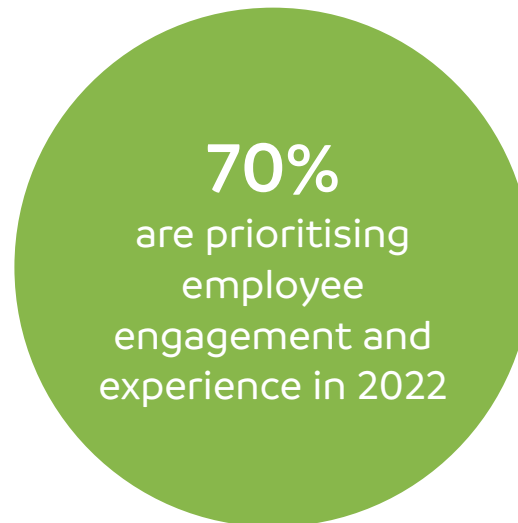
Back in 2020, **employee health and wellbeing** topped the list of priorities for the year ahead as companies continued to be measured by the way in which they treat their people during these times. Reassuringly, this is still a priority for 64% of HR teams as savvy leaders step up to provide support for their employees.

Many have chosen to bolster their existing Employee Assistance Programmes with a curated repository of resources, documentation and services that are made available for all employees to access at any time. Others have re-evaluated flexible working policies to meet changing employee needs or improved benefits.

In the past two years alone, wellbeing has expanded beyond just the physical needs of employees.

Wellbeing now includes building a culture that is conducive to physical, emotional, financial and social wellbeing, career growth, and provides a sense of community and purpose.

Conversely, HR systems and processes were bottom of the priority list for HR leaders, being cited by just 8% of respondents. In addition, enabling employees to work from home and improving payroll processes were also low on the agenda, with just 15 and 16% of respondents respectively citing them as a priority.



“Research finds that two-thirds of the drivers of customer satisfaction are due to **‘feel factors,’** or how customers feel during and about their experience.

“HR leaders should take this same approach to employee experience, **focusing on influencing and improving employees’ feelings** about their overall experience through the use of **psychological, motivational and social principles.**”

Gartner

6.

CHALLENGES FACING HR IN 2022

In the latter stages of 2021, the quarterly CIPD Labour Market Outlook study found that almost half (47%) of employers reported that they had vacancies that were hard to fill.

What's more, 1 in 4 predicted that the number of vacancies that would be difficult to fill would increase in Q1 of 2022.

While industries such as hospitality, tourism, arts, construction, healthcare and manufacturing continue to battle coronavirus cases and restrictions, the lasting impact of Brexit is still being sorely felt by many.

Interestingly, the task that is high on HR's priority list also tops the list of their biggest challenges in 2022.

45% of respondents cited the **recruitment of talent** as the most difficult task for the year ahead.

As the supply of labour shrinks, many employers have adopted tactics to combat the challenges they are facing around recruitment, such as raising wages, upskilling existing staff and hiring apprentices.

Recruiting talent didn't even feature in the top three challenges for HR leaders in last year's report, being cited by just 28% of respondents. It is clear that the perfect storm of the ongoing pandemic and Brexit has made the lives of HR and talent teams harder than ever before when it comes to attracting candidates to fill open vacancies.

66% of our respondents shared that they had been **impacted by recent staff shortages in the UK** and of these, 56% stated that staff turnover has increased, 42% have had to use agency staff or temporary workers to fill gaps and 33% have offered more training to upskill existing staff in order to support short-staffed departments.

66%

have been impacted by recent staff shortages in the UK

56%

stated that staff turnover increased in 2021

42%

have had to use agency staff or temporary workers to fill gaps

33%

have offered more training to upskill staff

Furthermore, 42% cite **inefficiencies and admin** as significant challenges in 2022. Ever-changing guidance around the pandemic, surges in the number of COVID cases and the changing legislation surrounding the recruitment of employees from outside the UK has led to a huge administrative headache for HR professionals. Thus, causing a number of inefficiencies while HR's time is taken up by admin rather than focusing on strategic initiatives that add real value.

As employers around the world continue to navigate the ongoing challenges that COVID is causing, the very nature of the pandemic makes planning ahead very challenging. While employers and employees alike

are more accustomed to eleventh-hour announcements, changing guidance and safety measures today than they were in early 2020, the fast-changing nature of work is causing inefficiencies and a significant increase in administrative work for HR teams.

With vaccines and boosters being rolled out, there is hope after a very challenging time for many, and a return to some kind of normality is on the horizon. However, a low Christmas trading period has left many businesses (retail and hospitality in particular) in a perilous position during a very testing time, and now with new variants of the virus spreading at speed, the chance of a return to a 'normal' world of work

has been stifled.

While many continue to work from home or adjust to a hybrid model, maintaining employee morale and engagement is key to continued success.

It's not surprising that while the vast majority of **HR leaders are prioritising employee engagement in 2022, 32% cited it as their biggest challenge** for the year ahead.

In 2022, this is not employee engagement as we know it. As a result, HR leaders have had to find entirely new and novel ways to engage their employees and ensure their spirits are kept high while they are working.

Interestingly, the areas that HR finds the **least challenging are on/offboarding employees (3%), compliance with legislation (4%) and data security (10%).**

This study also found that almost a third (31%) of HR leaders introduced new tools and technology to digitise HR processes in 2021. The move to a tech-driven department will have supported many with the areas that are low on this year's priority list. HR technology and the digitisation of the department will have undoubtedly aided in streamlining on and offboarding, ensuring continued compliance with relevant legislation and safeguarding confidential employee data.

“Rising inflation on pay and other input costs, as well as labour shortages, will mean that many firms will be **looking to restructure how they plan for workforce needs and staff engagement** by the second half of 2022.

“Firms who understand the pressures their clients are facing in this new world, who can **structure their offer in the right way, and who can access new pools of candidates will be the ones who prosper.**”

7.

HR AND TECHNOLOGY

HR is often the first port of call for employees during times of crisis or uncertainty, and as the pandemic swept the nation, HR teams had to adapt quickly to meet the changing requirements of business leaders and employees.

For many, the most noticeable transition as a result of the pandemic was to cloud-based systems. The almost overnight move to remote work meant many had their plans for digital transformation fast-tracked to the springtime of 2020.

Throughout the last two years, we witnessed a very urgent need to update policies and processes, track employee whereabouts, diversify support for health and wellbeing,

modify working hours and continue to make business-critical decisions in an entirely novel situation.

Clunky, paper-based HR systems and a lack of remote access will have made this year very difficult for many businesses.

Encouragingly, the use of HR technology has risen by 1% on last year's figures, with **80% of respondents now stating their company already used some form of HR technology** with a further 14% saying they plan to in the next 12 months.

Just **6% didn't use any form of HR technology at all.**

Of those that are using HR technology, they reported a number of business and departmental benefits of using such systems. The most common benefits experienced included: **reduced HR admin (76%), going paperless (58%) and improved employee user experience (45%).**



8.

WHERE IS HR SPENDING THEIR BUDGET?

This year, we also asked HR teams to rank where their budgets were being spent from highest to lowest to better understand the key priorities and strategies that they are employing to drive their business forwards.

The top areas where most budget is being spent are: recruitment advertising and job boards, and employee training and development.

Unsurprisingly, and in line with the priorities they shared with us for the year ahead, **60% of HR teams cited that recruitment advertising and job boards saw the highest level of spend in 2021.** As employers seek to fill record numbers of vacancies, investing in advertising these roles

on social media, networking sites and job boards will have played a key part in attracting candidates.

As staff shortages in some industries continue to ravage hiring teams' plans, many employers are looking internally and investing in the talent they already have. As such, **49% of respondents shared that training and development** was another area where a significant portion of budget was being allocated.

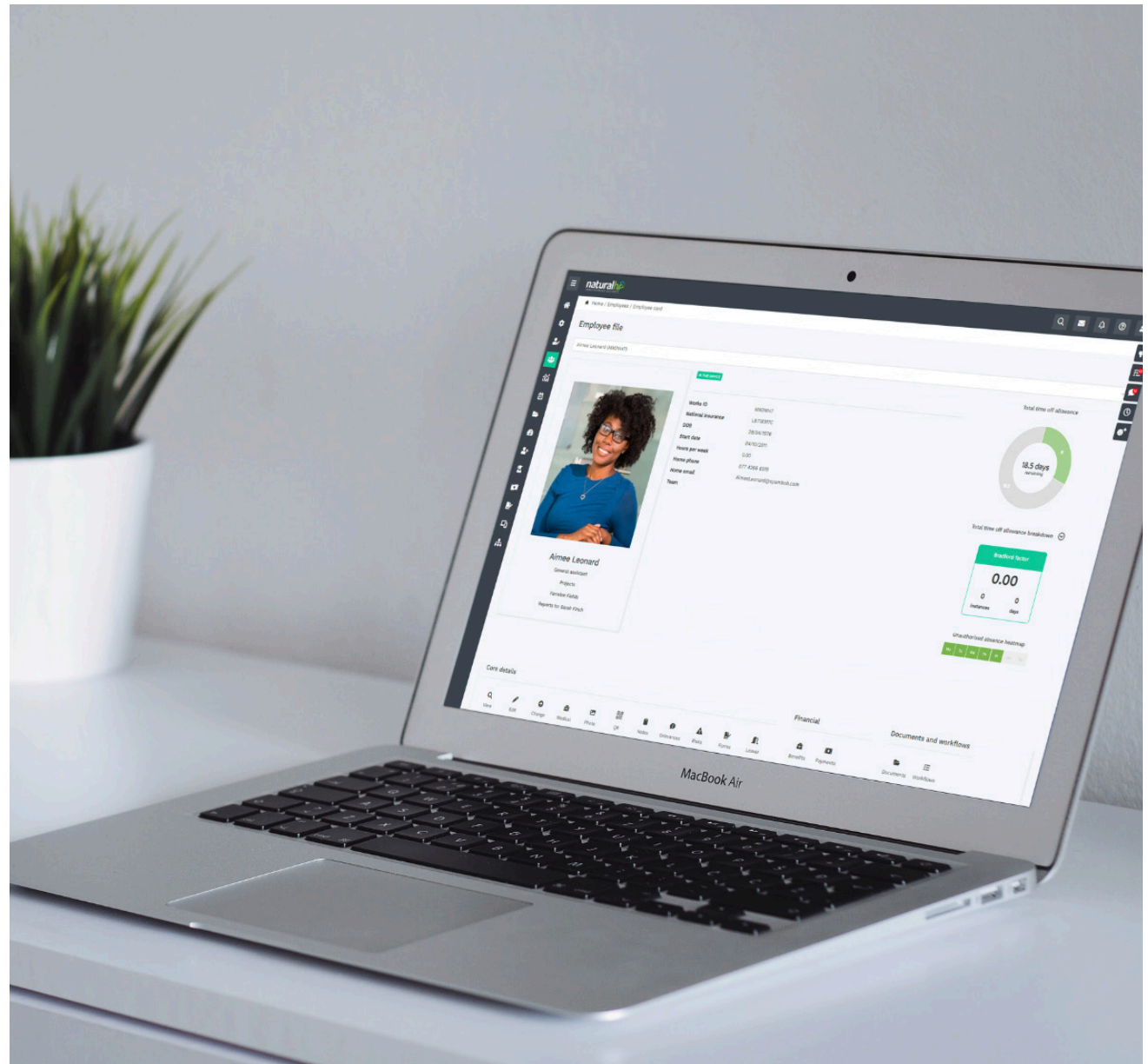
The emergence of an 'internal talent marketplace' encourages the development of existing talent to bridge a skills gap. Investing in training and development is playing an increasingly important role in a company's ongoing success and

its ability to adapt to changing market forces, economic conditions and external influences. And if the pandemic has taught us nothing else, it is the need for resilience, agility and flexibility.

Conversely, the areas with the **lowest amount of spend** are overtime (cited by 65% as the area where the least amount of HR budget was spent), HR admin (42%) and strategic planning, consultants and advisory services (26%).

60% spend a significant amount on on advertising and job boards

49% spend a significant amount on training and development



9.

TOP HR INITIATIVES FOR 2022

From mental health to work-life balance, an overall trend for 2022 that has appeared in this research is an increased focus on employees. In a 2021 survey by the CIPD, three-quarters of respondents reported that senior leaders had wellbeing on their agenda – up from 61% in 2020.

Employee wellbeing tops the list of initiatives being championed in 2022 (80%), followed by supporting mental health (73%) and enabling flexible working (71%).

Together, these three initiatives must work in harmony to strike a happy balance for employees. Some may prefer a hybrid model of work; others may prefer flexible working times to fit in with the school run or so they're

able to take a morning walk before starting work.

Historically, wellbeing strategies have included the likes of Employee Assistance Programmes, mindfulness exercises, yoga lessons or guided meditation apps. But now, more than ever, companies need to reassess their provision of wellbeing initiatives to one that is proactive, rather than reactive. Initiatives must also address the drivers in the workplace that may lead to employee wellbeing suffering.

That's not to say that previous provisions are now moot, but they must be included in a wider, more comprehensive strategy to address any stressors or drivers of poor wellbeing in the workplace.

Take remote work for example, the overwhelming assumption is that it is good for wellbeing since it removes the need for stressful daily commutes, a distraction-free working environment and the work/life balance we all crave.

But for some, it can have the opposite effect. Isolation, a blurring of lines between home and work, and a feeling of being unable to switch off after the working day is done can severely affect an individual's wellbeing – mentally and physically.

The last two years have been tough for all employees, and today, companies must be putting holistic measures in place to support their employees' physical health, mental

wellbeing and financial health in order to prevent burnout, mental health problems and wellbeing issues.

If the last year has taught your employees anything, it is how crucial taking time for ourselves is. The flexibility to take the kids to school, go for a walk or head to the gym at lunchtime, spend time with loved ones and avoid the stress of the morning commute is now far more valued than ever before. Our own research ([The Real Impact of Working from Home](#)) found that employees have valued 'more flexibility', 'no commute' and 'more time with family' the most when working from home.

Remember: there is no 'one size fits all' when it comes to your employees.

Naturally, what drives wellbeing – and what adversely affects it - will vary from business to business. Before you develop any kind of plan to boost wellbeing levels, you need to understand what your people value most, what makes their happiness levels soar and what can have the opposite effect.

Find out what affects the wellbeing of your employees? Is it being able to work from home? Is it starting earlier and finishing early?

You may look to create a survey to understand current perceptions of employee wellbeing initiatives, use employee pulse feedback or focus groups and team meetings to find out how you are currently doing.

10.

THE WORLD OF WORK IN 2022

2021 was a whirlwind for HR. It's fair to say that after the life-changing events of 2020, the world of work has been transformed forever.

Workers around the globe quit their jobs as part of 'The Great Resignation', companies re-evaluated their flexible working arrangements, there was further emphasis on businesses to contribute towards a greener future and extensive debate about the plausibility of a four-day work week.

Over the past 12 months, we saw leaders and businesses continue to adapt as the pandemic impacted entire sectors.

'Hybrid work' was a phrase barely even uttered by many of us before

2020 and the demand for remote working jobs has rocketed into 2022.

Just take a look on LinkedIn, Indeed or any other job site – the sheer number of remote or hybrid roles is truly remarkable.

An overwhelming majority (81%) of HR leaders shared that they will be introduced a hybrid model of working in 2022, with a further 14% being entirely office-based and 4% operating fully remotely.

The uptick in blended working that includes a combination of both office-based and remote working is clearly one that employees prefer and candidates will actively seek out in job vacancies.

With two-thirds (66%) of leaders stating their company was considering reimagining their existing office space for hybrid work, it's clear that 2021 has only cemented the format of work that the pandemic ushered in.

In last year's survey, we revealed that 30% of businesses felt they were unprepared for the COVID-19 pandemic.

While few businesses could have anticipated the timings or outcomes of government decisions and measures to reduce the spread of the virus, the findings of last year's survey demonstrated a worrying lack of preparedness in many British businesses.

While we must recognise the once-in-a-generation nature of the COVID-19 pandemic, the uncertainty surrounding the pandemic has highlighted the need for thorough continuity planning so that every "what if?" is accounted for and employees can be reassured.

During unforeseen events like the coronavirus outbreak, a business continuity plan is crucial for HR leaders as they are often the first point of contact during any times of uncertainty.

With firm plans in place to manage the workforce through any times of crisis, HR will be able to support employees and respond to their questions with confidence.

Given the speed at which the virus spread, it is reassuring to find that, in this year's survey, **43% of respondents have now improved business continuity planning as a result of COVID and 34% have developed contingency plans.**

"HR is now at a crossroads and will go one of three ways: it will take on a new wider people remit, it will become the driver of the corporate social responsibility agenda within the organisation or the function will be seen as transactional and almost entirely outsourced."



11.

THE FUTURE OF HUMAN RESOURCES

As we look ahead to 2022, many of us will continue to have COVID-tinted glasses casting a veil of uncertainty on what this year will bring: both professionally and personally.

We asked our respondents what the future of HR might look like in their business in the next 12 months. Their responses varied hugely: some hoping to streamline HR procedures, others aiming to focus on people development plans, more structure and a focus on employee wellbeing and experience. Equally, some shared feelings of uncertainty, tiredness and expected cuts in the department.

These anecdotes from our respondents provide a sense of very cautious optimism amongst

HR leaders. When asked the same question last year, respondents were in the throes of the pandemic, navigating a return to the office and preparing for Brexit.

This year's cohort seem to be taking a conservative approach to the year ahead, while being acutely aware of the speed at which things can change. While we ended 2021 a hair's breadth short of the light at the end of the tunnel, 2022 started with COVID-19 restrictions reinstated across the UK.

Despite another challenging year for HR, they are making the best out of a difficult situation and doing everything to ensure the wellbeing, happiness and morale of their people.

“We will need to **support increased productivity and engagement** ensuring we provide the most appropriate employment experience for each employee.”

“**Developing our value as a strategic partner**, creating efficient ways to do the transactional work to free up time for the project and strategic work. Developing line managers to help them be more proactive so that issues don’t develop to become more complex and need HR intervention so often.”

“We will continue to **adapt to flexible working** and responding to the culture change challenges that come as a result.”

“We look to collaborate more with our communities of colleagues for a **better colleague experience overall**.”

“**Focused on value-added activity rather than administrative burdens**. Able to focus on talent, development, and employee experience and engagement.”

“Introduce an automated HR platform that will enable me to **properly track and analyse our people data**. I want to work on strategies to improve employee retention and engagement, and improve our policies and our company culture.”

“Inclusive and diverse, promoting health and wellbeing and **developing staff to help them reach their career goals**.”

“A diverse function that strives to enhance company culture and continues to drive **a flexible-working approach which puts employee needs as a priority**, whilst factoring in fresh outlooks on wellbeing.”

“**More efficient processes** whilst learning to live with a COVID environment.”

“Building more infrastructure to **support a business that has gone through significant growth**.”

“Hopefully, HR will be **more present & evident**. I’d love to see an increase in diversity, improved mental health among staff and a low staff turnover. I’d also like to get us to the place where we’re confidently compliant with legislation as well as guidance on HR processes.”

“The **central hub** in facilitating collaboration and promoting a people-centric focus.”

“More **digital transformation** and a focus on staff retention.”

Learn more

Join hundreds of happy customers who use Natural HR every day to help them manage employees more effectively. Get in touch today to arrange a free one-to-one demo.

★★★★★ Based on reviews from  G2 |  Capterra

 0121 663 1500

 info@naturalhr.com

 www.naturalhr.com

naturalhr
TRANSFORMING BUSINESS

“

The future will see us use Natural HR as an all-in-one system to remove all the manual processes, and we all absolutely love it! The system has benefitted us in so many ways and is a great platform.

— **Olivia Anderson-Lynch, HR and Admin Officer**

BCI Better Cotton Initiative

“

Natural HR ticked all the boxes. From an HR perspective, it has everything we need. Natural HR is an easy system to use and that's what we wanted.

— **Anne Dyer, HR Director**

Breyer Group