The 2022 State of HR Report:

Challenges and Imperatives for HR Business Leaders in Today's New World of Work

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Table of Contents

Executive Summary

Hybrid work is rewriting the HR rule book.

The new world of work is a hybrid environment, and the confluence of people and technology is the way forward.

From 2020 to 2021, the world witnessed a paradigm shift that would change the state of HR. Economic uncertainty and the "Great Resignation" played a crucial role in convincing HR teams to shift from traditional setups to more flexible working arrangements.

Companies that digitized their HR processes early on had a clear advantage in their transition to hybrid work. Meanwhile, other companies have begun using HR technology more in the hybrid era but to varying degrees of success. The next step now is for HR leaders to leverage HR technology to address new challenges such as employee engagement and retention.

KEY FINDINGS:

Adoption of digital HR tools helped make the transition to hybrid easier.

- **85%** view innovation and technology as a top facet of HR success
- **60%** process payroll through an HRIS, which explains why payroll was the least affected HR process
- **66%** of Large Enterprises use an Applicant Tracking System to process recruitment.

Employee engagement is a critical issue HR leaders are looking to address.

- **76%** of HR professionals share that employee engagement is the most affected area of HR.
- **63%** of HR leaders come up with engagement activities themselves even though **83%** say their employees are actively suggesting employee engagement ideas.

Companies should rethink their recruitment and retention efforts to fight back attrition

- **63%** of HR professionals in SMEs and **58%** in large enterprises observed increasing resignation rates among their employees, which tie into the Big Quit of 2021.
- **97.66%** of HR leaders agree that employee benefits directly impact retention.

Leaders plan to prioritize wellness and engagement programs to retain talent.
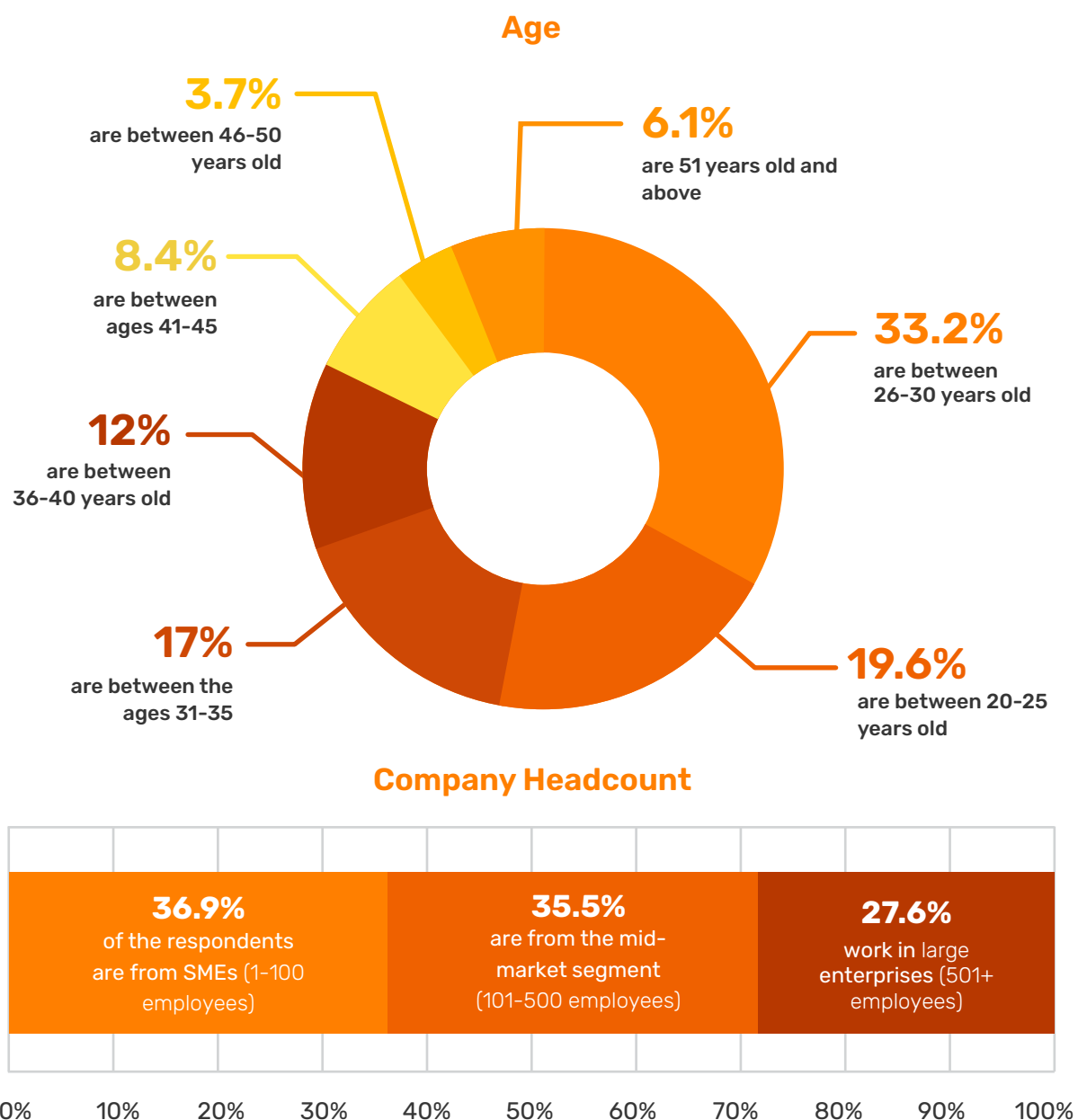
- **98%** of HR professionals believe that promoting engagement activities can help improve overall employee well-being.
- **52.43%** of the respondents plan to offer Health and Wellness benefits in the future.

Methodology

To get a clear picture of the current state of HR two years after the pandemic, Sprout conducted a survey on **214 HR professionals** representing diverse industries, HR functions, and work environments.

The survey included questions about their current work setup and the challenges they faced in transitioning to flexible work arrangements. The goal was to understand their pain points and performance in the hybrid era.

DEMOGRAPHICS

Age

3.7%
are between 46-50 years old

8.4%
are between ages 41-45

12%
are between 36-40 years old

17%
are between the ages 31-35

6.1%
are 51 years old and above

33.2%
are between 26-30 years old

19.6%
are between 20-25 years old

Company Headcount

36.9% of the respondents are from SMEs (1-100 employees)	**35.5%** are from the mid-market segment (101-500 employees)	**27.6%** work in large enterprises (501+ employees)

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

SME's mentioned within the document are those companies with a headcount of 1-500 employees and Large Enterprises are companies with a headcount of 501+ employees.

Methodology

Industry

24.3% of the respondents are from the **BPO industry**

15% are from the **Information Technology sector**

10.3% work in the **Retail & Distribution industry**
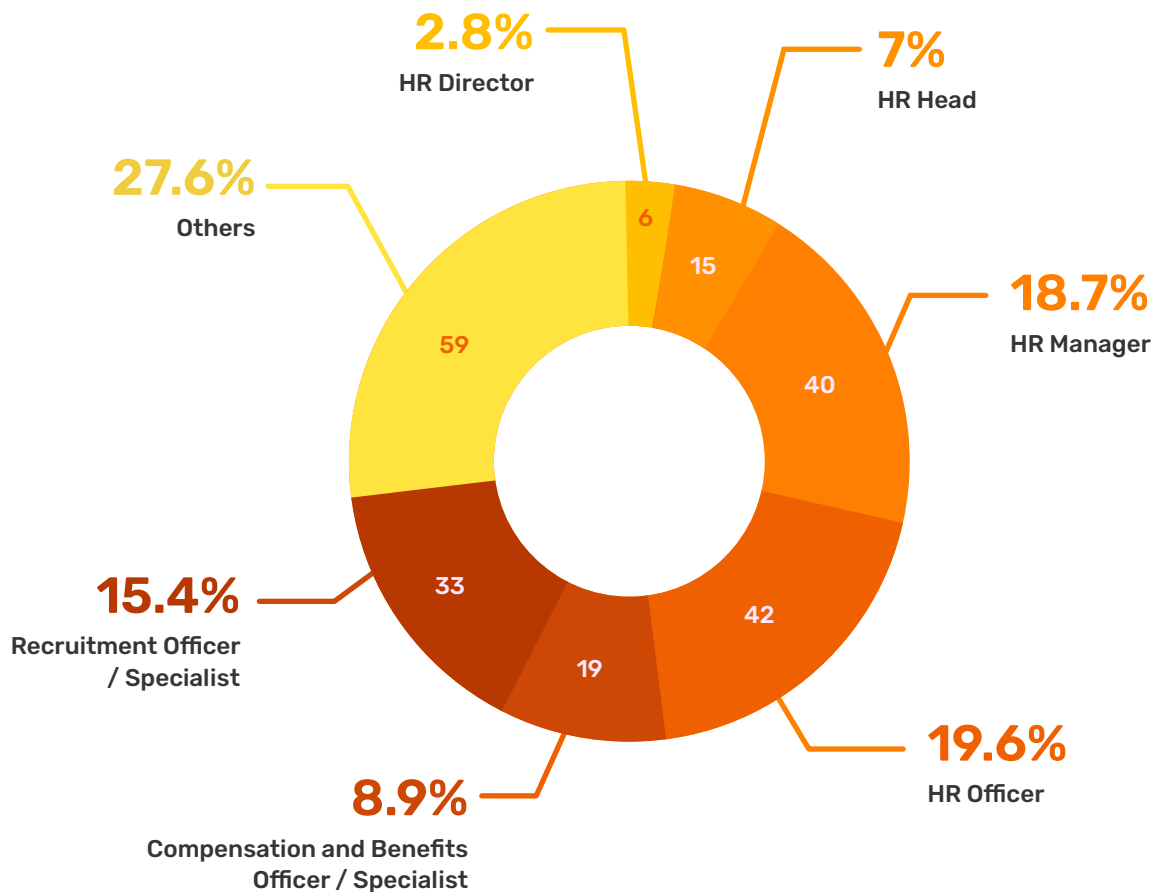
4.2% are from the **Manufacturing industry**

3.3% are from the **Financial & Insurance sector**

42.9% are from other industries including **Health, Food & Beverage, Education, etc.**

Current HR role

2.8% HR Director

7% HR Head

27.6% Others

18.7% HR Manager

15.4% Recruitment Officer / Specialist

19.6% HR Officer

8.9% Compensation and Benefits Officer / Specialist

6
15
59
40
33
42
19

Results and Analysis

Work Environment & Setup

HR leaders observed the majority of their employees prefer hybrid work.

KEY INSIGHTS AT A GLANCE:

86% of HR leaders currently have a remote or hybrid setup in place

65% of HR leaders said employees prefer hybrid work

HR leaders and professionals recognize that employees prefer a hybrid work setup[1] and that offering this flexibility can be a key deciding factor for employees and job seekers. HR teams understand their vital role in making this new environment work for everyone.

Hybrid work presents opportunities and challenges for HR leaders.

Survey results show that the impact of hybrid work was felt disproportionately across different HR processes. For example, the availability of reliable HR systems has made payroll management and the transition to hybrid work easy, while recruitment has proven to be a challenge due to the lack of digitization.

Early digital adoption has also streamlined previously challenging HR processes like timekeeping and compensation and benefits.

But hybrid work, despite being the preferred arrangement, has made an impact on employee engagement, recruitment, and learning and development. That said, leaders should rethink ways to improve connectedness and foster learning and growth among their employees. HR teams must also find new ways to recruit and retain talent more effectively to counteract the looming attrition crisis.

Top three most affected areas of HR:	
76%	Employee Engagement
45%	Recruitment
44%	Learning and Development

[1] https://sprout.ph/blog/how-to-build-a-successful-hybrid-workplace/

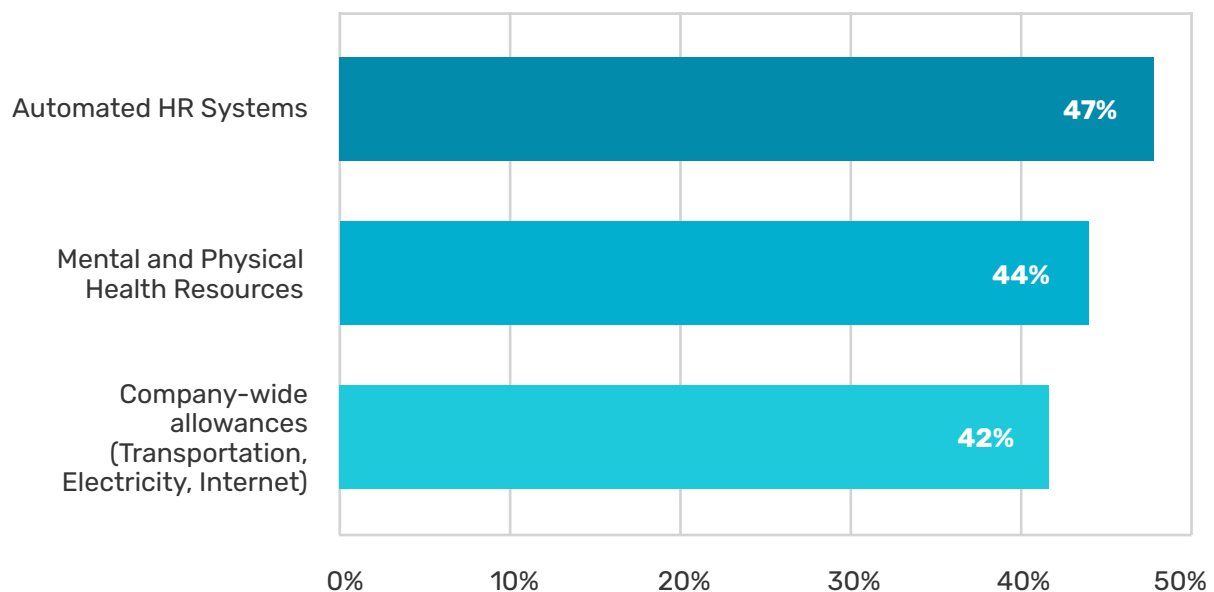**Top three least affected areas of HR:**

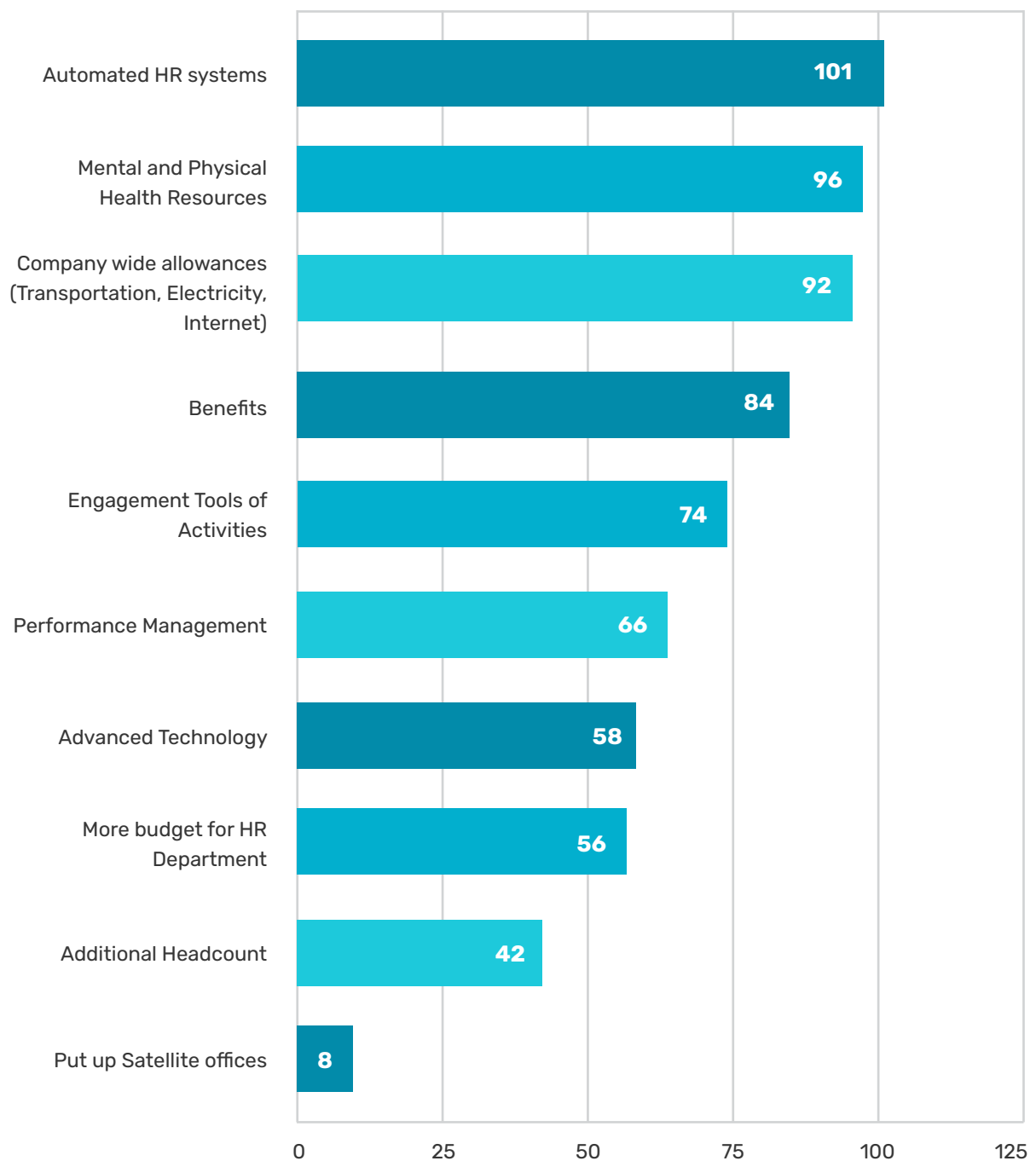| 57%	Payroll
42.5%	Compensation & Benefits
34%	Timekeeping

Automated HR systems and improved benefits will have the biggest impact on current work setups.

Top three preferred HR improvements:

Category	Percentage
Automated HR Systems	47%
Mental and Physical Health Resources	44%
Company-wide allowances (Transportation, Electricity, Internet)	42%

0%   10%   20%   30%   40%   50%

Now that the current reality is hybrid, there's a greater urgency for companies to go digital[2] and adopt an automated HR system. Just as important to leaders, however, is the need to provide more tangible benefits and services to employees, with health resources addressing their well-being and company-wide allowances addressing the new needs and challenges that come with the hybrid work setup.

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[2] https://sprout.ph/blog/the-next-frontier-hr-the-digital-future-of-work/

What Improvement Would Have the Biggest Impact on Your Current Work Setup?

Improvement	Value
Automated HR systems	101
Mental and Physical Health Resources	96
Company wide allowances (Transportation, Electricity, Internet)	92
Benefits	84
Engagement Tools of Activities	74
Performance Management	66
Advanced Technology	58
More budget for HR Department	56
Additional Headcount	42
Put up Satellite offices	8

HR professionals believe an HRIS will contribute to the success of their current work setup. Since HR software lets employees file and view their records from a single database, HR teams can allocate more time and resources on what matters more to their people.

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HR Processes

HR teams are using HRIS to automate core tasks like payroll, timekeeping, and leaves processing.

KEY INSIGHTS AT A GLANCE:

60% of HR professionals process payroll through an HRIS, a **6%** increase from our 2019 survey.

22% of respondents say they process leaves manually. In 2019, the figure was **59%**.

39% of HR teams manage their 201 files manually, a huge improvement from the 2019 State of HR Report where **73%** of respondents said they managed 201 files manually.

Our survey findings show that HR teams are now relying more on automated HR systems to reduce complexity in the wake of remote work expansion.

While a significant number of businesses still rely on manual processes, it's important to note that lack of budget and support from upper management are the main reasons behind it.

But what's clear is that the increasing use of HRIS to streamline vital but time-consuming tasks has helped HR teams in their transition to hybrid work.

How Do HR Professionals Process Payroll?

STATE OF HR 2019

32%

32% of the respondents in Sprout's State of HR report in 2019 said they process payroll manually.

STATE OF HR 2022

22%

Now, only **22%** process payroll manually.

54%

54% said they process payroll through an automated system.

60%

60% process payroll through an HRIS.

Recruitment

Digital recruitment has become the norm.

KEY INSIGHTS AT A GLANCE:

81% of respondents prefer LinkedIn to Facebook for talent sourcing

92% use job boards when hiring

71% of HR professionals use email to communicate with applicants

Thanks to digital recruiting platforms, finding and retaining top talent has become easier. HR teams used to rely on traditional recruitment strategies like partnering with third-party agencies, posting on job boards, and joining job fairs. But because of other digital recruitment tools, talent acquisition has become more streamlined and targeted.

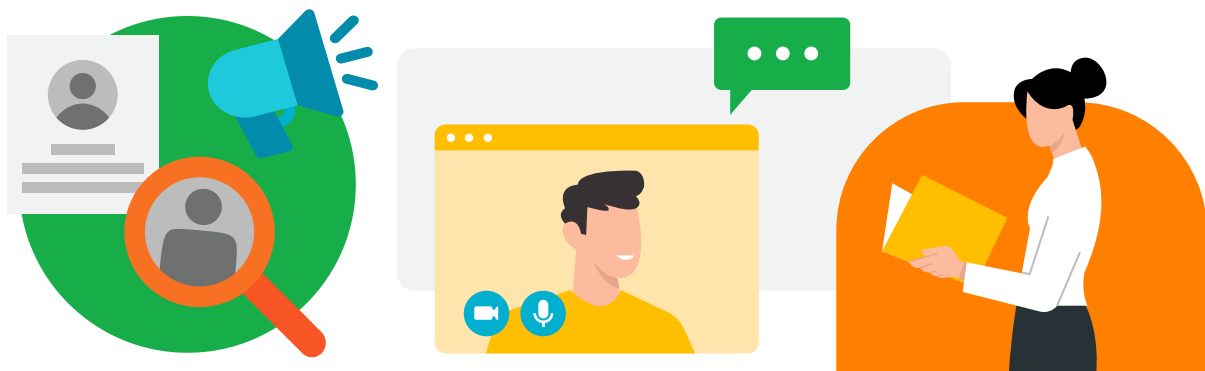## Enterprises take the lead in automating recruitment.

KEY INSIGHTS AT A GLANCE:

35% of respondents process recruitment through an Applicant Tracking System.

58% of HR teams still process recruitment manually.

Recruitment has been a top issue among HR professionals in the new world of work. Larger enterprises seem to be adopting digital tools for recruitment at a higher speed than SMEs, which are still handling many of their processes manually.

Given that hybrid work has made a huge impact on the recruitment life cycle, and an attrition crisis is looming[3], HR and business leaders must rethink their talent acquisition strategy.

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[3] https://www.shrm.org/resourcesandtools/hr-topics/talent-acqui-sition/pages/turnover-tsunami-expected-once-pandemic-ends.aspx

How do you process recruitment?

58%

Of the respondents process recruitment **manually**.

68%

Of HR Professionals in **SME Companies** process recruitment **manually**.

32%

Of HR Professionals in **Large Enterprises** process recruitment **manually**.

35%

Of the respondents process recruitment through an **Applicant Tracking System**.

23%

Of HR Professionals in **SME Companies** process recruitment through an **Applicant Tracking System**.

66%

Of HR Professionals in **Large Enterprises** process recruitment through an **Applicant Tracking System**.

Learning & Development

L&D Programs have a positive impact on employee retention.

KEY INSIGHTS AT A GLANCE:

87% of HR leaders believe that L&D programs play a key role in attracting and retaining employees.

91% claimed that L&D programs somewhat or to a great extent improve overall company performance.

Self-growth and upskilling not only matter to employees but they also translate into positive business outcomes. That said, HR professionals must prepare and implement new learning programs to retain employees and improve overall performance.

Businesses that provide employees with self-growth and upskilling/reskilling opportunities experience lower attrition and faster recruitment cycles[4]. From improving cross-team collaboration to exposing people to bigger and better roles, a focus on employee growth and development is a key element to organizational success and employee engagement.

HR leaders place great importance on learning and upskilling.

KEY INSIGHTS AT A GLANCE:

66% of HR professionals are well-prepared and have an adequate budget for their L&D programs

53% shared that they sometimes implement employee training sessions

Fortunately, HR leaders also see learning and development as a key component of employee engagement and retention. The next step is to revamp learning and development efforts to adapt to the evolving needs and changing priorities of the hybrid workforce.

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[4] https://www.shrm.org/hr-today/news/hr-magazine/summer2020/pag-es/upskilling-benefits-companies-and-employees.aspx

Performance Evaluation

Performance reviews remain an integral part of HR.

KEY INSIGHTS AT A GLANCE:

97% of HR Professionals in SME and Large Enterprises conduct performance evaluations.

74% manually process their performance evaluations through Google Forms, Excel, and other tools.

51% of HR professionals said the performance evaluations somewhat helped employees grow in the company.

HR professionals know the value of performance reviews in the hybrid era. Performance assessments provide employees the opportunity to grow through constructive feedback. But quarterly or annual evaluations may not be enough for the hybrid workforce. Business leaders should practice giving feedback and properly responding to employee criticism at more regular intervals.

Top three ways to conduct performance evaluations:

One-on-ones	**47%**
360-degree feedback	**28%**
Multi-appraisals	**21%**

Since feedback is crucial to employee growth, HR managers should provide clear, concrete, and constructive performance evaluations. But a more hands-on approach would require time and energy. For this reason, HR leaders prefer conducting automated employee assessments using a performance management system.

Combining automation and a more personalized approach could make employee evaluations more effective, especially with a healthy feedback culture and reward system in place.

How HR Teams Want to Conduct Performance Evaluations

85%	**84%**	**86%**
Of the respondents said **Automated with a performance management system**.	Of HR Professionals in **SME Companies** said **Automated with a performance management system.**	Of HR Professionals in **Large Enterprises** said **Automated with a performance management system.**

Combining automation and a more personalized approach could make employee evaluations more effective, especially with a healthy feedback culture and reward system in place.

Attrition

The Great Resignation is still in full swing.

KEY INSIGHTS AT A GLANCE:

62% of HR professionals observed an upward trend in company resignations.

75% of employees chose to stay with a company because of the compensation or salary.

Amid the COVID-19 crisis, HR leaders had to face the harsh reality of the "Great Resignation," or the unprecedented mass exit of employees. But this spike in attrition rates was part of a long-term trend[5].
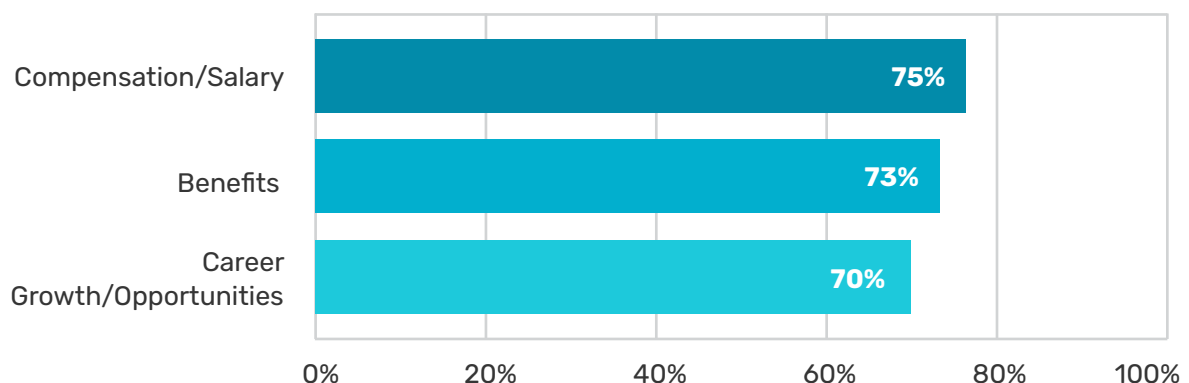
Even before the pandemic, there had already been a decline in employee tenure, as shown in CapRelo's Analysis of Tenure Over the Years[6]. In particular, employees who are between 20-24 years old would only stay for only 1.3 years, as opposed to the average median tenure of 7.2 years for 45-54 year-olds. And with the hybrid work era creating new opportunities and easier ways to find greener pastures, HR leaders should brace themselves for more turnover waves.

To mitigate attrition, companies should prioritize improving compensation and benefits as these are key deciding factors for employees to stay.

What Makes Employees Stay in a Company?

75%

Of the respondents said **Compensation/Salary.**

73%

Of HR Professionals in **SME Companies** said **Compensation/Salary.**

80%

Of HR Professionals in **Large Enterprises** said **Compensation/Salary.**

Top 3 ways to make employees stay in a company:

Compensation/Salary	75%
Benefits	73%
Career Growth/Opportunities	70%

0%   20%   40%   60%   80%   100%

[5] https://hbr.org/2022/03/the-great-resignation-didnt-start-with-the-pandemic

[6] https://www.caprelo.com/insights-resources/industry-trends/the-great-resignation-an-analysis-of-job-tenure-over-the-years/

Engagement

Meaningful engagement affects employee well-being in a good way.

KEY INSIGHTS AT A GLANCE:

95.79% of HR professionals share that employees care about employee engagement activities

98% said that engagement helps with overall well-being

83.18% claim that their employees actively suggest ideas related to employee engagement

63% of HR professionals craft employee engagement activities by themselves without asking for employee input

The need for data-driven decision making has only become more critical in the hybrid work era. Especially in the age of HR tech adoption, blindly making decisions should be a thing of the past; this, however, is not the case, which is especially problematic for something as vital to the HR practitioner as employee engagement.

When it comes to engagement, HR leaders should let employees significantly influence these types of decisions to avoid wasting time and resources and ensure active participation. Data driven initiatives to collect this sort of feedback could help facilitate this, and there is no shortage of tools available to address this sort of need.

Employee Benefits

An attractive benefits package improves employee retention.

KEY INSIGHTS AT A GLANCE:

97.66% agree that employee benefits have a direct impact on employee retention

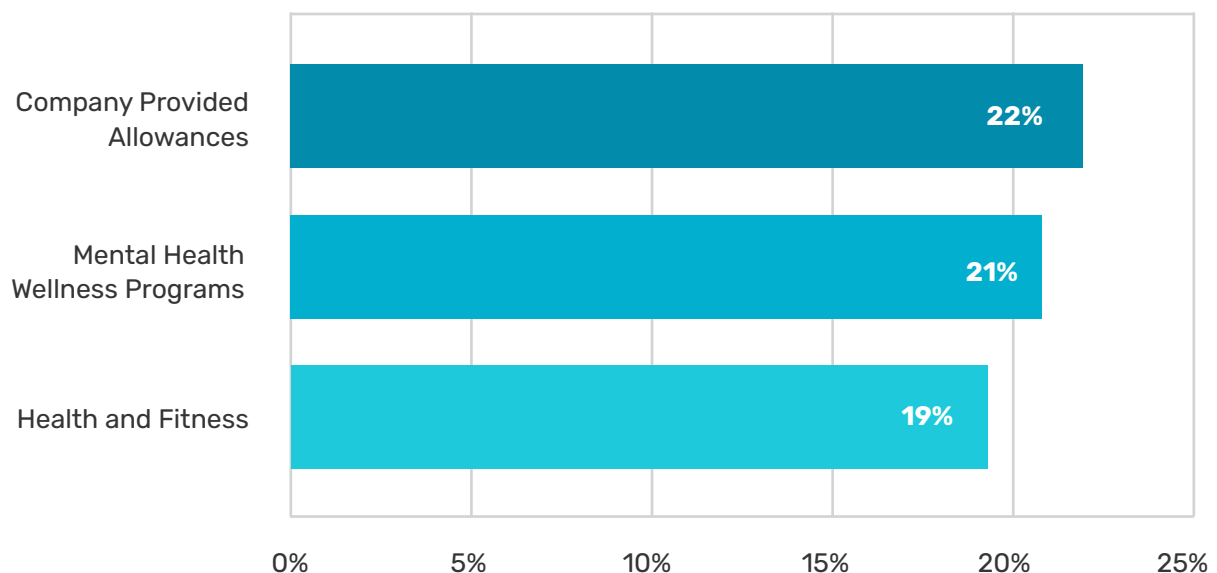**84.58%** agree that employee benefits reduce attrition

74% completely agree that offering benefits make employees happier

Employees want a company that offers a reasonable compensation and benefits package.

Considering how the Great Resignation[7] has serious, long-term consequences[8], businesses should make it a point to improve their employee benefits package for higher retention. In particular, COVID-19 has changed the employee benefits system[9] by redefining benefits related to childcare, transportation, and remote work allowance.

In addition to bigger pay, employees put a premium on their mental and physical health.

Top three benefits that employees want:

Benefit	Percentage
Company Provided Allowances	22%
Mental Health Wellness Programs	21%
Health and Fitness	19%

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[7] http://2500439.hs-sites.com/the-great-resignation-whitepaper-0

[8] https://fortune.com/2021/10/21/the-great-resignation-is-no-joke/

[9] https://hbr.org/2021/04/the-pandemic-is-changing-employee-benefits
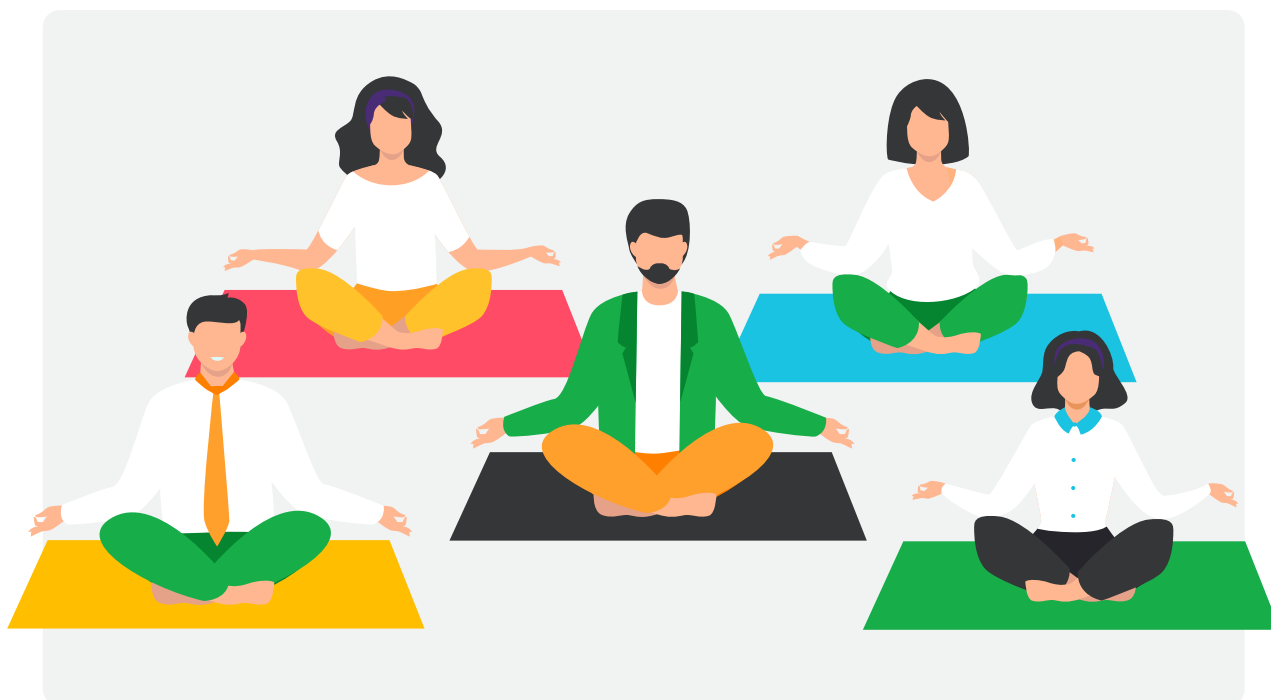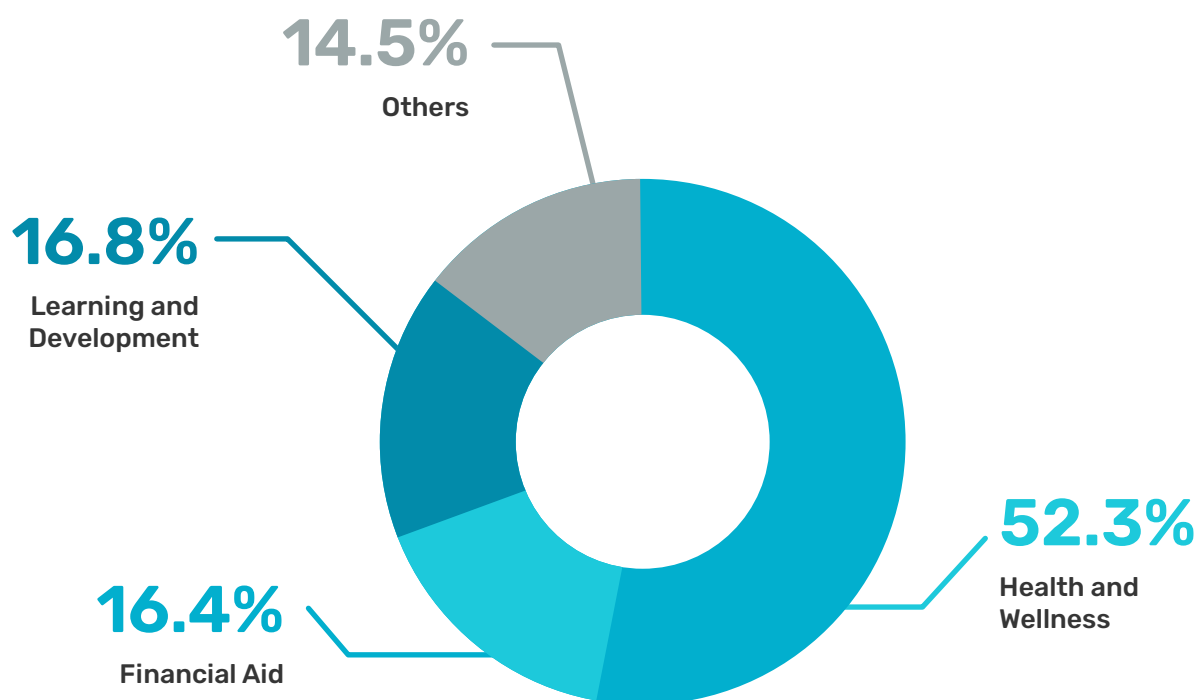
One thing is clear: for companies to remain competitive and retain top talent, they should prioritize employees' mental and physical well-being. The good news is that 79% of HR professionals shared that they already have these programs in line with the Mental Health Act[10]. Beyond this, HR leaders are also looking at other initiatives to retain talent.

What Kind of Benefits Does Your Company Plan to Provide in the Future?

14.5%
Others

16.8%
Learning and
Development

16.4%
Financial Aid

52.3%
Health and
Wellness

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[10] https://doh.gov.ph/sites/default/files/health_advisory/IRR%20of%20RA%2011036.pdf

HR Facets

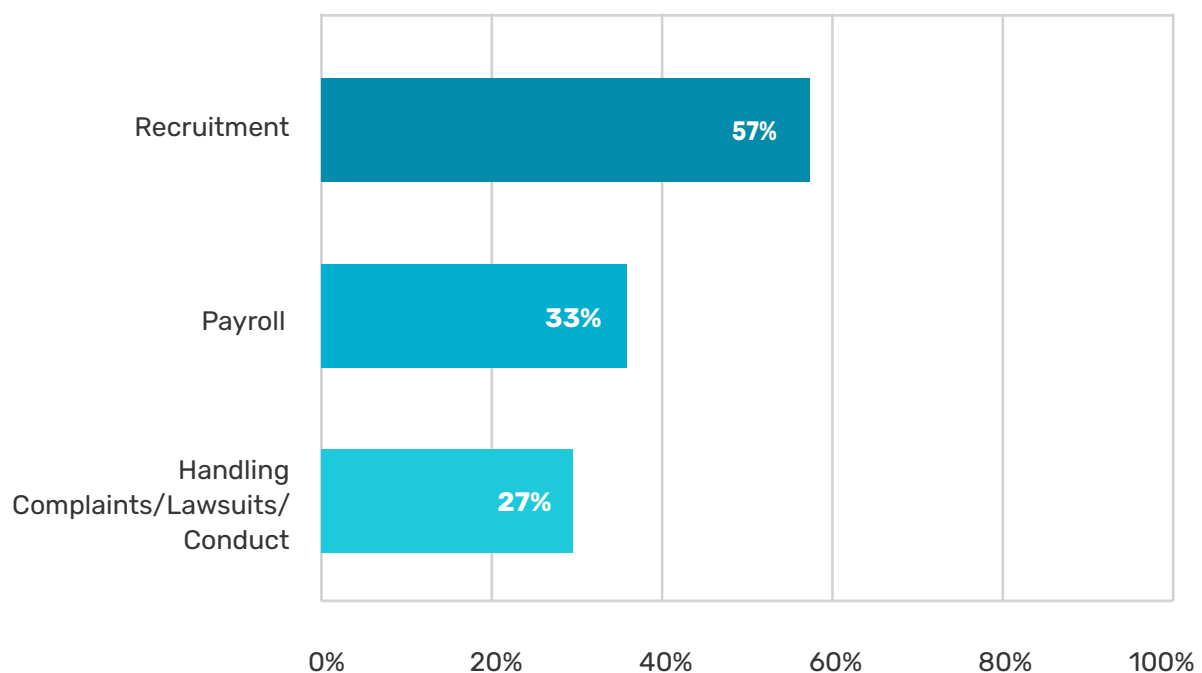## Recruitment is the most time-consuming process in overall business operations.

KEY INSIGHTS AT A GLANCE:

54%

of HR professionals said **recruitment takes the most time** in their business operations.

With businesses worldwide still reeling from the Great Resignation[11], it's no surprise that HR professionals spend most of their time managing recruitment. Recruitment teams will benefit the most from HR automation and could translate into a better candidate experience.

The top three HR tasks that take the most time:

- Recruitment: 57%
- Payroll: 33%
- Handling Complaints/Lawsuits/Conduct: 27%

It's not surprising that recruitment and complaint handling, tasks driven by human involvement and decision making still emerge as some of the most time-consuming tasks. But payroll remains an issue due to the sensitive nature of the tasks involved. HR tech adoption ensures that the time spent for this task isn't dedicated too much to correcting errors and handling discrepancies.

[11] https://sprout.ph/blog/the-great-ongoing-resignation-of-2021-5-ways-companies-can-retain-talent/

Lack of capital is the biggest barrier to adopting HR automation.

KEY INSIGHTS AT A GLANCE:

Top three HR hindrances from shifting to automated

36%	30%	18%
Lack of budget	Already has an automated system in place	Lack of support from the higher-ups

The primary obstacle that HR teams face in an effort to streamline processes with automation is the lack of budget and resources; there needs to be an active effort to position HR tech adoption as an investment, rather than simply being a recurring expense.

Innovation and technology play a significant role in HR success this 2022.

Top three facets of HR for success:

85%	68%	63%
Innovation and technology	Engagement and collaboration	Empowerment through training & seminars

2022 is shaping up to be the year hybrid work becomes the rule rather than the exception, and tech has a huge role to play. If there's anything to take away from this paper, it's that there's a mutual understanding between what HR professionals need and the benefits HR tech adoption can bring.

Innovation and technology are no longer just novelty advantages to improve the employee experience. They are critical, essential systems that allow businesses to operate at optimum productivity, accuracy, and efficiency. While HR and payroll functions have obvious advantages when automated, success in other top HR areas like engagement and retention can be achieved more easily by leveraging technology.

Future Outlook

Adopting a hybrid work model powered by technology is the key to staying relevant in the competitive business landscape. But HR tech should not only be seen as a tool to reduce administrative burden. Instead, HR leaders and professionals should leverage HR tech to create cohesive and connected hybrid working communities and build a culture that inspires productivity and collaboration.

Some key takeaways from the State of HR 2022 survey are listed below:

1 **Adoption of HR technology** is no longer an option but a necessity to succeed in the new world of work.

2 **Employee wellness and engagement** initiatives should focus on the needs of team members, and that HR leaders should give employees an active role in the decision-making process.

3 **Reskilling and upskilling programs** should be available to help employees achieve career growth and personal development.

4 Businesses must strive for **innovation through automation** to make management of HR functions easier.

Must-Have Tools for Hybrid Work

Being equipped with the best HR software can help businesses stay compliant and efficient. Some of these tools include:

HRIS (HR Integrated Software/Systems)

HRIS is a comprehensive digital HR platform that makes it easy to fill and access timekeeping data, attendance records, payroll, and leave requests in a single database. It also acts as a one-stop storage and organization for any data or records you may need, whether it be your employment history, government forms, and many more. With reliable HR software like Sprout's cloud-based ecosystem, companies can automate admin tasks and streamline HR processes in just a few clicks.

API Integration

An API (Application Programming Interface) is a software intermediary that lets two apps communicate with each other seamlessly. API integration helps make connections from the ground up to the functional level to promote greater productivity and reduce unnecessary errors. For instance, companies can benefit from API integration by making employee leave requests easier to view and approve.

Enterprise Software/Systems

Enterprise Application Software (EAS) is a valuable tool that helps organizations keep track and control the complex operations of their business. One of the notable benefits of using an EAS is that it allows users to manage and store big data. For organizations to scale up with growing business needs, EAS functionality must support employees working from home.

Rectuitment/Applicant Tracking System

A full recruitment suite would consist of an Applicant Tracking System (ATS) that acts as a database for job applicants. Recruitment suites connect you with job posting boards to generate job openings, complete with descriptions and other relevant details. Meanwhile, the ATS helps HR teams save time by collecting and storing resumes for ease of access to HR professionals. The system casts a wide net for diverse applicants and filters resumes to connect you faster to the best candidates for the job.

Employee Engagement Survey Tool

Tracking and analyzing the employee engagement journey can be done through comprehensive employee surveys. A holistic people platform includes tools like Sprout Pulse that give leaders insight into what key areas drive engagement in their company. These tools not only simplify the employee feedback process but also help managers ask the right questions, draw actionable insights, and implement data-driven engagement initiatives.

Performance & Learning Management System

Performance Management ensures that all your employees across all levels have the ability to provide constructive criticism and feedback to each other, whether it be to track company goals or their own personal growth.

Learning Management Systems ensure that the feedback given is actionable; managers are able to assign employees courses on areas they may need to improve on, or simply provide an avenue for self-growth through guided courses.

An effective tool that caters to both needs is **Performance+**, which helps HR leaders streamline companies' entire performance evaluation loops while providing training and development with a selection of over 500+ courses in its database.

Book a free demo and email us at **info@sprout.ph**. You can also visit our website: **www.sprout.ph** to learn more.

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Acknowledgements

Sprout Solutions would like to thank the survey participants. The State of HR 2022 report wouldn't be possible without the contributors, who provided key insights for the study. The contributors provided a clear glimpse of HR business ops, the latest trends in HR tech, pain points, and the challenges of hybrid work.

Sprout Solutions is a rapidly growing SaaS company that provides paradigm-changing solutions that address end-to-end HR challenges. The Sprout Ecosystem is a comprehensive, cloud-based People Platform that allows companies to manage all HR data in one place and provides invaluable analytics that aid in better enterprise-wide decision-making.