



WHAT WILL HAPPEN IN THE WORLD OF WORK IN 2023?

THE CURRENT UNCERTAIN BUSINESS AND
ECONOMIC CLIMATE SUGGESTS WE SHOULD
BE PREPARED FOR MORE CHANGE.



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EXECUTIVE SUMMARY

Twelve months ago many of us anticipated 2023 being the year things would start to settle down. The pandemic would largely be behind us and Brexit ramifications disappearing in the rear-view mirror.

Instead, we have lurched straight into another difficult period with the hardest-hitting cost-of-living crisis in living memory, an escalating war in Eastern Europe and a predicted global recession.

How will businesses respond to this myriad of changes, threats and potential opportunities? How will 2023 unfold across different industries? What do leaders need to look out for? What opportunities will present themselves?

Our 2023 predictions guide reveals the thoughts and insights of different business leaders and innovators from MHR, our partners and industry experts. This guide is an essential tool for business leaders, providing sound advice and what to look out for in the uncertain year ahead.



BUSINESS RESILIENCE

“Accurate, continuous forecasting and scenario planning allows an organisation to identify potential risks and opportunities.” – Mark Jenkins, Chief Financial Officer at MHR.

NAVIGATING A PERIOD OF FLUX

Charles Darwin famously said: “It is not the strongest or the most intelligent who will survive but those who can best manage change.” In contemporary business terms the ability to “best manage change” can also be read as “agility”. Agile businesses are better positioned to face evolving challenges. An equally important consideration in addressing this period of uncertainty is business resilience.

Hannah Jeacock, Research Director at MHR sees clarity as key in underpinning organisational resilience:

“ I think organisations with clear ultimate goals (but flexibility on how they get there) will prove to be the most resilient. ”

“Along the way we might see changes in how organisations do things – such as how employees undertake learning or manage their day-to-day working habits. Clarity in how employees contribute to the wider picture is key. Clear processes and technology tools, used for communication and recording progress, will be needed to underpin these points to encourage resilience, flexibility and agility in organisations.”

DATA AND BUSINESS INTELLIGENCE

Mark Jenkins, Chief Financial Officer at MHR sees knowledge and the utilisation of data as key in building resilience through forward planning: “Accurate, continuous forecasting and scenario planning allows an organisation

to identify potential risks and opportunities that may arise. From this, appropriate strategies can be determined and changed as and when deemed necessary.”

Philip Edwards, Finance Director at MHR; says:

“Organisations will need to place a careful watch on pricing points along with the tracking of current and future costs. The key will be stepping up scenario planning in order to be proactively prepared for future economic factors. While this is undoubtedly already completed on a regular basis, organisations will need to amplify their use of business intelligence from their asset base. From sales and marketing, technology, operational and support functions – each will play a key role in ensuring the organisation plans effectively for the future. The critical success factor will be how well these teams come together to meet the challenge.”

WELLBEING AND RESILIENCE

Organisations face several challenges in 2023 – though looking after their people needs to be high on the agenda. The cost-of-living crisis will test resilience levels of both businesses and individuals. Employee support is key. To navigate their way through the current cost-of-living crisis many employees are going to need support around wellbeing. Businesses need to remember that happier, healthier, less stressed-out employees are also more productive employees and contribute to an organisation’s resilience.

For more on business resilience download MHR’s report.

FINANCE AND PLANNING

“Cost control is fundamental in finance, and it becomes even more important in times of uncertainty.” – Mark Jenkins, Chief Financial Officer, MHR.

BALANCING THE BOOKS

The cost-of-living crisis coupled with supply chain concerns and labour shortages in many industries means finance directors and their teams have their work cut out to finely balance the books. Front of mind for many is the cost of energy. An August 2022 news report considered the case of a 22-cover restaurant whose energy bills are set to increase more than twenty-fold – a cost that can neither be realistically absorbed or passed on.

Mark White, Financial Performance Management Specialist at MHR: “Fluctuating energy prices are a huge issue for businesses – forecasting energy costs out into the future, finding ways to save energy from a cost perspective, but also to prove the sustainability of a business to shareholders and customers via ESG (environmental, social, governance) reporting.”

In addition to managing costs effectively, countering shrinking margins can of course be achieved by driving revenue. Considering the retail sector specifically, Steve Mearns, Analytics Director at MHR, suggests that: “Analysis of data within the retail industry will be paramount to maintain sales momentum in line with inflation. Retailers will use various sets of management information – including sales volumes, store demographics, salary costs and general costs of sale – to make informed decisions on product costs.”

Mearns also suggests that there should be a more finely tuned approach to monitoring and projecting costs: “Salary costs will be at the forefront of costs and with some tools it is possible to generate budgeting forecasts that allow users to assess current and predict future headcounts and their associated salaries and annualised costs. This will have a profound impact on the decisions to increase (or decrease) product prices which will be absorbed by the customer base.”

Costs – in terms of time and processes, if not always in pure £s terms – can be cut as we head into 2023. Philip Edwards, Finance Director at MHR:

“ The continued drive to reduce and eliminate manual processes and promote the use of advanced systems will be key. The reduction in time-consuming, manual activities which can be automated will be a priority, allowing FPs to concentrate on the value-add activities they can bring – to deliver on the challenges. ”

“This will be demanding but should also be viewed as a motivational factor for financial professionals – allowing them to spend more time demonstrating their knowledge and aiding the organisation to navigate future plans and demands.”

SALARY MODELLING

The accurate forecasting and management of costs will increasingly come under the spotlight for organisations large and small. With likely demands on salaries – often a business's largest cost – effectively projecting people costs well in advance will become increasingly important. Mark White says: "Salary modelling is a massive requirement currently – trying to balance pay inflation due to the cost-of-living crisis. We're also seeing high staff churn as employees chase higher salaries to counteract soaring energy prices and general inflation. And there's the skills shortage – caused by the 'Great Resignation' that followed lockdown – which can be seen in many industry sectors."

Accurately people modelling costs as well as non-people costs will enable finance teams to look forward with more confidence.

Guy Ayland, Financial Analytics Manager at MHR:

“With the economy shrinking and heading towards recession, organisations will be looking at ongoing costs and wanting to drive savings by consolidating their applications.”

PRINCIPLES

There are some principles to adhere to in times of economic unpredictability. Mark Jenkins, Chief Financial Officer at MHR:

“Cost control is fundamental in finance, and it becomes even more important in times of uncertainty, such as increased prices and inflation. Aligned closely to this is controlling cashflow.”

Jenkins also reflects on what 2022 tells us about how to approach 2023:

“A key learning from 2022 is that even when a crisis looks to be ending, the financial principles used to navigate through that crisis should be continued and improved where possible.”

This not only allows a business to maintain financial focus and disciplines, but it will also ensure that any potential future crises can be identified in advance and mitigating strategies put in place.”

Edwards echoes the broad consensus about the need for more effective planning:

“The importance of forward planning will become ever more important for organisations across all sectors. Tracking utility costs, raw materials and people costs, in particular, will be paramount for organisations to understand future cashflows and to be able to sustain business models through this period of uncertainty. Finance teams will be best placed to assist with their knowledge of cost behaviour – transparently demonstrating future impacts to the organisation. Their knowledge of this, alongside the commercial acumen gained from reporting organisational performance, will be vital supporting the commercial operation of a business alongside potential impacts to pricing policies.”

Edwards also reflects on aspects of how 2022 unfolded and what the means for 2023:

“2022 saw unprecedented events affecting business activity levels. The pandemic (and steady recovery), conflict in Europe, trade concerns across Europe and periods of instability in financial markets all heightened impacts on business confidence. Against this backdrop, finance professionals continued to report performance and had to scenario plan on an increasingly frequent basis. 2023 will undoubtedly see this continue and as a result finance professionals should expect even greater scrutiny on the numbers. They should also anticipate the need for enhanced reporting requirements while remaining in touch with legislative changes. Organisation-wide input will continue to be of paramount importance, ensuring an accurate picture of future performance.”

Edwards cannot emphasise enough the importance of Finance’s contribution to business cohesion and success: “Finance departments are the custodians of reporting the financial performance of an organisation. Key to this is maintaining and ensuring strong financial controls remain in place to meet regulatory and statutory requirements. In periods of change and economic instability, the need to maintain excellent financial controls remain the prerequisite to ensure the robustness of reporting and financial stability of an organisation.”

LOOKING FORWARD

Mark Jenkins, Chief Financial Officer at MHR summarises things succinctly:

“The last few years, dealing with Covid, cost increases and inflation have meant that all businesses have had to fundamentally understand the internal and external forces that impact liquidity and profitability. This has provided key information and, in many instances, instigated improved disciplines and processes to make them leaner, more flexible and agile in order to navigate through future stresses. Such business metamorphoses should be embraced and developed to elicit future benefits.”

Solid financial management is essential for any organisation to succeed. In the current climate, for some, just actually surviving may be the short-term objective. However you look at it, significant challenges await many organisations.



PAYROLL

“Evidence is mounting that organisations with a focus on financial wellbeing experience significant benefits such as improved employer brand, recruitment and retention.” – Jamie Lawrence, Content Manager, Wagestream.

Payroll is a core business function. Getting it right is essential for a whole host of reasons. The current cost-of-living crisis simply reinforces the need for workers to be paid accurately and on time. What changes can we anticipate over the next 12-15 months?

Lora Murphy, editor at CIPP (Chartered Institute of Payroll Professionals) sees payroll teams likely to be fielding employee questions and acting in an advisory capacity of sorts:

“With financial wellbeing firmly on the minds of many, it seems likely that payroll teams will become more involved with helping staff to understand their payslips and any tax breaks they may be entitled to.”

“Following the turbulence posed by the pandemic, things will hopefully start to subside and go back to some sort of normality in 2023. More government policies, and things like calls for evidence and consultations could also be prompted by this,” said Murphy.

FLEXIBLE PAY

Jamie Lawrence, Content Manager at financial wellbeing management specialists Wagestream, sees an increase in businesses rolling out flexible pay initiatives as inevitable to help support wellbeing initiatives and combat the financial pressures many monthly paid employees will undoubtedly feel:

“As more organisations discuss financial wellbeing strategically, more will also ask a fundamental question – what makes a good financial wellbeing strategy? Within that group, the most advanced will recognise that there are operational structures and pay-related policies at every organisation that significantly impact individual financial wellbeing. For example, when it comes to expenses, many organisations expect their people to wait up to six weeks to be reimbursed for amounts that may be significant. Many groups, particularly those earning less, suffer because of these policies. Reduced cash flow, if severe, could force employees into taking on expensive forms of credit. Expenses policies seem unrelated to financial wellbeing, but they are connected. There are other internal policies which are similarly linked. One of the most common, which is likely to be reviewed extensively next year, is also one of the most entrenched – the monthly payroll cycle. With an improved understanding of how it impacts individuals, many organisations will look to solutions like flexible pay to empower individuals to take control of their financial wellbeing.”

Lawrence elaborates:

“The adoption of flexible pay will accelerate. One of the most common business-as-usual policies – monthly payroll – will become increasingly questioned. All wellbeing pillars go through the same cycle, which is that employer investment over time orients towards solutions that tackle root causes instead of symptoms.”

“When it comes to physical health, for example, investment moved from occupational health to prevention, such as standing desks and gym memberships. Two of the biggest drivers of poor financial wellbeing are cashflow constraints and that income and outgoings do not peacefully coexist. In fact, many times it seems big expenses can fall annoyingly outside of the pay cycle. This puts people in a frustrating position: they can’t afford to pay a bill despite having earned enough money that month to cover it. This is because of the monthly pay cycle that dominates across the UK. By giving people control of when they get paid, organisations are seeing first-hand how this empowers individuals to actively manage their cashflow and avoid situations where they need to borrow money to reach the end of the month. More employers offered flexible pay solutions in 2022 and the trend will continue into 2023 and beyond.”

PAYROLL AND FINANCIAL WELLBEING

Lawrence is in no doubt about the strategic imperative financial wellbeing will become:

“Close to nine in ten (86%) organisations that discuss financial wellbeing as a strategic initiative have introduced support for employees to help them through the cost-of-living crisis, according to our latest State of Financial Wellbeing research. This drops to 69% for those that do not discuss it as a strategic initiative. This discrepancy will become increasingly evident and by the end of 2023, more organisations than ever will consider it. Why? Evidence is mounting that organisations with a focus on financial wellbeing experience significant benefits, such as improved employer brand, recruitment and retention. Additionally, the effects of a worsening cost-of-living crisis hitting UK workers – already left financially vulnerable by the global pandemic – will reach the ears of every boardroom across the UK. To not act will be to the detriment of both organisation and employee. Finally, leaders will increasingly realise that wellbeing strategies without the financial pillar are not wellbeing strategies at all.”



RECRUITMENT AND RETENTION

“Employees want to feel that they are trusted, respected, empowered to do their job well and rewarded for their work.” –

Liam Harvey, Lead Consultant, Searchability.

Along with employee wellbeing, recruitment, retention, and hybrid working are all very much under the microscope as we look to 2023 and beyond.

OFFICE-BASED, HYBRID OR REMOTE?

The debate about where people work from most effectively, and where they want to work continues unabated.

With what could be considered as a more traditional view, Graham Fisher, recruitment and onboarding expert at MHR, sees hybrid and remote working being scaled back as businesses and workers realise the value of face-to-face workplace interaction.

“The remote working / hybrid working model has served us well. However, I believe that there will be a stronger migration back to the office. I think the drive will initially be led by organisations themselves, but employees will choose to go into the office themselves given the choice.”

Fisher explains further: “We are social animals who require interaction with other humans, and this is not always possible with the remote / hybrid working model. There is also an element of FOMO (fear of missing out), when you’re working from home and no opportunities for casual water-cooler chats.

“There are numerous stories of disengaged employees not feeling part of an organisation and deciding to leave.” He believes this happens not because a company has the wrong culture but because people become disengaged due to hybrid and remote working arrangements.

Fisher also regards face-to-face engagement as vital in terms of professional development:

“ There is no better way of learning a new job than in person with your manager or a colleague next to you for support when required. Being able to ask quick one-off questions, without having to wait for a Teams reply or next scheduled meeting is invaluable. ”



Vicki Marinker, career coach, recruiter and founding partner of Comms Leaders takes a very different view to Fisher:

“There has been a huge rise in demand from candidates for more flexibility around location and working hours. Companies that expect their five-day-a-week-in-the-office policy to appeal to everyone will find retention and recruitment a challenge. They will also find their workforce becoming less diverse and inclusive, as traditional working patterns are more difficult for parents (disproportionately women) and disadvantaged groups.”

Marinker’s perspective is echoed by Deloitte’s findings in **Striving for balance, advocating for change** **THE DELOITTE GLOBAL 2022 GEN Z & MILLENNIAL SURVEY** with 75% of Gen Zs and 76% of Millennials preferring a hybrid or remote working arrangement.

75%

Gen Zs

76%

Millennials

PROS AND CONS OF HYBRID OR REMOTE WORKING

While there is no shortage of, often quite strong, opinions on either side of this debate it’s still too early for a definitive ‘it works’ or ‘it’s not good for business’ call on the benefits, or otherwise, of hybrid working. So, what are some of the generally considered pros and cons of hybrid and remote working?

Those in favour cite a number of things: flexibility around working hours, better work-life balance, higher productivity, reduced commuting costs and a greater ability to focus / less interruptions.

The other side of the debate focuses largely on what employees will miss out on when not in the office with ‘those watercooler moments’ often heading the list. For younger employees, network-building, picking up behavioural cues and informal mentoring are all things they will miss out on, or have reduced opportunities for.

FINDING AND KEEPING THE RIGHT PEOPLE

Employee wellbeing – particularly financial wellbeing – and where people will work from in 2023 will be front of mind for many but another major factor is pre-occupying HR people and managers: a significant shortage of good candidates.

Liam Harvey, Lead Consultant at recruitment firm, Searchability, picks up the ‘Great Resignation’ and talent management issue: “According to a survey by Bullhorn, 46% of global recruitment companies reported that talent shortage became their biggest challenge in 2022. We’ve seen that talent management can play a crucial role in preventing employee turnover. This can be done by identifying the strengths of each employee and matching those strengths to the tasks they are working on. It helps to know what employees are good at, so they aren’t put into situations where they have to do tasks they have zero knowledge about and are not good at.

This leads to frustration, poor work performance, disengagement with the company culture, and ultimately, employee turnover.

“ One of the biggest factors is when employees leave to go somewhere else that offers more opportunities for personal development, better pay, or other perks. Organisations and leaders need to act fast to shift how people think and feel about their employers. Employees want to feel that they are trusted, respected, empowered to do their job well and rewarded for their work. ”

“How will this play out in 2023? Leading industry experts are already predicting that in 2023, the spotlight will be on top talent, and their organisation’s ability to retain and recruit them. The ‘Great Resignation’ is still here and it’s all about using talent management to fix issues in 2023! With a changing workforce, I would advise employers to adapt their talent management strategies to retain top performers. Adding a human resource system that supports recruitment, performance evaluations and goal setting can help to retain employees.

“However, the foundation to any effective strategy begins by creating an environment where people thrive. This may include providing flexibility, a quality benefits package and proving that your organisation is successful in leveraging technology to make operations more efficient and effective.

“The fact is many employees want a pay increase. A survey by PwC found 44% of respondents working in the tech industry plan to ask for a rise, as do 25% of public sector employees. So, do your research or reach out to recruitment agencies such as Searchability for advice to ensure you are remaining competitive when trying to retain top talent.

“Consider conducting an employee survey to see what factors may contribute to why they would resign from your organisation. This way you can determine those negative points and try to tackle them before it’s too late.”

Harvey also has some predictions going further ahead:

“I would say given the evidence and what I’ve heard through clients’ experiences that tech talent specifically is still at a shortage and from candidates that there are lots of companies offering attractive hybrid and perk related packages. Those that don’t follow this trend will likely fall behind.”

If you can’t offer flexible working options, or if you shy away from adjusting your culture strategy to ensure all employees feel appreciated, you may fall victim to the ‘Great Resignation.

“ Ensure you are engaging and retaining the best talent by not only providing flexible working options but also making all employees feel valued and continually being part of a team and working on interesting and challenging tasks. ”

TALENT SHORTAGE AND TURNOVER

Potential talent shortages concern Vicki Marinker:

“There are a million vacancies in the UK at the moment,” she says, “Brexit has created a shortage of workers in sectors such as hospitality, agriculture and retail. We also have an ageing population; and more retirement age people than ever before.”

Additionally, Marinker talks about people simply “opting out” of the workforce – something that would have seemed inconceivable amongst the mainstream just a generation ago.

“ People in their fifties and sixties who have traditionally been a significant proportion of the workforce, are opting out of work post-Covid. They are part of a growing number of people who are self-employed or simply not working. ”

Andy Davies sees HR management reassessing the way they look at employee turnover:

“HR teams will abandon the overall turnover rate and look more closely at turnover figures based on length of service. This will also be viewed from the category of employee and department to obtain a more granular level of understanding to help influence stay interviews / added benefits / revised contracts to keep people in key jobs. Retention of star employees will require deeper understanding and early sight of issues as talent pools remain tight next year.”

In light of increased movement of employees and the ‘Great Resignation’ and that, currently in the UK, it’s very much a jobseekers’ market, the issue of the cost of replacing people is a salient one.

Kay Augustus ACIPPDip, Application Consultant at MHR, says:

“The key learning from last year that businesses take into 2023, should be about staff retention. The cost for an employer to keep a member of staff may be a few extra hundred or thousand pounds. But the cost for a business to recruit, train and find that perfect candidate could be a lot greater. Some businesses need to learn how to calculate this amount. Yes, the new candidate may be coming into the organisation for £5,000-10,000 less, but the advertising, recruitment costs, interviewing costs and six-twelve months of training – and not forgetting the cost of errors made along the way – could be far greater than this. Businesses need to learn the value of their staff, and the full cost of losing them.”



EMPLOYEE EXPERIENCE AND WELLBEING

In looking to foster engaged, productive workforces, HR and management need to pay keen attention to employee wellbeing.

The pandemic, the shift to hybrid and remote working, the 'Great Resignation' and more recently the cost-of-living crisis, make for a colourful and challenging smorgasbord of factors currently impacting employee wellbeing and engagement. It will come down to HR, working with business owners, boards, managers and their teams to navigate this period of uncertainty – albeit uncertainty wrapped together with opportunity.

INCLUSION

Rebecca Carter, Product Owner (Talent and Engagement) at MHR, sees human interaction – in the form of inclusion – as essential in employee engagement and wellbeing.

“Inclusion has been a key talking point in 2022 and will continue to be a real focus for HR into 2023. With increases in flexible working opportunities post-pandemic, it would be expected that workplaces in the UK are more inclusive than ever, yet this is rarely the case. It's important for organisations to address inclusion, understand how inclusive their environments are, and that they're able to take actions to ensure creating positive, psychologically safe working environments where resilience and innovation can thrive is a priority.”

Carter outlines ways to approach this:

“If you're not sure where to start, inclusion pulse surveys can be a great way to get things moving and quickly identify where your attention may need to concentrate on. Focusing on feelings of inclusivity, value and how individuals feel can be enlightening in understanding where cultural changes across an organisation might be playing a part within the context of business performance, high turnover or lack of engagement. As always, the more informed HR professionals are, the better. Having tangible results to evoke varying feelings of inclusion across an organisation can be a powerful tool to inspire change.”

She continues: “Policies and processes should continue to be reviewed to ensure inclusion remains a priority and is a living, breathing part of your ways of working. In 2023 we can expect to see more focus on women's health when it comes to absence policies. An inclusive workplace needs to incorporate the ability to work varied hours and see legal or cultural shifts in how menopause, endometriosis, miscarriage and more are accommodated. Providing a flexible environment where employees can feel human at work is essential in creating engaged, productive and driven organisations.”

EXPECTATIONS AND LEARNINGS

Since the pandemic, we have seen significant changes in workplace behaviours, and management and employee expectations. Carter reflects on some of the key learnings for HR professionals.

“As we continue to emerge from the pandemic, themes of humanity, compassion, sustainability and trust in practices, policies and values will continue to play a vital role.”

“Ensuring your organisation is inclusive, retaining key talent, acting sustainably and looking after its people are essential factors in operating at optimal organisational velocity. HR professionals can learn from things such as the ‘Great Resignation’ to reframe the business position around culture and what employees value most. They can utilise this learning to improve their employer value proposition and reduce the risk of further attrition in 2023.”

COST-OF-LIVING CRISIS

In looking to foster engaged, productive workforces, HR and management need to pay keen attention to employee wellbeing. The cost-of-living crisis looms over a significant proportion of the UK workforce, generating feelings ranging from anxiety to foreboding. For employers this means varying degrees of distraction among their workers, many of whom will need supporting through challenging times. The need for employee wellbeing programmes is very apparent.

The cost-of-living crisis will undoubtedly impact on the wellbeing and stress levels of millions of workers. Organisations have a duty to support their employees as best they can. Support is key; a happier, less worried employee will be a more productive one.

Rebecca Carter says:

“As inflation continues to rise, employers need to maintain an awareness and increased sensitivity to employee morale, wellbeing, and stress, as financial pressures are impacting many. To support employees through these times, organisations need to think about what they can offer to those who might be struggling.”



CARTER SUGGESTS A RANGE OF PRACTICAL WELLBEING MEASURES FOR ORGANISATIONS TO CONSIDER:

Does our EAP (employee assistance programme) provide financial wellbeing or support? Do our employees know how to access this?

Could more flexibility be given to employees to work remotely, reducing commuting costs? Could local communities be created to encourage and facilitate car-sharing?

What support and training are we providing line managers to ensure they spot the signs of stress and are confident in supporting their team members?

Are we engaging our teams effectively and continuing to create opportunities to reduce the risk of flight to competitor job offers?

Can we streamline our expenses process to reimburse employees faster?

Could bonuses, salary reviews or company reward payments be brought forward to support with rising costs?

Are our people aware of the range of salary sacrifice benefits available to them and how to access these?

Do we have any partnerships we could explore to give our employees temporary discounts to local shops or events?

See also MHR's Financial Wellbeing Checklist.

WAGES PRESSURE

While Carter wonders to what extent salary increases will assuage the worries and damage of the cost-of-living crisis, Vicki Marinker of Comms Leaders thinks wage increase demands are inevitable but is concerned about potential resulting workplace conflict:

“There will be a growing discrepancy between employers’ ability or willingness to increase salaries, and employees’ salary demands.” Both parties, it seems, are fearful. “Several issues are at play. For employees, the rise in the cost of living – energy costs the biggest concern – and the decrease in the real value of wages. And for employers, the rise in the cost of doing business and the threat of recession mean a reluctance or fear to increase wages too much.”

Rising inflation will influence both parties when it comes to discussion and negotiation. In some instances it could lead to a stand-off, industrial action or conflict.

SUPPORT AND CHANGE

There are other initiatives businesses could consider in looking to enhance the overall employee experience – with a wellbeing knock-on effect quickly becoming evident.

Andy Davies, Product Design Director at MHR offers some food for thought:

“HR teams will seek to maximise the use of salary sacrifice schemes to provide financial savvy approaches to saving money for their people – a kind of ‘inflation buster’ so to speak. This will extend to early access to salaries to help avoid pay-day loans. For some businesses who have been hesitant to implement such schemes, the rise of financial wellbeing and the current cost-of-living crisis will see more of an emphasis across these areas. Increasingly, this will become a key decision point for candidates looking for benefits that are considered as a standard requirement for an employer.”

Davies also envisages broader technological change and benefits for HR people:

“HR teams will focus on the increasing use of technology to drive automation within their teams and remove all transactional tasks from HR. HR teams will wish to drive customer satisfaction but also reduce their overall costs while they focus on more strategic challenges.”

WELLBEING – A KEY CHALLENGE

Organisations face a set of quite varied challenges in 2023, albeit with a clear, collective focus on looking after their people.

Employee wellbeing is crucial because it’s evident that to navigate the current cost-of-living crisis many employees will need support. Not only is this the right position for businesses to adopt from an ethical, or even duty-of-care, perspective, but it makes sound business sense.

HR’s role in supporting senior managers and the C-suite will be key in 2023. Businesses and organisations having their teams and workforces operating at optimum capacity throughout the year will be fundamental to stability and success.

ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) AND SUSTAINABILITY

“ESG reporting is not mandatory yet but is becoming a prerequisite to trade with some large organisations.” – Mark White, Financial Performance Management Specialist, MHR.

WHAT IS ESG?

According to Market Business News: “ESG stands for environmental, social and governance and refers to the three key factors when measuring the sustainability and ethical impact of an investment in a business or company.”

Sustainability has long since moved on from buzzword status. It’s now core to the thinking and strategic plans of large businesses and organisations across the UK and forms part of broader ESG thinking. **So, what changes will we see in 2023 and what trends will emerge?**

MEASURING AND REPORTING ESG

Mark White outlines some of the expectations, challenges and reporting measures:

“ESG reporting is not mandatory yet but is becoming a prerequisite to trade with some large organisations as they want to prove the sustainability of their whole supply chain. In the UK we have SDR (Sustainability Disclosure Requirements) which is similar to the EU’s SFDR (Sustainable Finance Disclosure Regulation). The GRI (Global Reporting Initiative) and the SASB (Sustainability Accounting Standards Board) offer frameworks to assist businesses with ESG reporting which is quite different to financial reporting as it often contains a great detail of narrative content and non-financial units of measure e.g. kwh of energy consumed etc. This reporting often falls within the domain of finance even though they have little experience in this area.”

Mark Jenkins, Chief Financial Officer at MHR also sees an increased significance in measuring ESG data:

“ Having the ability to identify, record and analyse trends in ESG data is key before any business can set an agenda. This will allow an organisation to determine any non-financial risks that are intrinsic in their day-to-day operations and any process efficiencies may even find their way to the bottom line. ”

Philip Edwards, Finance Director at MHR, says:

“Finance already uses advanced reporting and planning tools to support ESG, by capturing financial data in the format required which can be represented as KPIs and a measurement of success. This reporting will need to keep pace with ESG requirements into 2023 as it continues to remain top of the reporting agenda. Finance teams will be able to enhance and add to the information used to demonstrate sustainability by capturing the financial information of an organisation as a measurement of success.”

IMPORTANCE OF SUSTAINABILITY

Jonathan Rose, Enterprise Sales – Finance at MHR, is concerned about the impact of rising energy costs on businesses. “There is very much a focus on this, and businesses will be looking even more closely at wastage and ways to save.”

A commitment to ongoing sustainable practices will positively impact the bottom line. In turn this will add to the organisation's business resilience and their ability to scale up when they need to.

MHR's Rebecca Carter regards sustainability as an absolute imperative and considers the impact and benefits of sustainability initiatives across different areas of a business.

“Sustainability needs to become a priority for all industries in 2023 if it's not already.

There are so many opportunities for organisations to forge the way as leaders in their sector and create real change if action is taken now. Particularly in times of financial challenge it can be easy to focus entirely on the bottom line. However, having sustainability-based objectives and reporting key results is one way to maintain focus and track progress. This can result in key business benefits such as improved employee engagement, a stronger employer value proposition, brand recognition, energy cost savings, as well as a sense of community and long-term stability across the people in your teams.”

Carter recognises the combination of ‘doing the right thing’ and heightened levels of interest and concern around sustainability among younger workers compared to Baby Boomers and Generation X workers (essentially those 40-ish and over). She sees the potential for younger workers to influence senior decision-making around sustainability.

“Whether it be environmental changes, community work, internal progression and training programmes, sustainability is about doing the right thing by people and the planet we share. Organisations need to find radical ways to push forward in the fight for people and planet in the coming year. For HR professionals struggling to make this message stick with leaders in their organisations, introducing a reverse mentoring scheme is a fantastic opportunity to empower people to communicate this messaging to the C-suite directly.”

“ Gen Z and Millennials continue to express that protecting the environment and ensuring our way of life is sustainable are incredibly important to them. This often drives their career choices, so opening up channels for this dialogue is a powerful tool which can be utilised by HR professionals to progress initiatives and see real change. ”

Hannah Jeacock, Research Director at MHR was asked if research and technology departments can support ESG and sustainability agendas going into 2023:

“Yes definitely! The research we have undertaken shows organisations at different maturity levels regarding their sustainability knowledge and goals. Regardless of the maturity level though, once 2023 sustainability goals are created and measures are defined, the biggest challenge is how to collect the data to calculate and report on those measures. Technology departments can help with investigating ways to automate data collection if possible, or at least ensuring that data doesn't need to be double-keyed or held in dozens of spreadsheets. The need for reporting on ESG activities and measures will only increase, and will eventually become regulatory, so it is worth spending the time in 2023 in preparation for this eventuality.”

It's clear that measuring ESG and sustainability initiatives will become increasingly important in 2023 and then, at some stage soon, compulsory. If not already measuring ESG, businesses are advised to start putting the measures and reporting in place.

TECHNOLOGY, SECURITY, RESEARCH AND DIGITAL TRANSFORMATION

Government data shows 39% of UK businesses identifying cyber-attacks in a 12-month period.

CYBER THREATS

Cyber-attacks are an ongoing concern. Cyber-criminals are becoming more sophisticated and spreading their net to include more than the big corporates we generally assume are the common targets. Government data shows 39% of UK businesses identifying cyber-attacks in a 12-month period. Repairing damage caused by a successful attack is a major exercise – it's costly and time-consuming. Down-time, reputational harm and possible fines will all hurt an organisation. They need to be hyper-vigilant.

Will North, Chief Security Officer at MHR sees a “layered approach” to cyber security as key in building effective defences:

“ I predict an increase in attacks bypassing multifactor authentication (MFA). The easiest way for a cyber-criminal to break into a system is to get the password. This is why phishing emails stealing credentials is a common type of attack today. ”

Alarming, a secondary industry has evolved: “There are even cyber-criminal gangs called ‘access brokers’ – dedicated to obtaining access credentials and selling on,” says North.

MFA AND UBA

As MFA is more widely adopted so will cyber-criminals' attempts to circumvent it become more sophisticated. Will North: “As MFA is becoming more and more common, this will significantly stifle these types of attacks. Several attacks in 2021 used techniques to bypass MFA, but I predict MFA bypass attacks will

increase in 2023 as cyber-criminals evolve their tactics. To protect against this, organisations need to implement a layered approach to security to ensure that if one layer is breached there are others providing protection. This will likely include user behaviour analytics (UBA) to identify where layers of security have been breached and there is a malicious actor inside your systems.”

UBA is a potentially powerful line of defence which examines behavioural patterns and analyses them, identifying variations or anomalies indicating a possible threat, eg: Employee X logs on between 8am and 8.30am on weekdays from either home in NG5 or office in NG11. He finishes work, logging off around 5.30pm. One day someone tries to log into Employee X at 11pm from Blackburn in Lancashire. UBA acts as that metaphorical ‘big red flag’.

North also anticipates an increase in double extortion ransomware attacks:

“The last few years has seen an explosion in ransomware attacks as they are extremely profitable for cyber-criminal gangs, with some making hundreds of millions of pounds a year. As the number of organisations that don't pay the ransom increases and organisations implement better recovery procedures and paying ransoms becomes illegal, cyber-criminals will up the ante. I predict that as well as encrypting data, cyber-criminals will increasingly target large volumes of more sensitive personal data, such as HR and payroll data, on the threat of releasing it into the public domain (double extortion). Although an organisation may be able to recover relatively quickly from their systems being encrypted, the potential impact of regulatory fines and class action lawsuits from losing large volumes of sensitive data may be enough to encourage organisations to pay a ransom.”

A successful cyber-attack has several knock-on effects including, North predicts, an increase in class action lawsuit pay-outs. "There have been relatively few class action lawsuit pay-outs for data breaches in the UK in recent years, but they are on the rise. As a data breach happens to a major organisation nearly monthly, and the public and no-win no-fee lawyers see how much money they could receive, I predict these will increase."

EMPLOYEES A BARRIER TO CYBER-ATTACKS

Emma Doyley, Information Security Manager at MHR echoes North but also sees a level of responsibility sitting with employees.

"The success of information stealing techniques throughout 2022 means it's almost certain that this easy and fruitful attack technique will continue into 2023 and beyond. Implementing and utilising the tools and techniques to prevent the loss of information is key to ensuring organisations protect their systems, data and reputation. Supporting this effectively is the continuing importance of user awareness.

“Empowering employees with cyber security knowledge can be the turning point in preventing attacks before they get the chance to take hold and exploit an organisation.”

Doyley sees no let-up in cyber-criminal activity: "Cyber security is a top priority for leadership teams. This will continue with more organisations having a dedicated board member qualified in cyber security. This will, in turn, drive cultural change, with increased visibility on risk and resilience in respect to all threats – from cyber-attacks to acts of nature and social events. The transformation will have a knock-on effect, with organisations using cyber security and risk as a driver in building business relationships. This may lead to an increased number of requests about a supplier or partner's cyber security certifications, practices, and risks."

RESEARCH AND DIGITAL TRANSFORMATION

Hannah Jeacock, Research Director at MHR considers the role of technology and research departments when it comes to digital transformation in 2023:

“Any good technology department will approach digital transformation by thinking about what problems they need to solve for their business and not let a shiny new tool distract them.”

"Once a business problem worth solving is identified, and the end users are consulted, then solutions can be investigated. For 2023, digital transformation will probably either involve automation and integrations, to increase efficiencies, or will involve cleaning and making the most of an organisation's data. Or most likely a combination of the two. The pandemic fast forwarded many organisations' digital transformations; though during 2022 I expect there was a need to clear up swathes of 'shadow IT'. I hope this investment in technology continues, but in 2023 we will probably see a squeeze on resources as costs rise."



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