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The 2023 State of Employment Technology Report

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Executive Summary

There's no doubt that 2023 was an eventful year for HR professionals, who faced several waves of layoffs, a push back to the office, and the rise of generative AI.
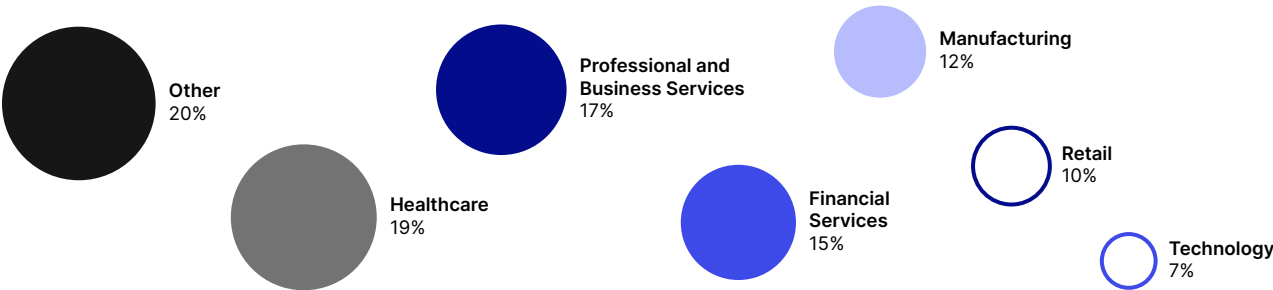
Many answered the call to return, and enjoyed rewards like more job opportunities and higher salary raises as a result. Others ventured into unknown territory, adopting generative AI with a desire to enhance their productivity. And all tried to make the most of their resources during a tumultuous and often challenging period, with most demanding not more headcount or budget but better technology and processes.

We examine these trends in our inaugural report, which evaluates a wide variety of solutions in use today from HRIS and payroll systems to benefits administration platforms and time-tracking/attendance tools. Our research reveals that, above all else, HR professionals expect these systems to play nicely together. Indeed, technology integrations that facilitate seamless data sharing are now considered table stakes for this segment of workers.

Research Methodology

In June 2023, Finch surveyed 1,004 HR professionals from a variety of industries and company sizes, all of whom were employed full-time. Our aim was to discover what's trending in HR in 2023 as well as to explore the relationships between HR professionals, their tech stacks, and the employment data they manage.

Which of the following best describes the industry you work in?

Other
20%

Healthcare
19%

Professional and Business Services
17%

Financial Services
15%

Manufacturing
12%

Retail
10%

Technology
7%

Which of the following best describes your current role?
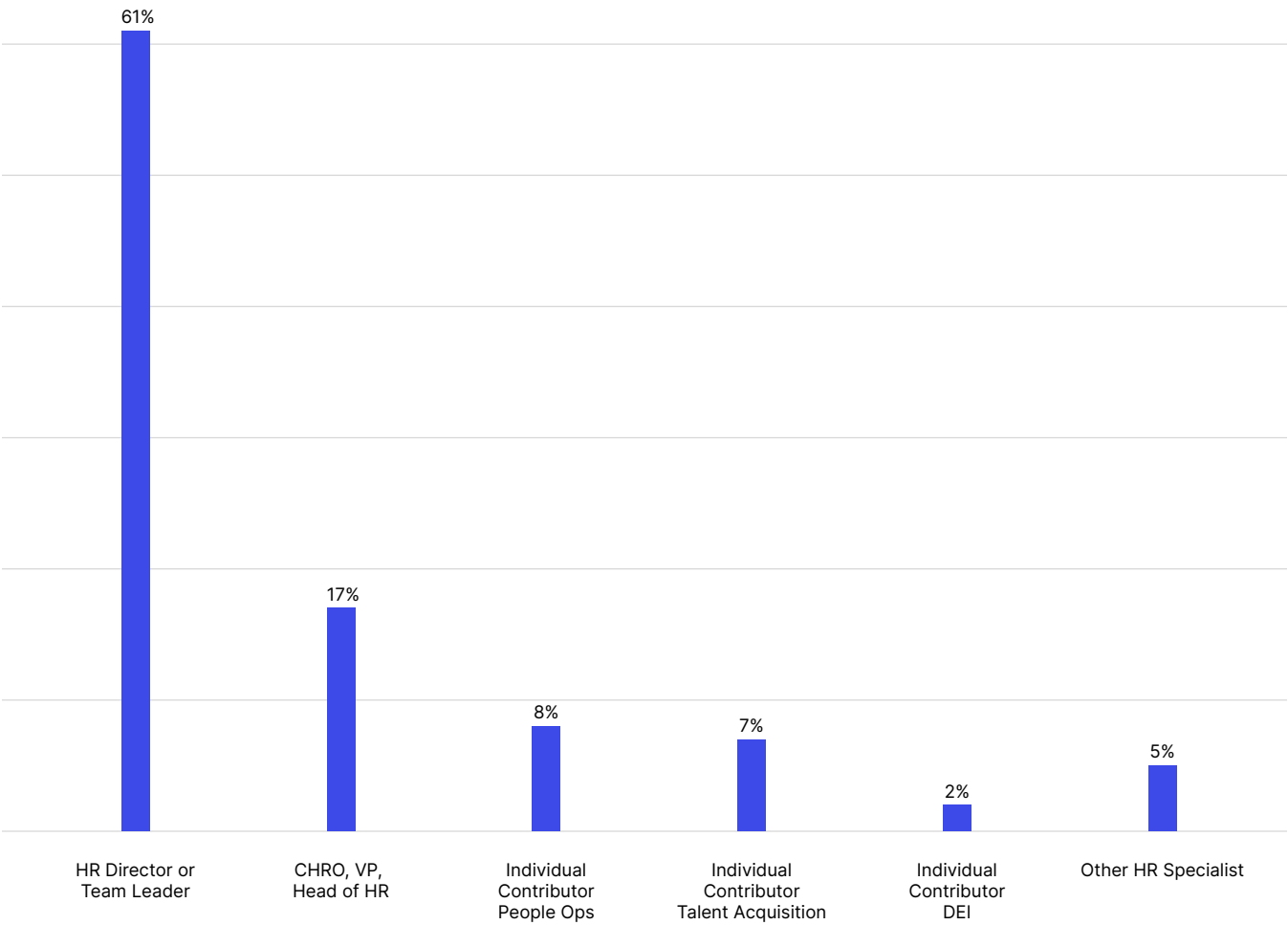
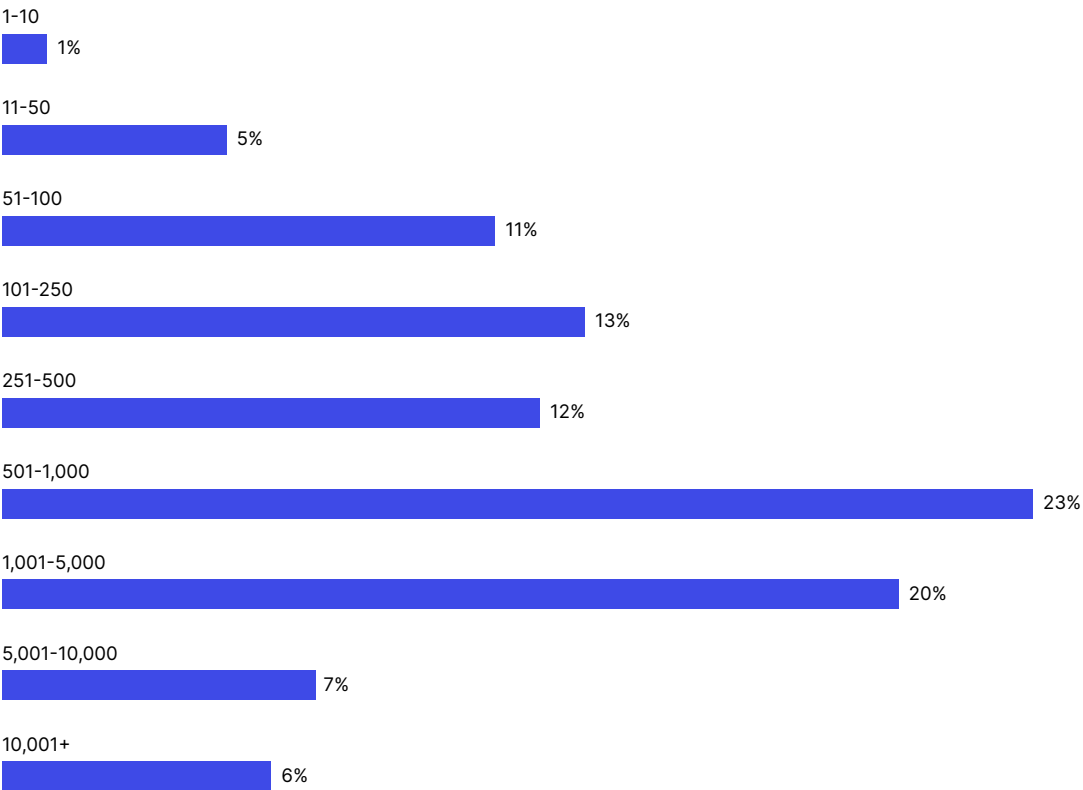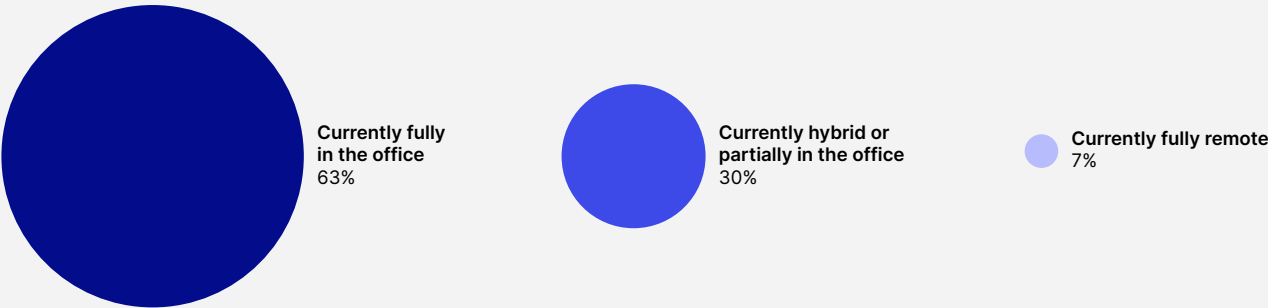The vast majority (78%) were team leaders in director, vice president, or c-level executive roles. The other 22% were individual contributors, many of whom specialized in a specific domain within human resources, such as people operations, talent acquisition, or DEI.

How many employees does your organization have?

1-10
█ 1%

11-50
███ 5%

51-100
███████ 11%

101-250
████████ 13%

251-500
████████ 12%

501-1,000
██████████████ 23%

1,001-5,000
████████████ 20%

5,001-10,000
████ 7%

10,001+
████ 6%

Surprisingly, 63% of respondents were neither remote nor hybrid workers, instead being required to come into the office five days per week.

Which of the following best describes your current employer's working environment?

Currently fully
in the office
63%

Currently hybrid or
partially in the office
30%

Currently fully remote
7%

About Finch

Finch is the #1 unified API for employment data, with industry-leading coverage across 200+ payroll and HRIS integrations. Finch helps B2B platforms connect to their customers' systems of record quickly and securely, powering automation and insights for the employers they serve. Platforms like Human Interest, Carta, and Nayya have connected 20,000+ employers using Finch.

Key Findings

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To uncover the statistics that support each key finding, keep reading.

Integrated technology is table stakes for HR professionals

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To explore the relationship between HR professionals and their tech stacks, we inquired about how many systems they use, the degree of integration between those systems, and how much time is needed to manage them.

Almost half (49%) of HR professionals say they leverage 7 or more employment systems of record, inclusive of their HRIS, ATS, benefits administration platforms, payroll systems, and time-tracking and attendance tools.

This was especially true for male HR professionals (58%), those aged 35-44 (57%) and those working at companies in the financial services (73%) and technology (67%) sectors—all of which appear to lean more heavily on employment technology.

How many employment systems are in your tech stack?

1-3
22%

4-6
28%

7-9
23%

10-12
18%

13+
8%
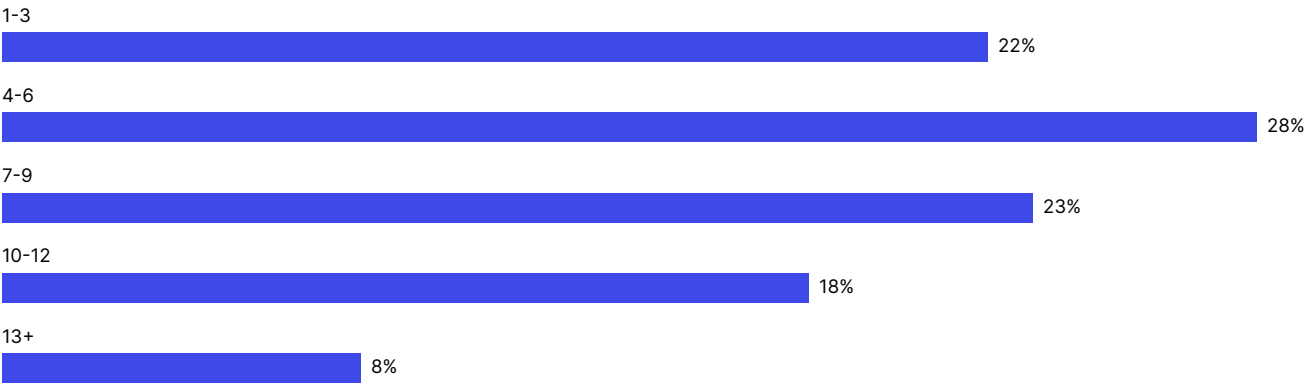
HR executives report having to manage more employment systems than their workers. Whereas 69% of VP- and C-level leaders say they have 7 or more tools in their stack, just 33% of individual contributors say the same. This disparity may be due to a lack of knowledge of the systems in use by their managers, or it could be that their knowledge is limited to a certain domain within human resources.

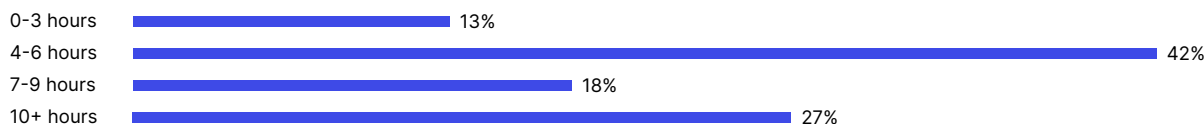## How much time do you spend in employment systems per week?
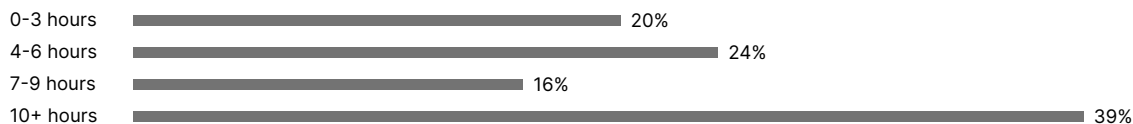
CHRO, VP, Head of HR

0-3 hours	6%
4-6 hours	22%
7-9 hours	45%
10+ hours	26%

HR Director or Team Leader

0-3 hours	7%
4-6 hours	35%
7-9 hours	33%
10+ hours	25%

Individual Contributor

0-3 hours	13%
4-6 hours	42%
7-9 hours	18%
10+ hours	27%

Other HR Specialist

0-3 hours	20%
4-6 hours	24%
7-9 hours	16%
10+ hours	39%

That conclusion is supported by the fact that HR executives report spending more time in their employment systems than their workers. Whereas 72% of VP- and C-level leaders say they spend 7 or more hours logged in per week, just 45% of individual contributors say the same. HR executives also report spending more time manually entering employment data and toggling between different systems than the individual contributors who work for them.

One possible explanation is that HR executives are asked to manage sensitive employment data directly, rather than delegating it to their employees. Another might be that, given their seniority, they keep closer tabs on people analytics. It's also possible that simply because they oversee more systems, it takes more time to manage them.

Across all groups, more than one-quarter of HR professionals (26%) say they spend at least 10 hours every week in their employment systems of record. Given that businesses are on the hook for the cost of that labor, there appears to be an opportunity to drive cost savings and refocus employees on higher-priority projects by further automating menial tasks.

More than one-quarter of HR professionals (26%) say they spend at least 10 hours every week in their employment systems of record

How much time do you spend in employment systems per week?

0-3 hours
9%

4-6 hours
33%

7-9 hours
32%

10+ hours
26%

Seven in ten respondents (68%) say they routinely switch between different employment systems throughout the day. Half (51%) admit doing so leaves them feeling overwhelmed, stressed, annoyed, frustrated, or angry.

That's not surprising given that context-switching is known to not only cause mental fatigue but also reduce overall productivity, which may leave employees feeling discouraged.

One promising avenue for automation is tightening the connection between employment systems, enabling two-way data syncing between them. This would effectively reduce the need for HR professionals to manually enter data or transfer it between systems. While nearly all respondents (97%) agree their employment systems of record should integrate with other tools in their technology stacks, 84% say this connectivity is very or extremely important.

Today, remote workers have the highest number of integrated technologies (7.73), followed by hybrid (7.53), then in-office (6.13). Across the board, benefits administration (55%), employee engagement (51%), and performance management (46%) platforms were the most likely tools to be integrated with HR professionals' employment systems of record.

Not surprisingly, 71% of HR professionals at companies with 100 employees or less say they leverage 6 or fewer employment systems. In contrast, 68% of HR professionals at companies with over 500 employees use 7 or more employment systems. This likely reflects a difference in budget as well as team complexity.

HR professionals at companies with 101 or more employees spend significantly more time in their employment systems manually entering data. Interestingly, this cannot be explained by less-integrated tech stacks. On the contrary, there was a positive correlation between company size and the number of tools integrated with their employment systems of record. In other words, as company size increased, the number of integrated technologies also increased. Companies with fewer than 100 employees had an average of 5.58 integrated technologies, whereas companies with over 10,000 employees had an average of 7.68 integrated technologies.

"Today's fluid work environment forces applications to become more integrated with employment systems of record. To cut down costly mishaps, HR teams need to have access to critical data across all their tools without switching between different systems."

Ansel Parikh
COO and Co-Founder, Finch

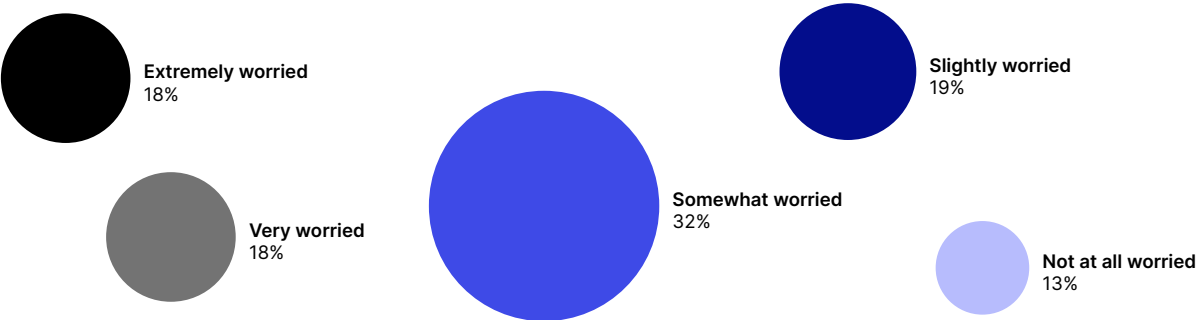**How often do you toggle between different employment systems?**
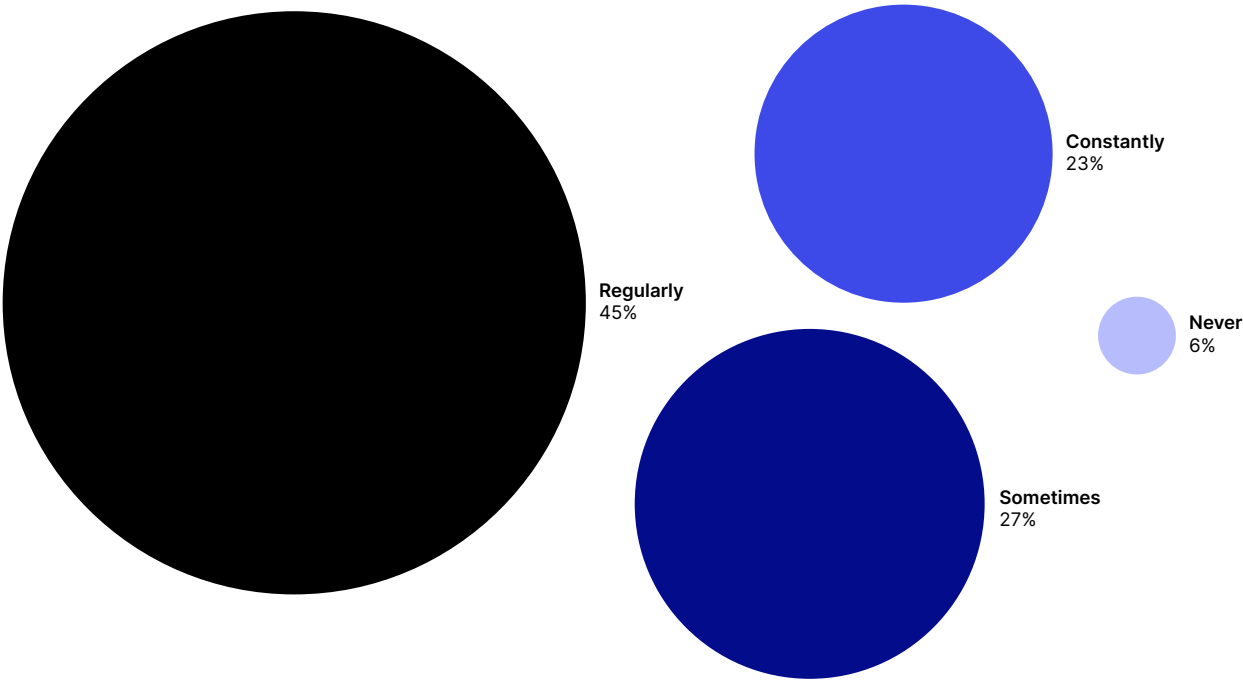
Regularly
45%

Constantly
23%

Never
6%

Sometimes
27%

HR professionals are worried about data security and regulatory compliance

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To learn how HR professionals perceive and practice data security, we asked questions around data breaches, regulatory compliance, and data transfer procedures.

How worried are you about employment data breaches?

Extremely worried
18%

Very worried
18%

Somewhat worried
32%

Slightly worried
19%

Not at all worried
13%

Most HR professionals admitted they're worried about employment data breaches (68%), though a greater percentage is worried about complying with data security regulations (76%).

How concerned are you about complying with employment data security regulations?

Extremely concerned
27%

Very concerned
30%

Somewhat concerned
19%

Slightly concerned
12%

Not at all concerned
12%
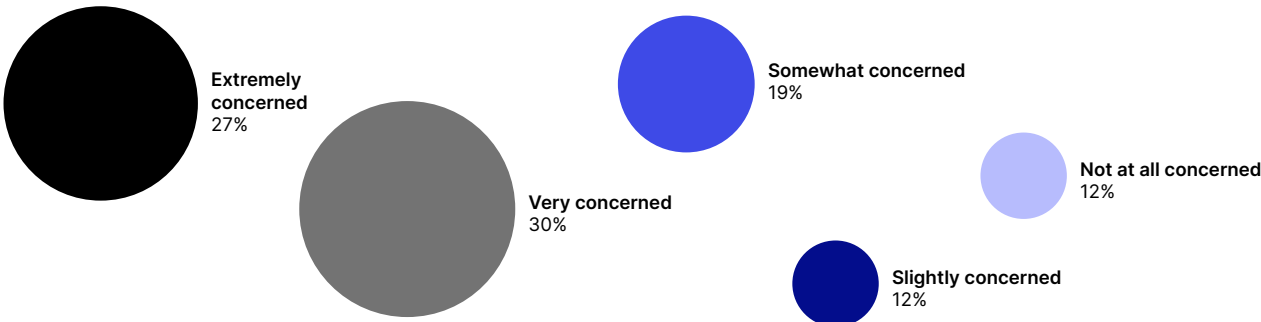
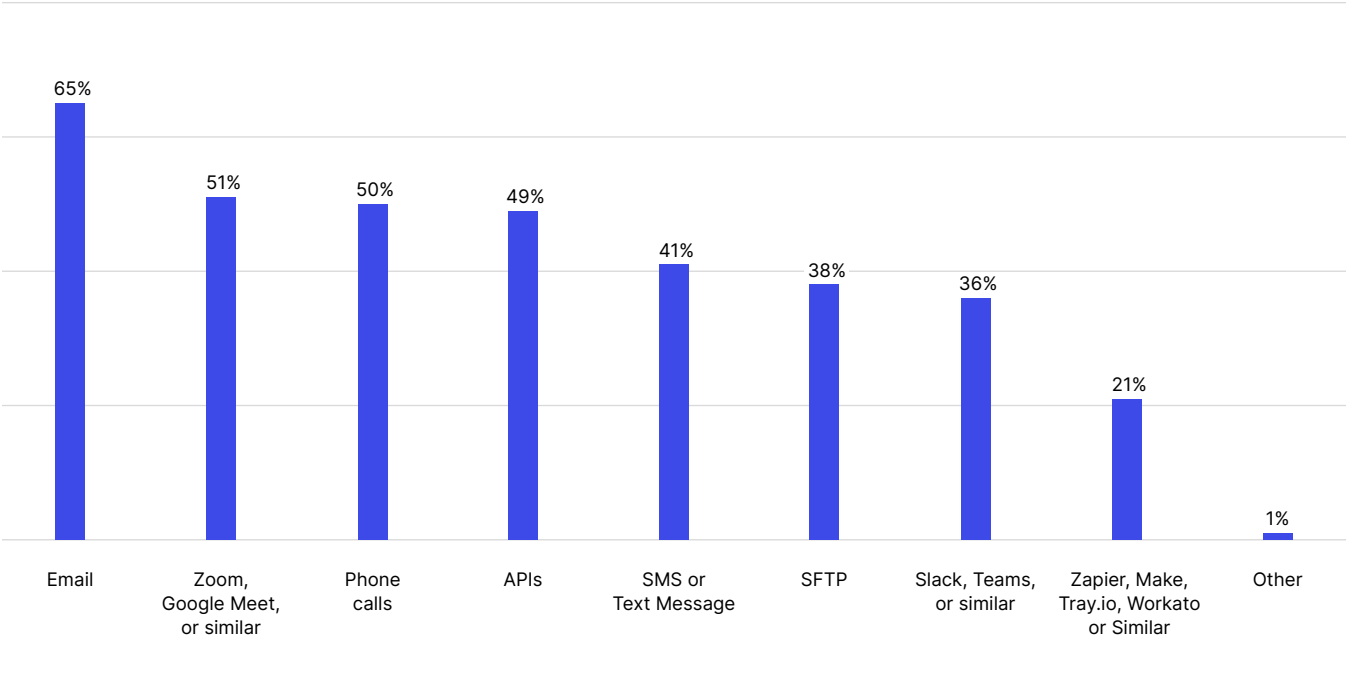The threat of penalty appears to be effective in keeping data security top of mind. That said, it's one thing to be aware. It's another to put it into practice—something HR professionals appear to be falling behind on.

Unsurprisingly, HR executives were 79% more likely than their team's individual contributors to feel very or extremely concerned about complying with employment data security regulations. That makes sense given leaders are the ones who are held responsible for the performance of their teams. Despite this fear, a greater percentage of HR executives than individual contributors admit to sharing sensitive employment data over insecure channels.

What communication channels are you currently using to communicate sensitive employment data today?

Email — 65%
Zoom, Google Meet, or similar — 51%
Phone calls — 50%
APIs — 49%
SMS or Text Message — 41%
SFTP — 38%
Slack, Teams, or similar — 36%
Zapier, Make, Tray.io, Workato or Similar — 21%
Other — 1%

Across all groups, the most popular method for transferring employment data was email (65%), followed closely by video conferencing tools like Zoom or Google Meet (51%) and traditional phone calls (50%). Surprisingly, 41% of respondents said they share sensitive employment data over text message or SMS.

We suspect these channels are primarily used during the initial employee onboarding stage, when the data is initially collected from employees. And while, none of these processes are secure or scalable, for many HR professionals its a necessary workaround when there is no other alternative to getting employee data into the systems they use. Nevertheless, we know this process to be not only time-consuming but also error-prone.

Our findings support this theory:

Four in five respondents (80%) said they spend a minimum of 4 hours per week doing manual data entry, and over half of respondents (56%) said they find incorrect or outdated information in their systems on a weekly, daily, or hourly basis.

Across both data breaches and regulatory compliance, HR professionals in the technology and financial services industries experienced the most fear. They were also more likely to use the most secure methods of transferring sensitive employment data, like application programming interfaces (APIs). This is likely due to greater awareness of data security risks and steeper penalties for non-compliance.

"HR professionals are data stewards for sensitive employee information. They're increasingly demanding higher standards as security and regulatory concerns grow alongside innovation.

Jeremy Zhang
CEO and Co-Founder, Finch

The adoption of generative AI is still in its infancy

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To understand how HR teams perceive and use generative AI, we first asked respondents to share whether they're using tools like Bard or ChatGPT.

Nearly six in 10 HR professionals said yes, confirming they use generative AI in some fashion today.

Does your HR team use generative AI technologies such as Bard or ChatGPT?

I don't know
5%

Yes
59%

No
36%
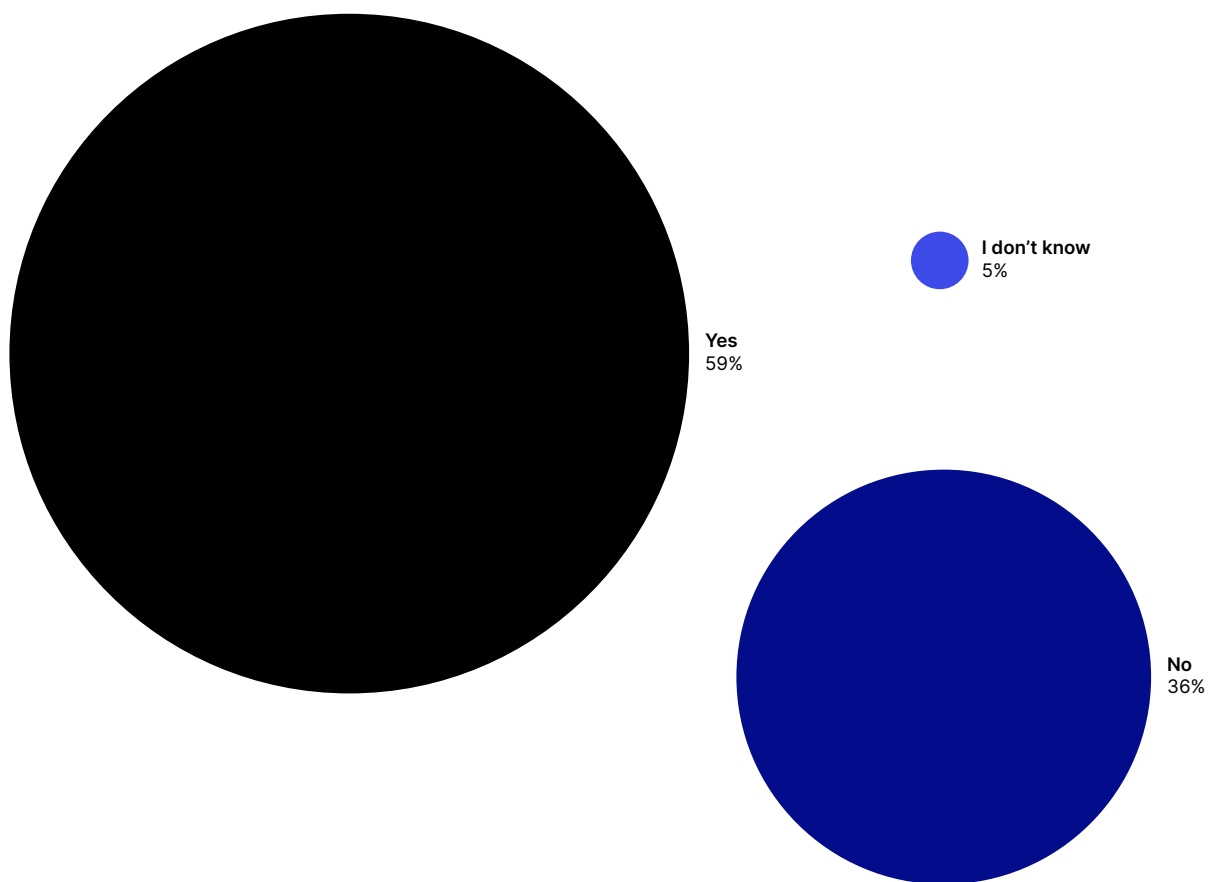
Because the vast majority of respondents were HR leaders in at least director-level positions, we decided to also look at how the data stratified across the different levels of seniority.

We found that, while two-thirds of HR leaders (67%) believe their teams are using generative AI, only 31% of individual contributors report doing so.

There thus appears to be a disconnect between what HR leaders believe and what's happening in reality.

Does your HR team use generative AI technologies such as Bard or ChatGPT?

HR Leaders
CHRO, VP, Head of HR, HR Director, or Team Leader

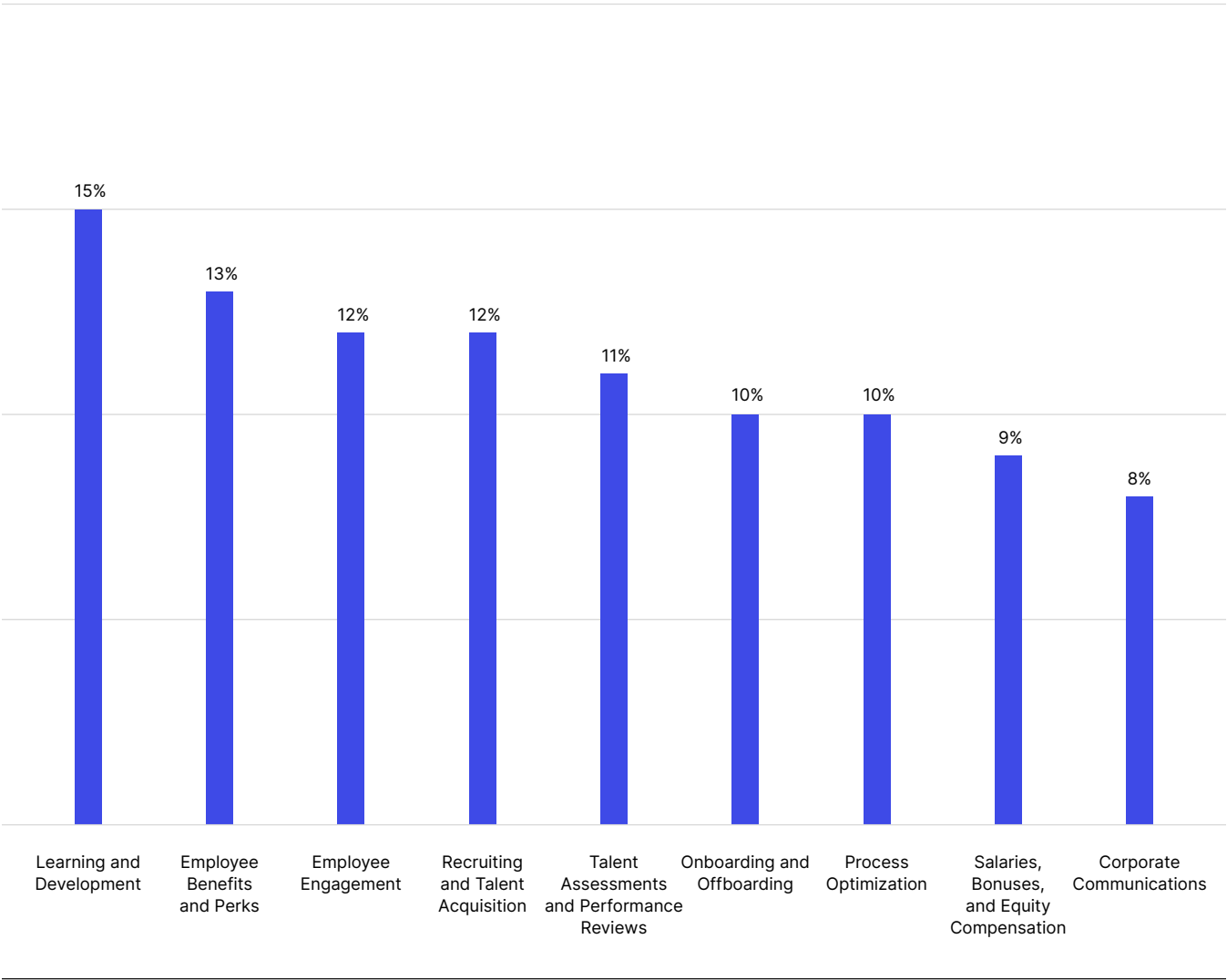|	
Yes	67%
No	31%
I don't know	2%
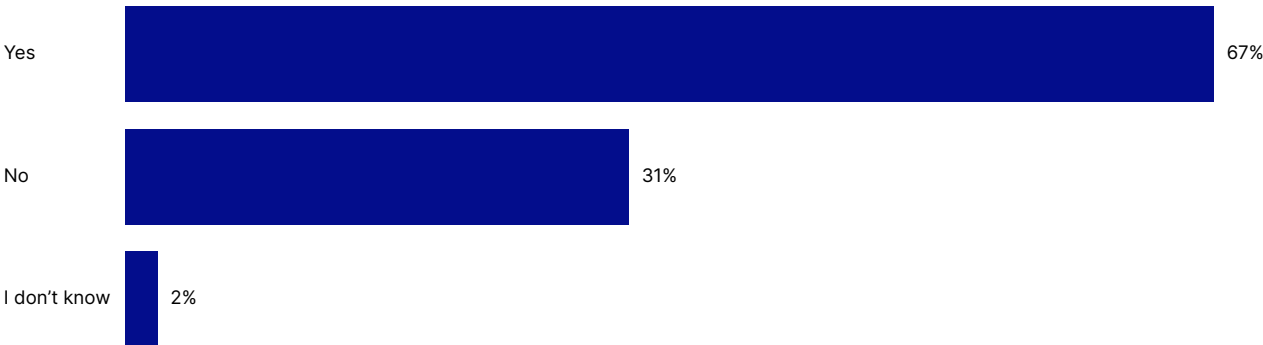
Individual Contributor
People Ops, Talent Acquisition, DEI, or Other HR Specialist

Yes	31%
No	53%
I don't know	16%
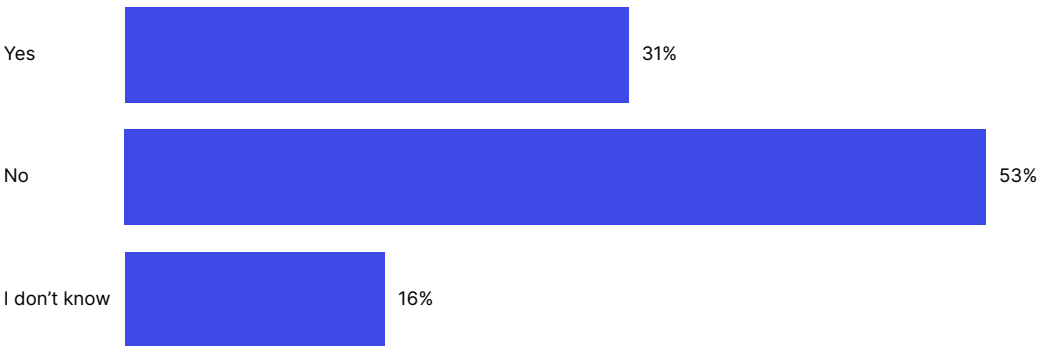
Across the board, HR professionals believe that the top use cases for generative AI are learning and development, and employee benefits and perks.

They're least likely to use generative AI for salaries, bonuses and equity compensation, and corporate communications.

What are the top cases, if any, that you would most like to see AI used for?

Category	Value
Learning and Development	15%
Employee Benefits and Perks	13%
Employee Engagement	12%
Recruiting and Talent Acquisition	12%
Talent Assessments and Performance Reviews	11%
Onboarding and Offboarding	10%
Process Optimization	10%
Salaries, Bonuses, and Equity Compensation	9%
Corporate Communications	8%

Back-in-office companies are hiring faster and paying more than their remote-first counterparts
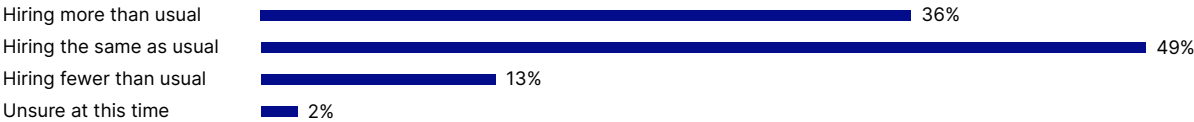
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To understand how organizations are responding to the global economic slowdown, we asked HR professionals about their employers' hiring plans and compensation changes.

Describe your company's hiring plans.

CHRO, VP, Head of HR

Hiring more than usual	52%
Hiring the same as usual	38%
Hiring fewer than usual	8%
Unsure at this time	2%

HR Director or Team Leader

Hiring more than usual	36%
Hiring the same as usual	49%
Hiring fewer than usual	13%
Unsure at this time	2%

Individual Contributor

Hiring more than usual	24%
Hiring the same as usual	49%
Hiring fewer than usual	24%
Unsure at this time	4%

Other HR Specialist

Hiring more than usual	24%
Hiring the same as usual	43%
Hiring fewer than usual	18%
Unsure at this time	14%

Most HR professionals (83%) said their companies are hiring more or at least the same number of people as usual. Following a tough year characterized by mass layoffs, it thus appears hiring is picking up again.

However, there's an interesting trend in the breakdown between the different levels of seniority.

While 52% of HR executives said they're hiring more people than usual, just 24% of individual contributors said the same.

This may indicate a lack of communication between leaders, who are tuned into hiring plans, and their teams, who see only the hiring that's already taken place. For example, it's possible that HR executives have only recently approved an increase in headcount but not yet published job requisitions on their websites.

Nonetheless, our findings make it seem likely that hiring will accelerate as we approach 2024.

Given recent layoffs, how often, if at all, do you fear for your job?

Always
13%

Sometimes
23%

Often
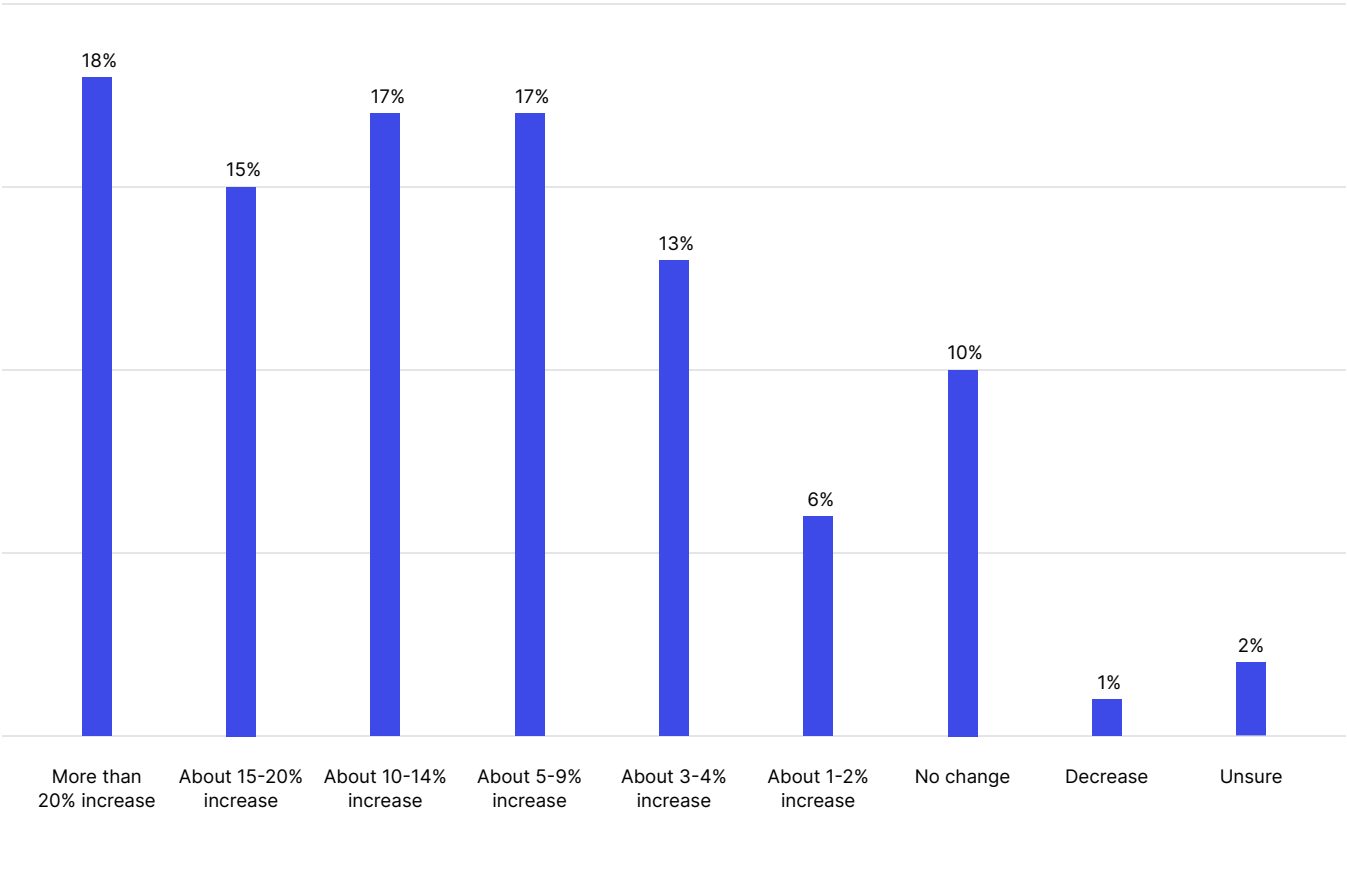22%

Never
13%

Rarely
28%
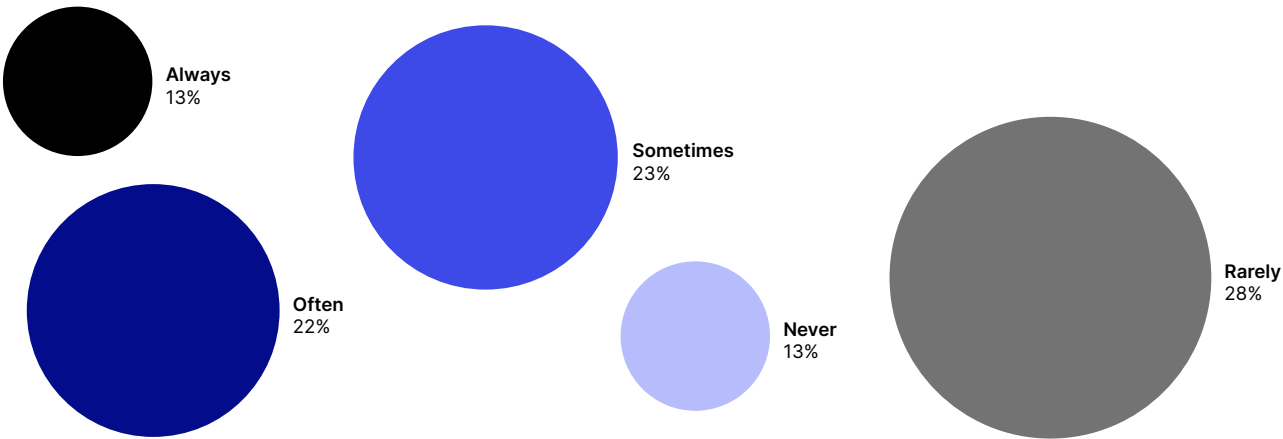
Despite the recent acceleration in hiring, past conditions have taken a significant toll on workers' mental health and well-being: Nearly six in 10 HR professionals (59%) admit they sometimes, often, or always fear for their jobs as a result of recent layoffs. Only 13% claim to feel secure in their employment. Given the almost daily reports of new layoffs on social media and in the press, it's understandable that workers feel their jobs are at risk in the current climate.
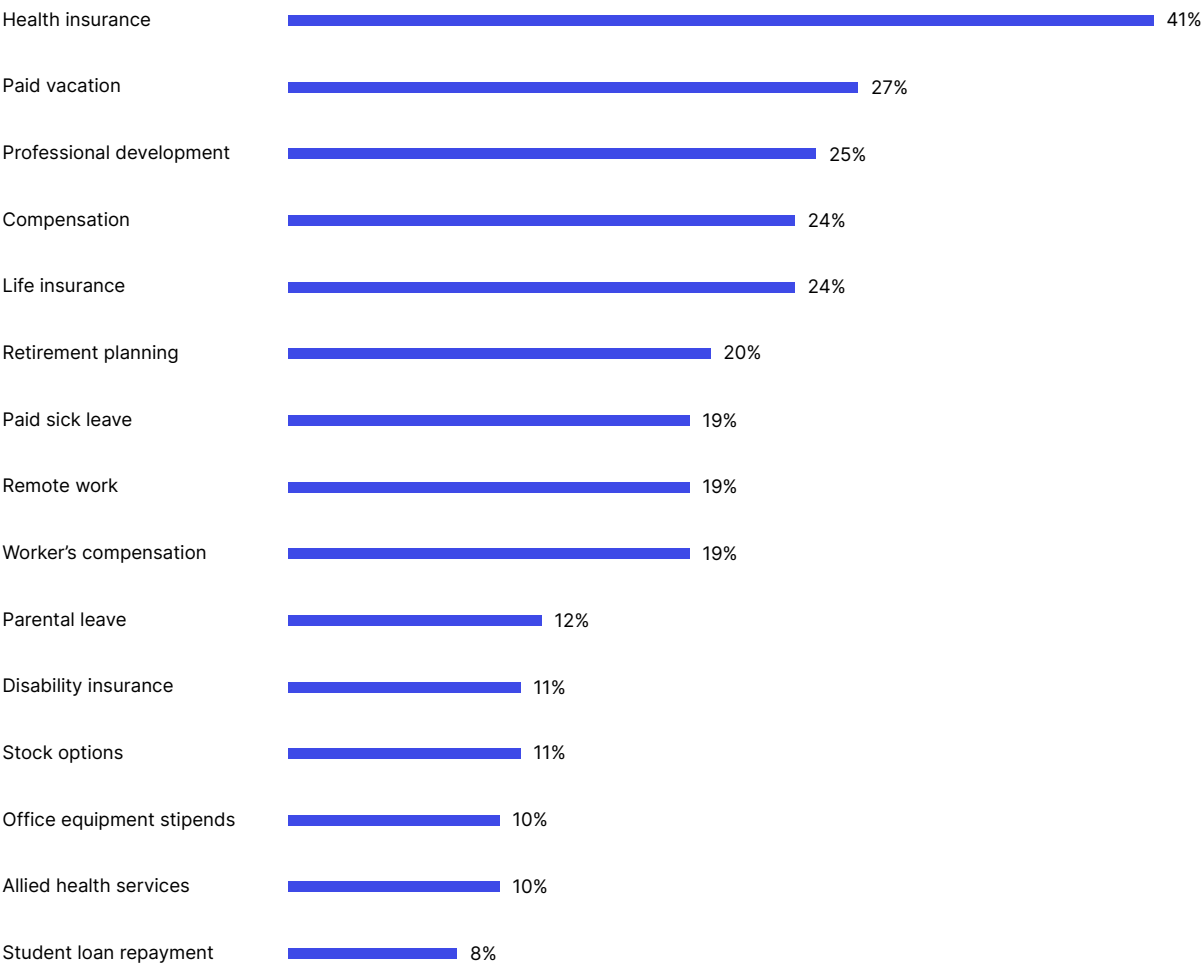
Regarding compensation increases, half of HR professionals estimated that workers received a 10% or greater raise. A further 36% estimated that workers received an increase at 9% or less of their current salary. In other words, an estimated 87% of workers received a raise in 2023.

Nearly six in 10 HR professionals (59%) admit they sometimes, often, or always fear for their jobs as a result of recent layoffs.

To the best of your ability, indicate your company's change in offered compensation, if any, over the past 12 months.

Category	Value
More than 20% increase	18%
About 15-20% increase	15%
About 10-14% increase	17%
About 5-9% increase	17%
About 3-4% increase	13%
About 1-2% increase	6%
No change	10%
Decrease	1%
Unsure	2%

What benefits make your company stand out from its competitors?

Benefit	Percentage
Health insurance	41%
Paid vacation	27%
Professional development	25%
Compensation	24%
Life insurance	24%
Retirement planning	20%
Paid sick leave	19%
Remote work	19%
Worker's compensation	19%
Parental leave	12%
Disability insurance	11%
Stock options	11%
Office equipment stipends	10%
Allied health services	10%
Student loan repayment	8%

What's most interesting is how our findings differ across back-in-office, hybrid, and remote-first organizations.

HR professionals who work fully in the office were 74% more likely than those who work from home to have said their workers received a 10% or greater increase in compensation. In-office workers were also most likely to have health, life, or disability insurance, with 64% of HR professionals claiming their back-in-office companies offered these benefits compared to just 45% of respondents at remote-first organizations.
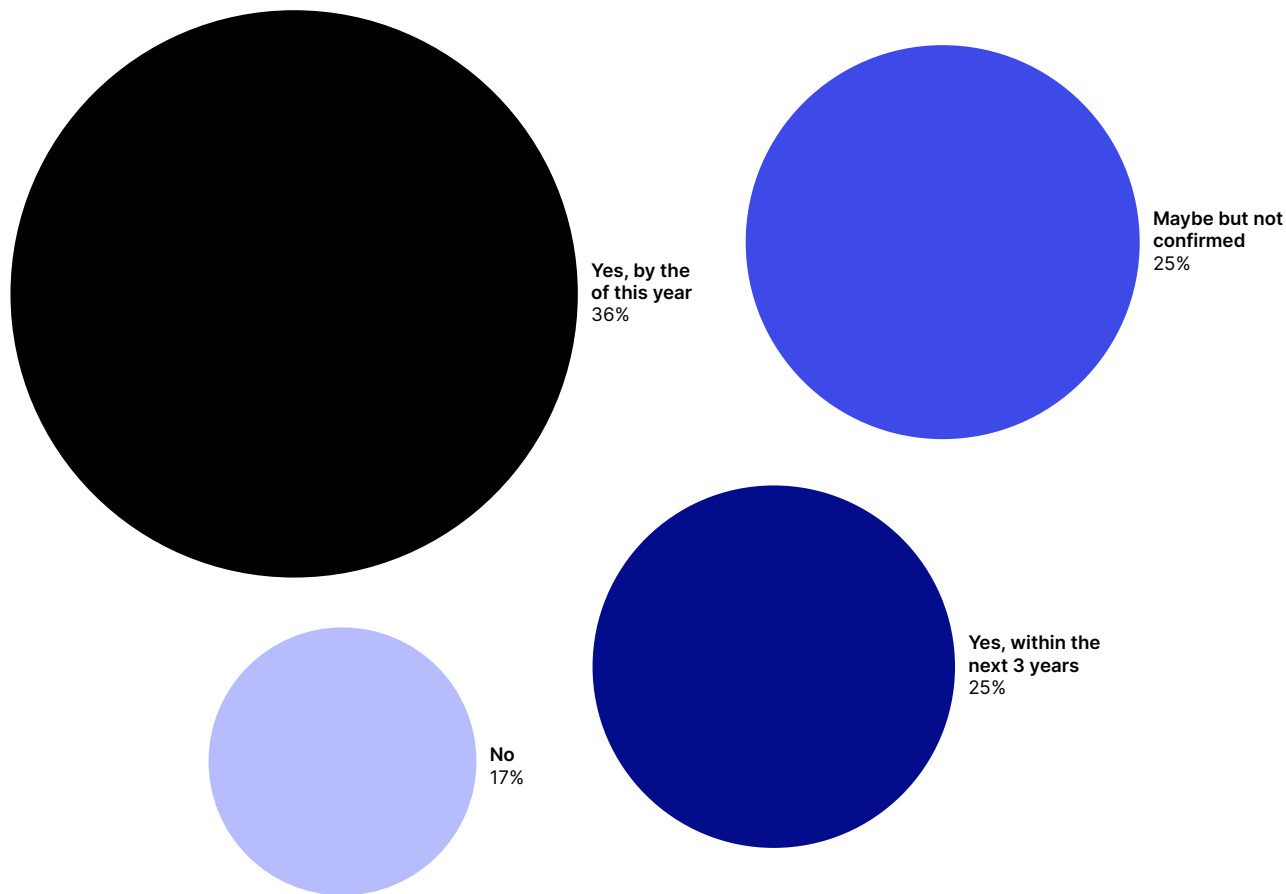
HR professionals who work fully in the office were 74% more likely than those who work from home to have said their workers received a 10% or greater increase in compensation.

This trend influences not only salary increases but also hiring plans. Back-in-office companies were 54% more likely to say they're hiring more people than usual compared with remote-first organizations.

Following the pandemic, many wonder if remote work will remain the norm. Of the 375 respondents who fully or partially work from home today:

61% said their companies have plans to return to the office by either the end of this year or within the next three years. Another 25% said it's a possibility, though not yet confirmed.

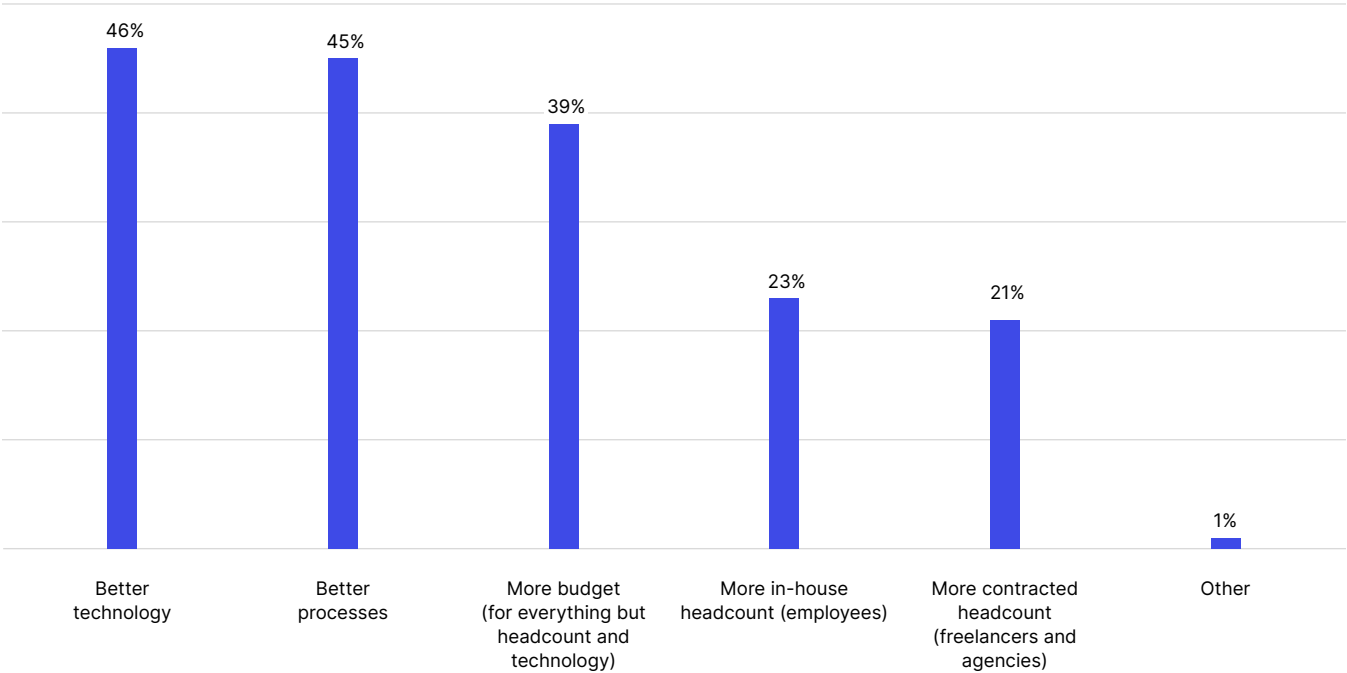**Does your company have plans to phase out remote work and return to the office?**

Maybe but not confirmed
25%

Yes, by the of this year
36%

Yes, within the next 3 years
25%

No
17%

HR professionals want better technology and processes over more headcount and budget

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High-functioning organizations are systems made up of people, processes, and technology.

Which of the following would be most valuable for your team and company?

46%	45%	39%	23%	21%	1%
Better technology	Better processes	More budget (for everything but headcount and technology)	More in-house headcount (employees)	More contracted headcount (freelancers and agencies)	Other

When people, processes, and technology are in balance, they support one another. But when one aspect is out of alignment with the other two, a company's overall efficiency and effectiveness declines.

To gauge the needs of the organizations we surveyed, we asked HR professionals to share what they'd find most valuable: better technology, more headcount, improved processes, or more budget (for everything but headcount and technology). Respondents could select up to two answers.

In spite of this year's reductions in workforce, which left countless organizations short-staffed, HR professionals still put better technology at the top of their wishlist (46%).

At a moment in history when companies are tightening their belts, it appears employees are prepared to make the most of their resources, leaning on their tools to extend the reach of their efforts.

Most agreed that their employment systems are fast (60%) and easy to use (57%). However, many acknowledged there's room for improvement. Said another way:

Two in five HR professionals believe their employment systems could work faster and be easier to use.

Beyond the user experience, HR professionals revealed they believe technology vendors charge too much money. When given the opportunity to rank their employment systems on a scale of one to five, with five being cheap and one being expensive, a whopping 40% ranked them a one or two—suggesting these technologies may be prohibitively expensive for a large percentage of users.

"Today's macro environment is requiring companies to do more with less, so it's not surprising to see that HR professionals are looking to their tech stacks and process improvements to help them accomplish this. The tools that offer the best user experience, functionality and connectivity will win in a competitive landscape."

Ansel Parikh
COO and Co-Founder, Finch

How would you rate your typical experience using employment systems?

Cost	Expensive 40%	Cheap 23%

Ease of Use	Hard 16%	Easy 57%

Speed	Slow 16%	Fast 60%
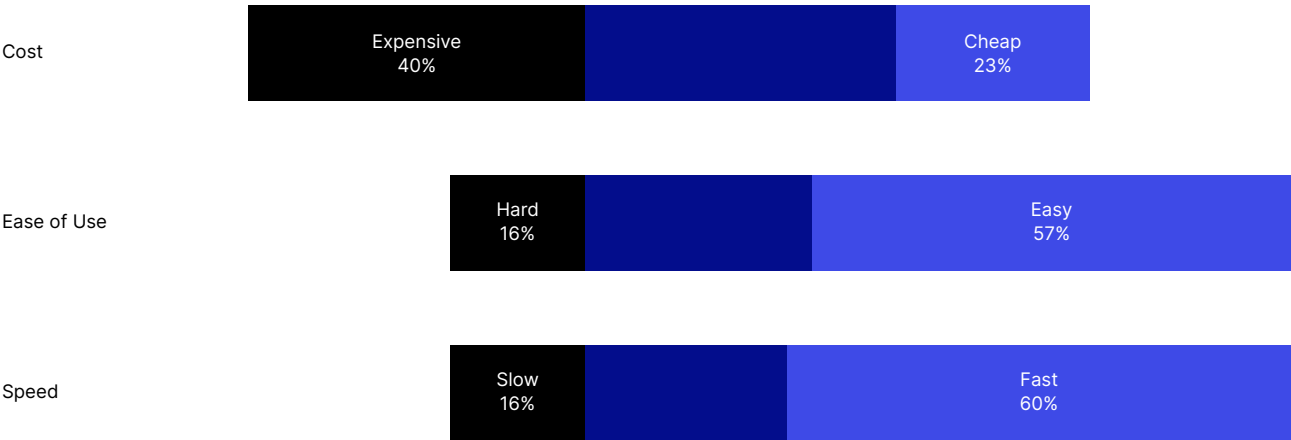
Following better technology, HR professionals ranked improved processes (45%) as most needed. This may suggest that their current processes cause more problems than they solve. Many businesses struggle with processes that either lack definition or are cumbersome to execute, leading to organizational inefficiencies as well as frustration among team members.

Respondents ranked more headcount for in-house employees, external contractors, and agency partners third on their wishlist (41%), followed by budget for ancillary expenses (39%). Given the difficulties of the current period, it's possible that HR professionals have accepted the challenge to make the most of their existing resources when and where possible.

Conclusion

Following a tumultuous year, HR professionals are looking to technology vendors for support. They're asking for fast, easy-to-use, secure, and affordable solutions that help them do their jobs more efficiently and effectively. Seamless integrations with the employment systems already in their technology stacks are required, along with essential guardrails that enable them to stay compliant with data security regulations. Last but not least, they need guidance in gaining the knowledge and skills needed to take full advantage of generative AI.