

# Mineral<sup>®</sup>

HR and compliance made simple.



# 2023 State of HR

Small business leaders highlight opportunities to invest in technology and programs to drive growth and productivity.

# Table of contents

---

<b>From our CEO</b> A letter from Mineral's CEO, Nathan Christensen	<b>3</b>	<b>Recruit and retain the best people</b> Principal tactics to help small businesses find and keep top talent	<b>14</b>
<b>Introduction</b> 2023 State of HR industry context and data methodology	<b>4</b>	<b>Find and fill gaps in business productivity</b> Data-driven HR solutions aid flexible work options and wellness	<b>17</b>
<b>Mineral 2023 State of HR data indications</b> Future-proof with strategic investment in three key business areas	<b>5</b>	<b>About the 2023 State of HR Report</b> Survey methodology and participant demographic data	<b>19</b>
<b>Modernize HR operations</b> Applying modern tools to make HR and compliance more efficient	<b>8</b>	<b>About Mineral and SMB Group</b> Learn about the producers of the 2023 State of HR Report	<b>22</b>

# From our CEO



*"Bad companies are destroyed by crises. Great companies are improved by them."*

These words, from former Intel CEO Andrew Grove, were spoken long before 2020 and the unprecedented challenges we've faced in the years since. Still, I think there's inspiration to be found as we take the crises from the last few years and apply what we've learned to make our organizations even stronger than before.

As we continue to rebuild from the toll taken by the pandemic, and as we face an uncertain future, I understand the instinct among small business leaders to tighten business operations and investment in the name of future-proofing. After all, I'm also a small business leader myself.

But as I review the findings from this year's Mineral State of HR survey, I'm troubled by some of the results. As business leaders we learned a lot over the last several years. We learned about the importance of people and culture. We learned about the resilience of our companies and customers. We learned how to use technology in new ways. We learned the value of focusing our time and energy on what's most important. And we learned the importance of being agile.

As often happens with crises, we acquired decades of experience and lessons in a few challenging years. To turn those learnings into long-term improvement for our companies, however, we need to stay dedicated to them, even when the crisis subsides. I encourage business leaders to reframe how, where, and in whom they invest to reach their goals. Specifically, to stay focused on investing in people, technology, and productivity.

Our 2023 data shows that although 87% of respondents say employee upskilling and reskilling is important, more than half lack formal training programs and close to a third have no plans to offer more options for career advancement. We also see that employee mental health, work flexibility, and diversity, equity, and inclusion are not the top priorities they once were for employers.

It's understandable that business leaders may be feeling more cautious, but we also know that these initiatives are not simply expenses—they are investments. Employees who are developed and supported are more loyal to their employers and more productive at work—especially when they receive training that amplifies their talents and commitment. If my experience leading Mineral has taught me anything, it's that investing in people almost always generates great returns.

At the same time, investing in HR solutions reduces administrative work and increases capacity for more strategic work that can truly transform the organization. The 2023 State of HR finds most business leaders use spreadsheets and email to manage HR initiatives, and nearly half don't use or don't know about technology. Embracing more modern solutions yields compound returns by freeing up employees for higher-value work and making HR and compliance operations more effective and efficient—which together can generate higher business productivity overall.

We also see a gap between the public's interest in artificial intelligence and the interest of small business and HR leaders. This year's State of HR data confirms that mistrust in AI is higher among small business leaders. The concern is understandable but also limiting. If any profession can maximize technology's benefits in a way that maintains privacy and avoids misuse, and benefits organizations and the people within them, it is the HR industry.

Small businesses have access to the tools and technology to thrive, and the agility to put them to use, even in tough economic times. The key is to stay the course, leveraging the learnings of the last several years, and taking advantage of resources to make our already great companies even greater.

*Nathan Christensen  
CEO, Mineral*

# Introduction



**Life is what happens when you're making other plans.**

**John Lennon,**  
world renowned singer/songwriter



These lyrics, proven true time and again in life, accurately sum up the last several years for American employers—particularly for the more than 30 million US small and medium-sized businesses (SMBs).

At the end of 2019, there were an estimated 30.2 million SMBs in the United States, according to the Small Business Administration, employing almost 60 million US workers. Just months later in March 2020, the COVID-19 pandemic began its ravaging effect on life and business as we know it. And by June 2021, news reports show that one-third of those small businesses had closed.

As SMBs have resurged from the end of the pandemic—more than 33 million strong as of the end of 2022, according to federal data—they are still fighting to find and keep the talent they need to maintain and grow their business. More than 9.6 million jobs were lost during the pandemic, and economic estimates predict that employers will only have achieved 87% recovery by 2031. In addition, the current business environment—marked by enterprise-level layoffs, high inflation, recession concerns, and the surging expansion of artificial intelligence (AI)—raise the stakes on investments SMBs make to attract and retain employees, automate business processes, and analyze business performance.

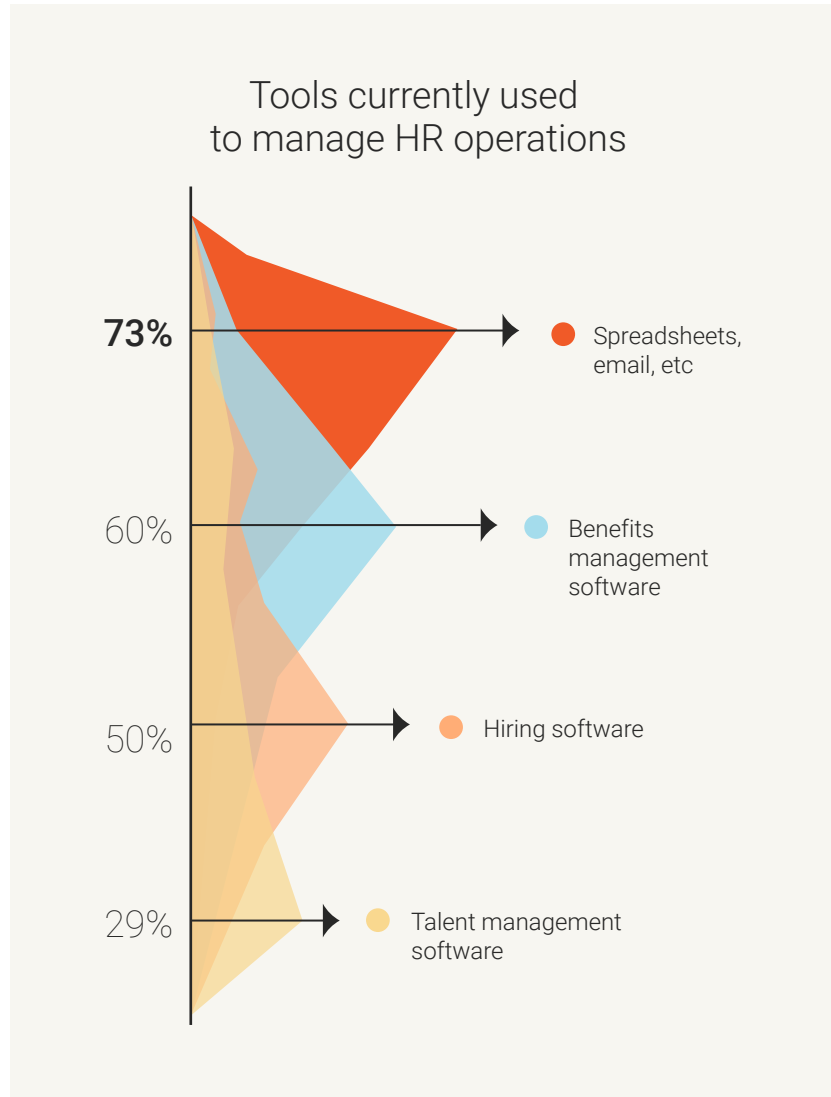
It's through the lens of that lingering economic uncertainty that SMB leaders participated in the Mineral 2023 State of HR survey (SOHR). Now in its third year, the SOHR annually asks SMB leaders and HR professionals about their goals and challenges regarding business performance, people, and productivity.



This year, Mineral partnered with SMB Group, a firm focused on technology adoption and trends in the SMB market, to conduct the survey. Our 2023 data reveals that small business leaders generally see a positive business outlook for the year ahead. However, uncertainty about the national economic outlook and other factors largely beyond their control is preventing many from making investments that could help them not only navigate through today's uncertainties more successfully, but also be better prepared for the inevitable challenges the future will bring.

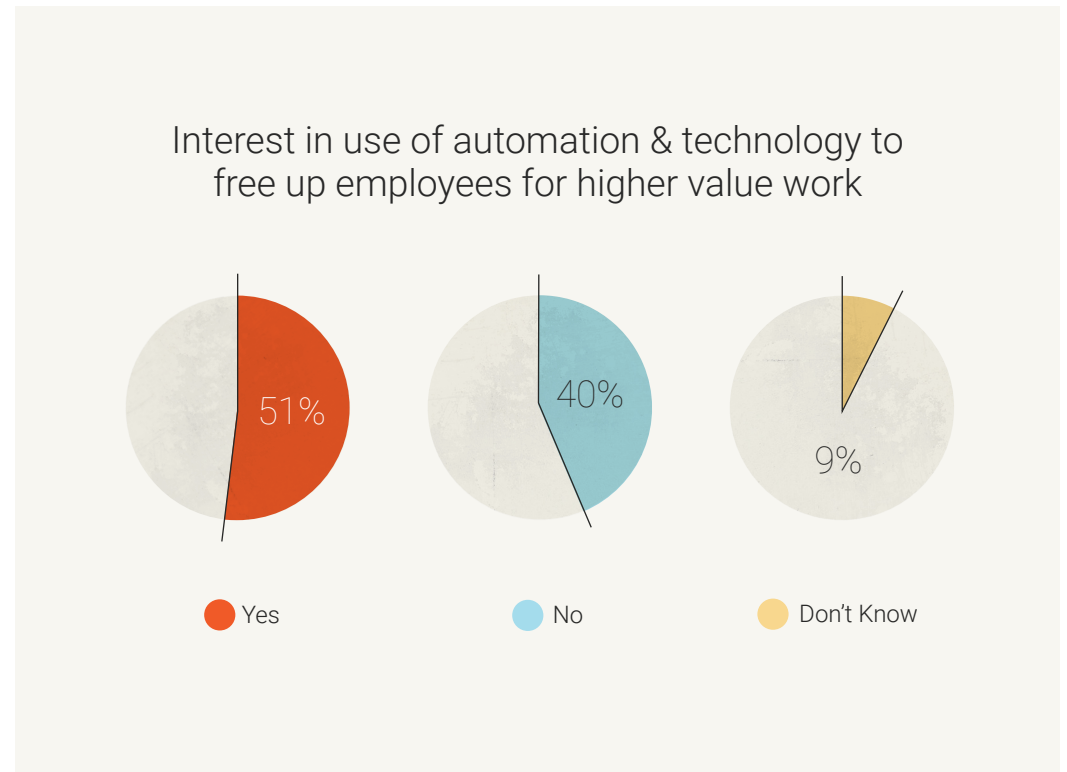


# Mineral 2023 SOHR data indicates that SMBs can more effectively future-proof their organizations by prioritizing three strategic investments:



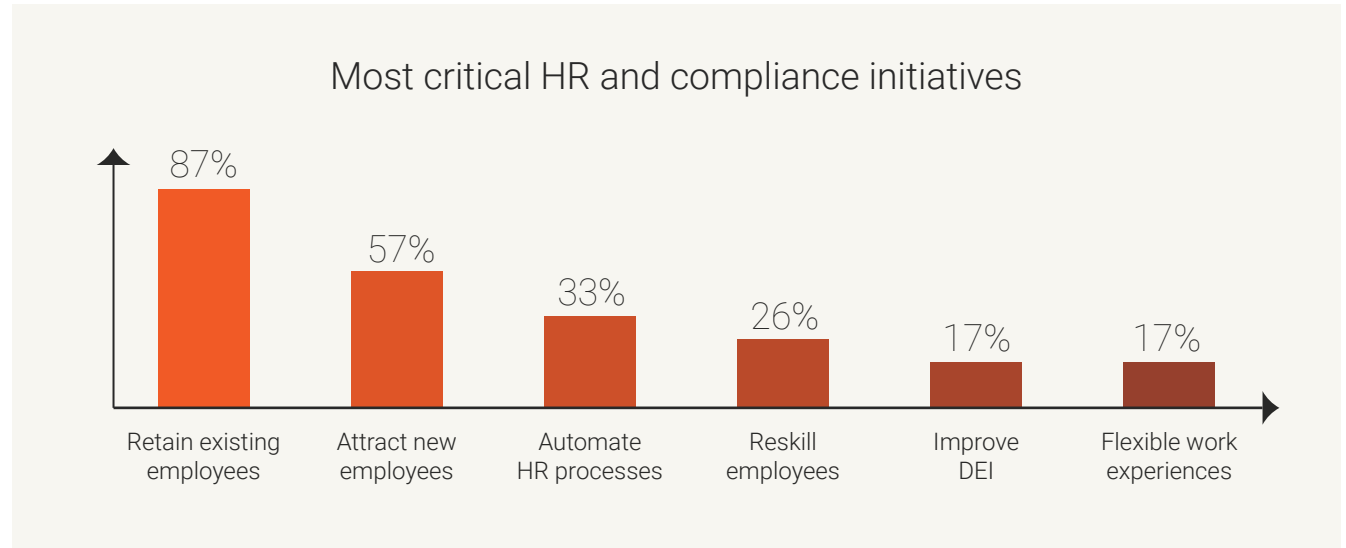
## 1. Modernize HR operations.

Despite massive leaps forward in technology, SMBs are still relying on the basic tools that have been around since the 1980s. Nearly three-quarters (73%) of SOHR respondents report using spreadsheets and email to manage many HR initiatives, while nearly half (49%) either don't use or don't know about automation and technology tools, including AI, to free up employees for more high-value work.



## 2. Recruit and retain the best people.

Although the clear majority of SMBs (87%) report “retain and engage existing employees” as the HR initiative most critical to company success, and another 57% name “attract new employees,” economic anxiety is working against them to meet that need. More than half of SOHR respondents say they’re making no changes to hiring plans, despite that only about 1 in 5 believe it’s “extremely likely” that they’ll meet hiring goals. In addition, few are investing in programs and benefits known to be attractive to job seekers—including mental health benefits; diversity, equity, and inclusion (DEI) programs; and flexible work location.

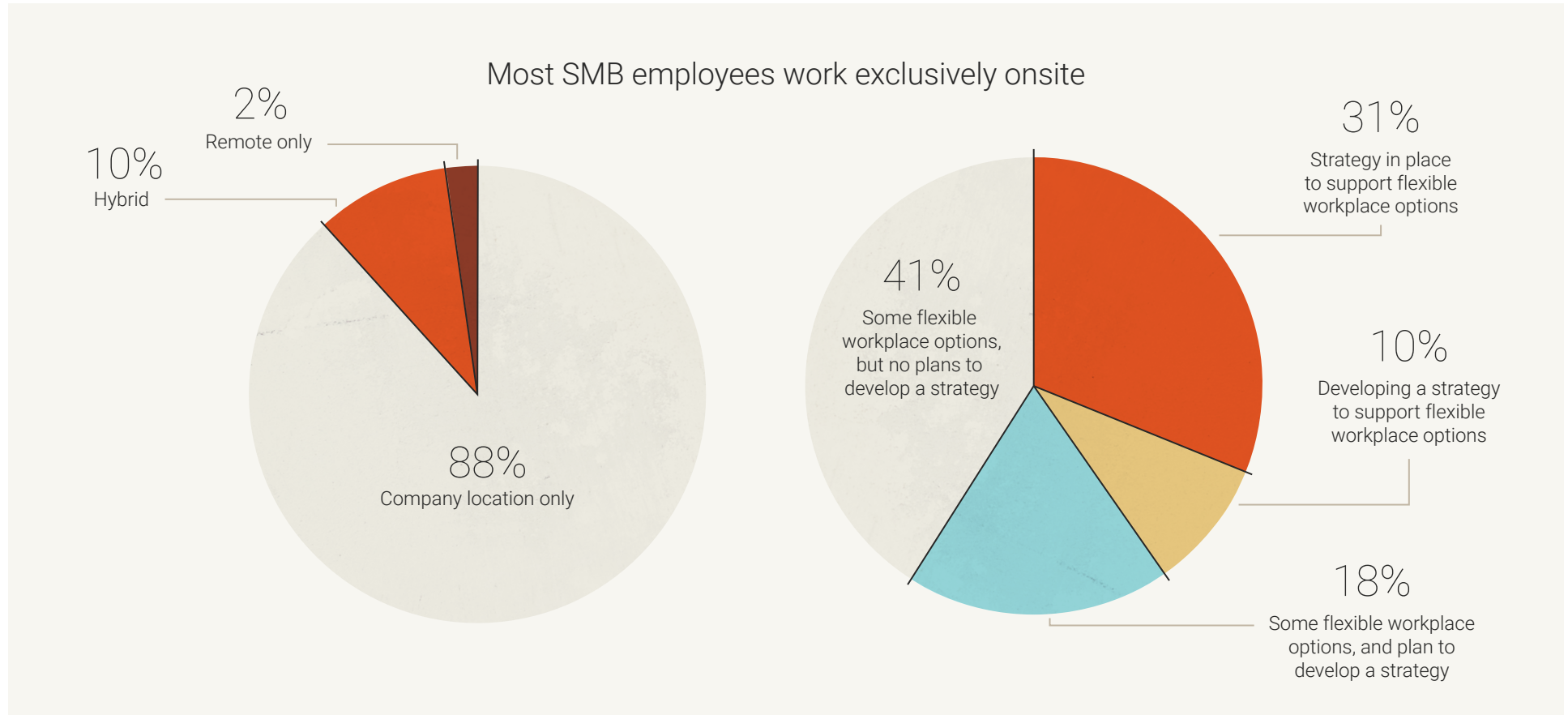


### 3. Find and fill gaps in business productivity.

Few SOHR respondents (14%) cite "improve workforce analytics" as an HR initiative critical to business success, even though, as noted above, recruiting and retention are key business concerns. Analytics tools that track employee productivity, mobility, pay, and skill level can be a meaningful, unbiased way to identify and fill recruiting and retention gaps to drive greater business performance. Despite workforce research showing hybrid or remote work environments help employees be most productive, 88% of SMB employees work exclusively onsite, according to 2023 SOHR data.

Further, fewer than half (41%) have or are developing a strategy for flexible work. However, most respondents (65%) also report that employee productivity when working remotely is the same or higher as when working onsite.

These data points--along with survey demographics indicating that many SOHR respondents work in industries that require an onsite workforce--indicate SMBs need to explore productivity strategies beyond work location.

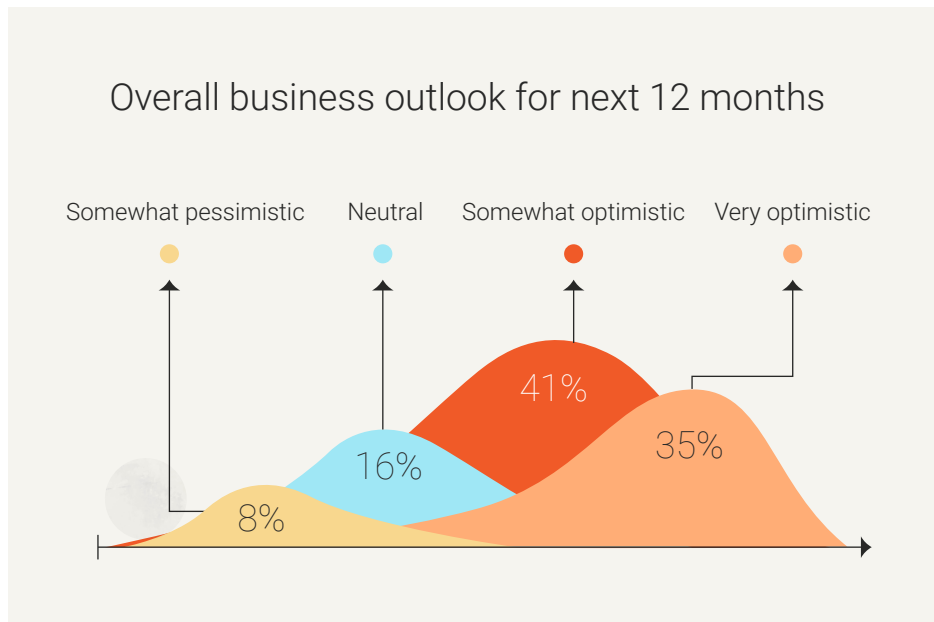


# Modernize HR operations.

Although SMBs see a generally positive business outlook for the next 12 months, their overriding financial fears related to government regulation, economic trends like recession and inflation, and talent shortages—external factors largely beyond their control—are preventing them from making investments within their influence that could help recession-proof their businesses, including AI and other tools to support HR automation and compliance.

Three-quarters (76%) of 2023 SOHR respondents are very or somewhat optimistic about their business outlook for the next year. That optimism is highest among organizations with 500 or more employees, as well as businesses in the financial services sector. Additionally, more than two-thirds (68%) say they feel very or somewhat prepared to achieve success in critical HR and compliance initiatives.

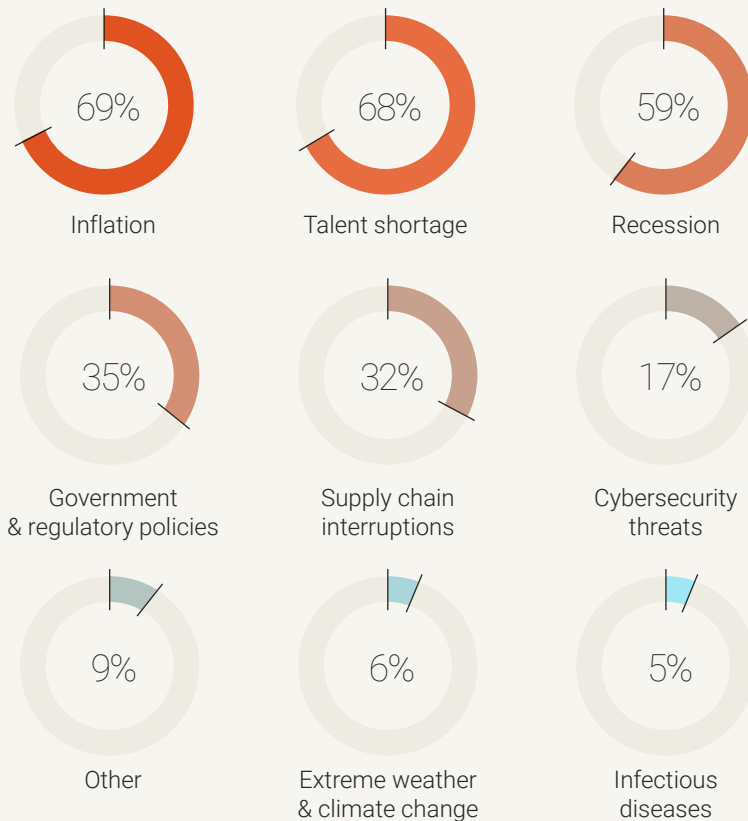
## Small business leaders project optimism and preparedness for the year ahead.





## When considering what might curb that enthusiasm, SMB leaders largely point to external economic forces.

### Top macro trends leaders worry may negatively affect business



When considering what might curb that enthusiasm, SMB leaders largely point to external economic forces—specifically rising inflation (69%), talent shortages (68%), and a potential recession (59%). However, they appear to not be leveraging technology and tools to streamline business operations in a way that could help guard against those forces should they come to bear.

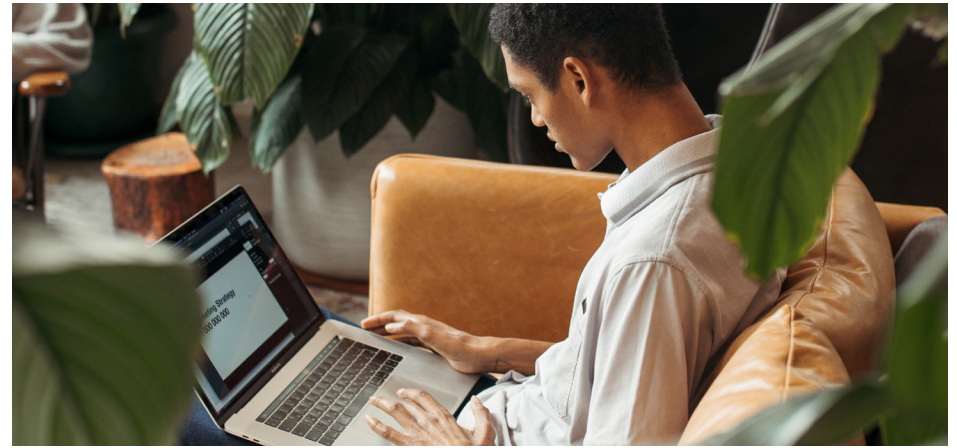
- **Most notably, fewer than one-third (32%) of SOHR respondents currently use HR compliance software** to manage legal requirements and responsibilities. Yet, 62% of respondents say they are only somewhat prepared to be successful in meeting critical HR and compliance initiatives. Software and services that assist SMBs in staying up to date on real-time compliance shifts serve as a critical business asset to those organizations struggling to:
  - Keep employee handbooks up to date (55%).
  - Recruit and hire (36%).
  - Fulfill benefits and payroll mandates (29%).
  - Comply with workplace safety laws (28%).
- Despite concerns about a talent drought, **just 22% plan to purchase software to support employee training and/or reskilling**, and talent management ranked last (29%) on a list of tech tools respondents currently use to manage HR processes. Aligning training and development to topics employees most value, and delivering training programs across mechanisms that embrace diverse learning styles and abilities can help SMBs stay competitive in the war for talent against larger organizations with more resources to put toward pay and benefits.
- **Only 17% plan to use technology to improve benefits administration**, although more than 1 in 10 rate their ability to manage compliance areas like benefits, safety, and hiring as fair or poor. Tools that improve benefits administration could reveal plan leakage, benefits misuse/overuse, or eligibility and enrollment errors that lead to unnecessary expenditures in coverage.

# HR tech gets the squeeze in small business budgets.



To win in the marketplace you must first win in the workplace.

**Douglas Conant**  
former CEO of Campbell Soup and New York Times-bestselling author

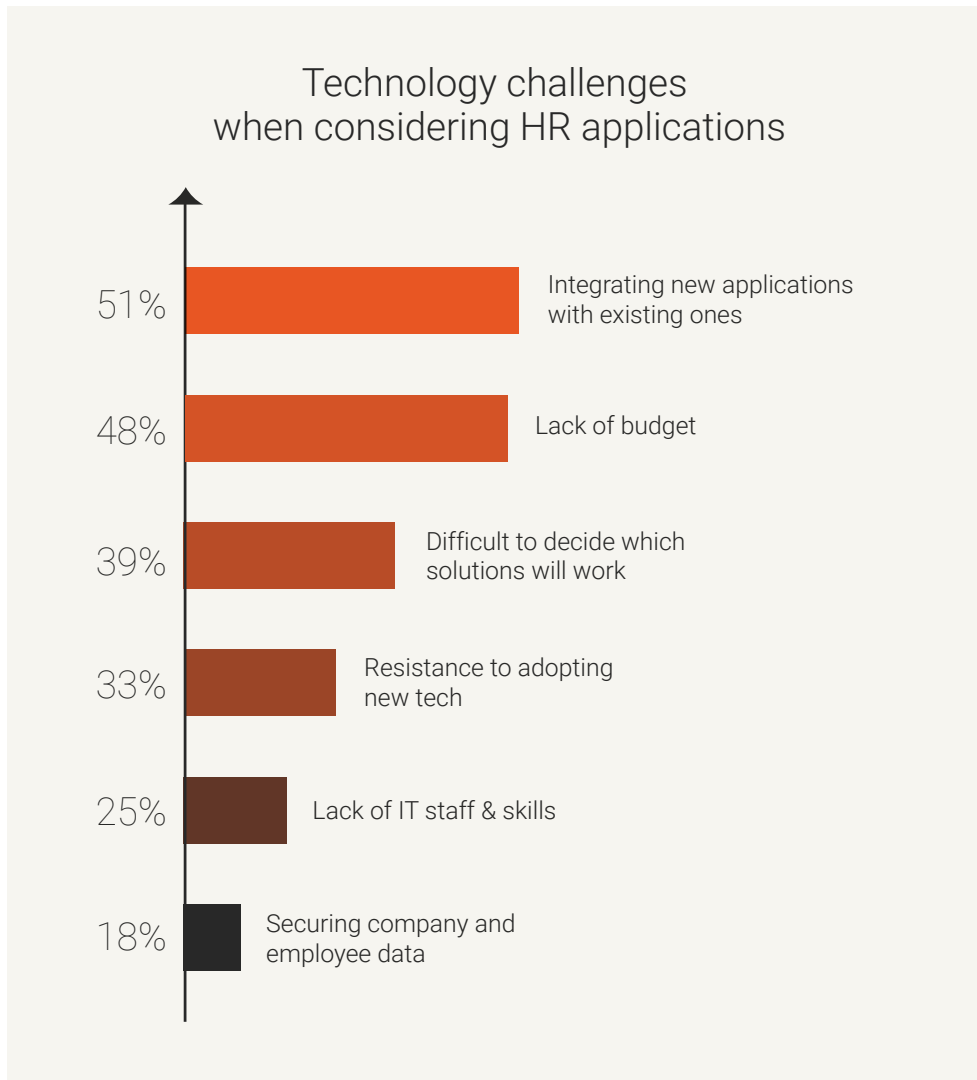


## Plans to purchase software to solve specific HR challenges



# With effective and more modern solutions available, why aren't more SMBs investing in such tech-enabled administrative and compliance systems?

According to the 2023 SOHR, the answer is an unfortunate perfect storm:



## 1. A lack of awareness/knowledge about the technology solutions that exist.

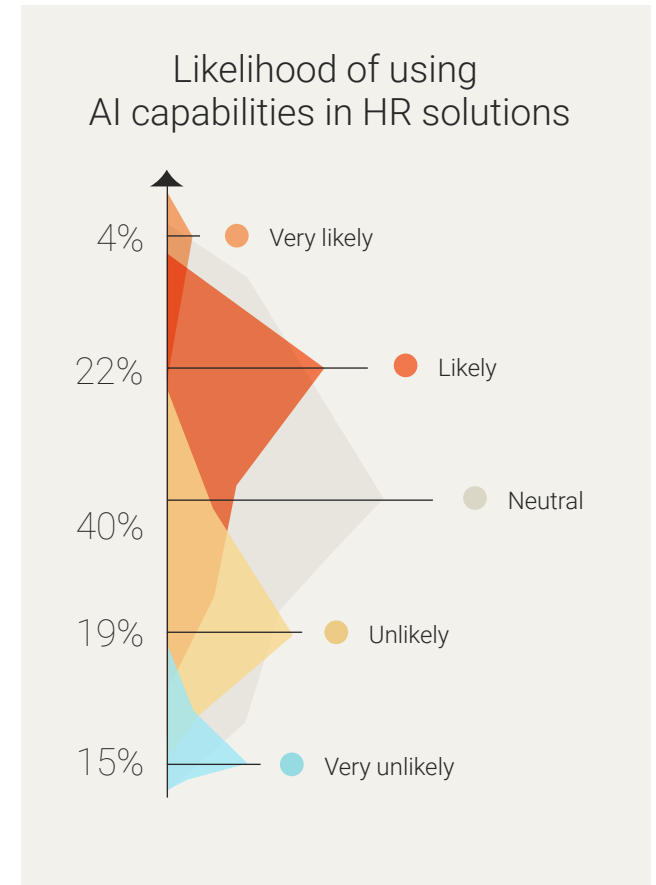
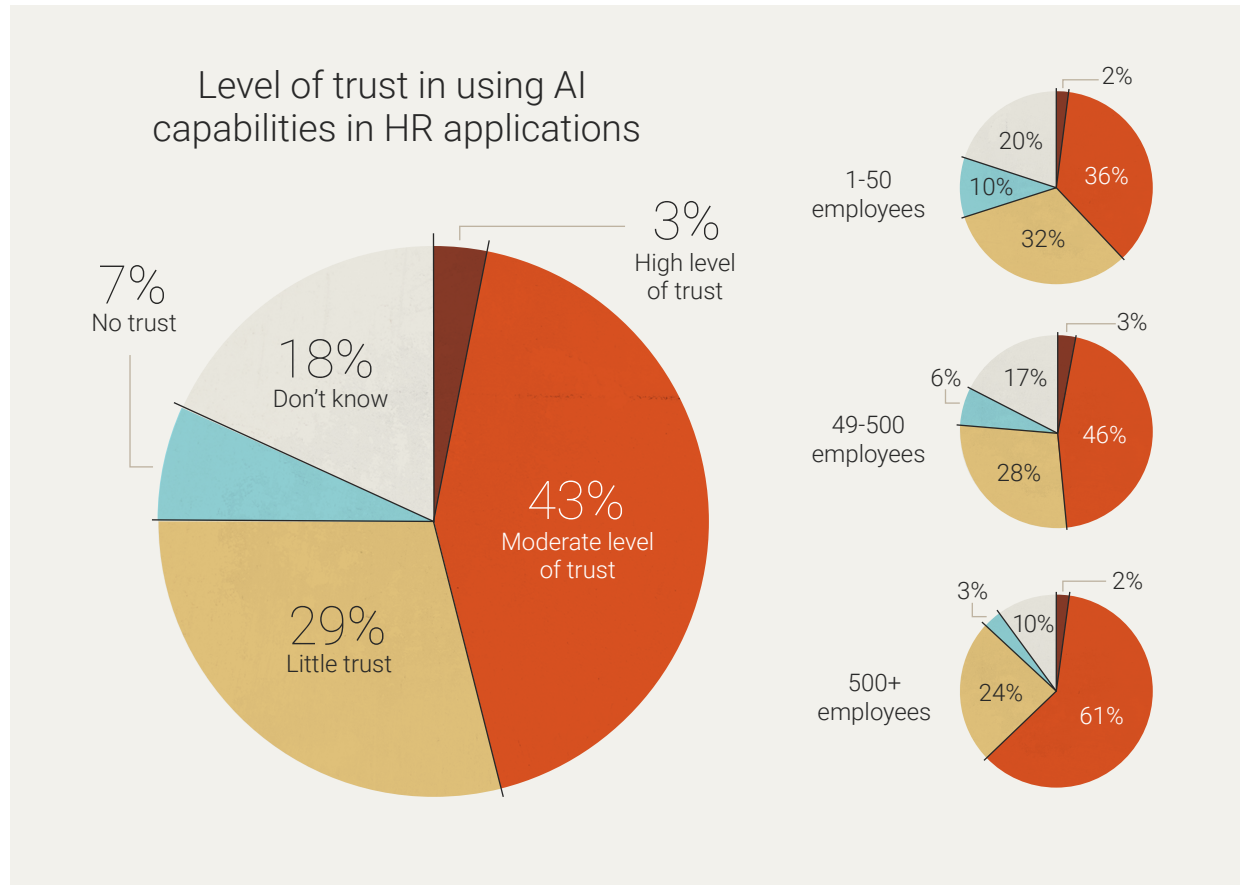
Nearly 40% of SOHR respondents say figuring out what solutions are best is their top technology challenge, along with 33% who report a resistance to new technology and 25% who say their organization lacks IT staff/skills. Instead, as noted above, most small business leaders (73%) report relying on spreadsheets and email to track and assess many of their HR operations.



## 2. A lack of interest and trust in artificial intelligence (AI) and its applicable use in HR and compliance.

Overall, more than one-third (36%) of SMB leaders say they are disinterested in the potential of AI technology, and the same number say they have little to no trust of it—a number that grows larger as organization size shrinks; 42% of SMBs with fewer than 50 employees distrust AI, compared to 27% of businesses with 500 employees or

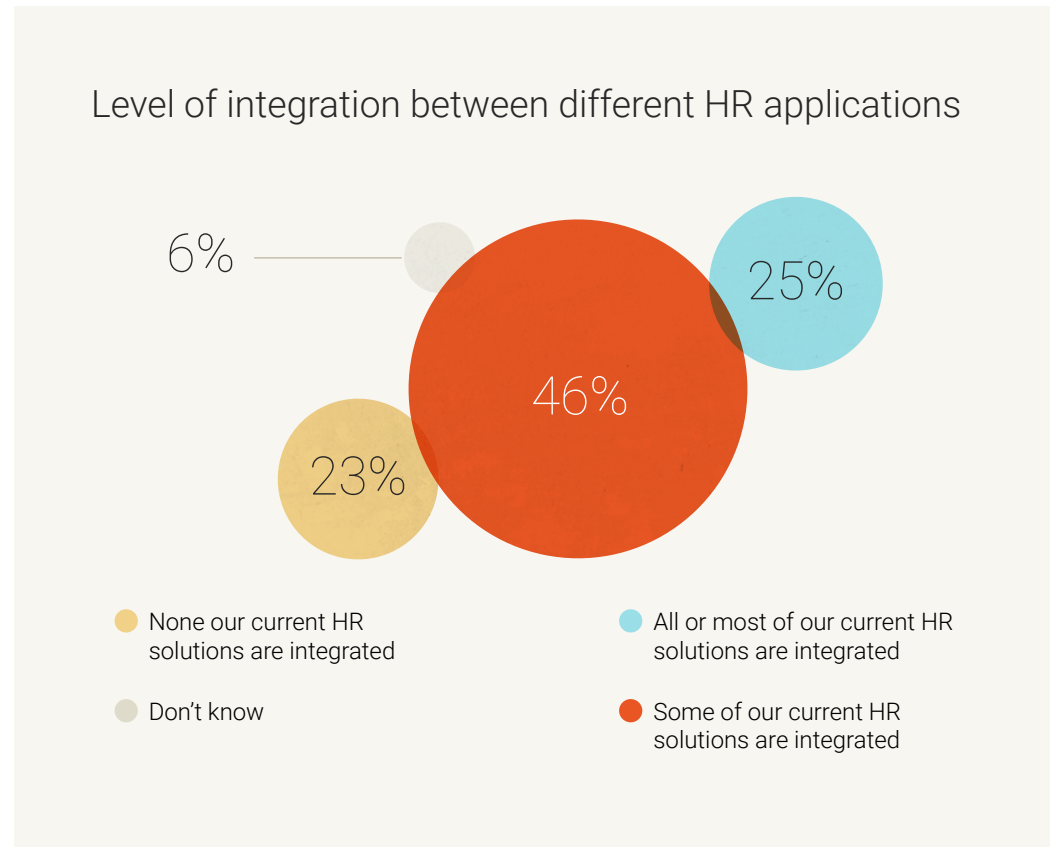
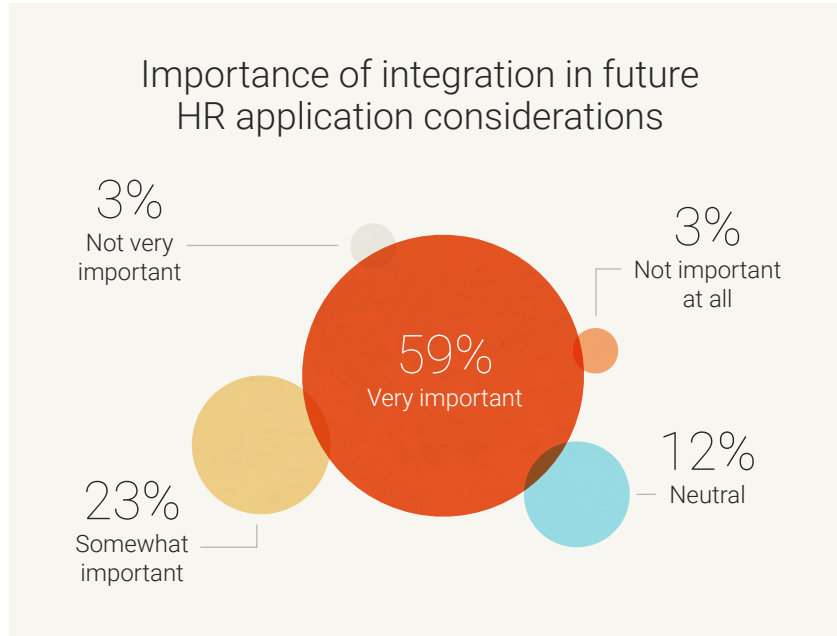
more. And while the 20% of SOHR respondents that are very interested in using AI are most intrigued by its content creation capabilities (i.e., job descriptions and employee handbooks), respondents overall (74%) say they are either neutral about using AI or that the use of AI in HR solutions is unlikely.





### 3. A lack of integration with current or planned technology.

A majority (69%) of respondents say only some or none of their technology solutions are integrated, leading to more than half (51%) that name integration challenges as their top concern about new technology. Further, 59% rate ease of integration as very important when considering future applications.

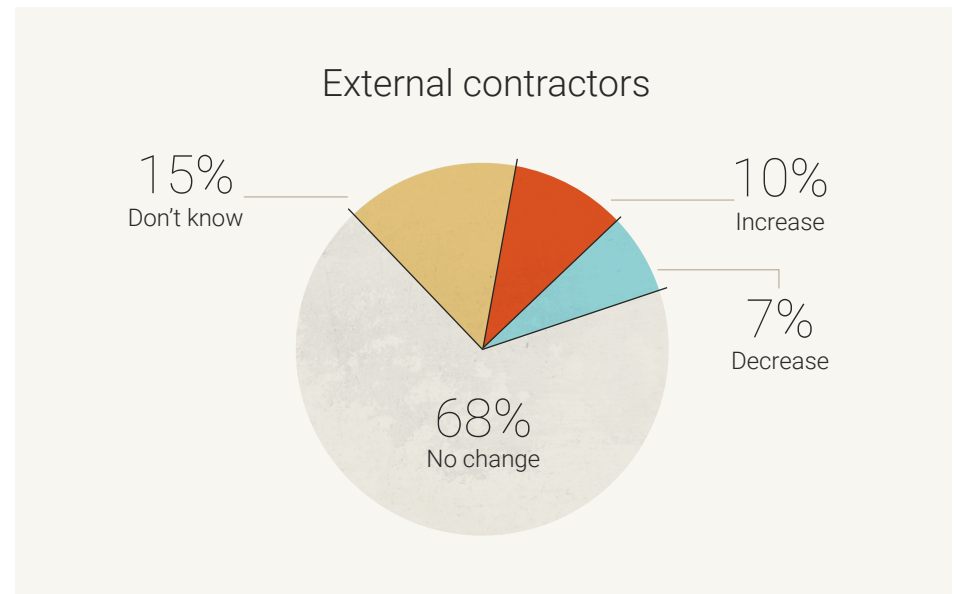
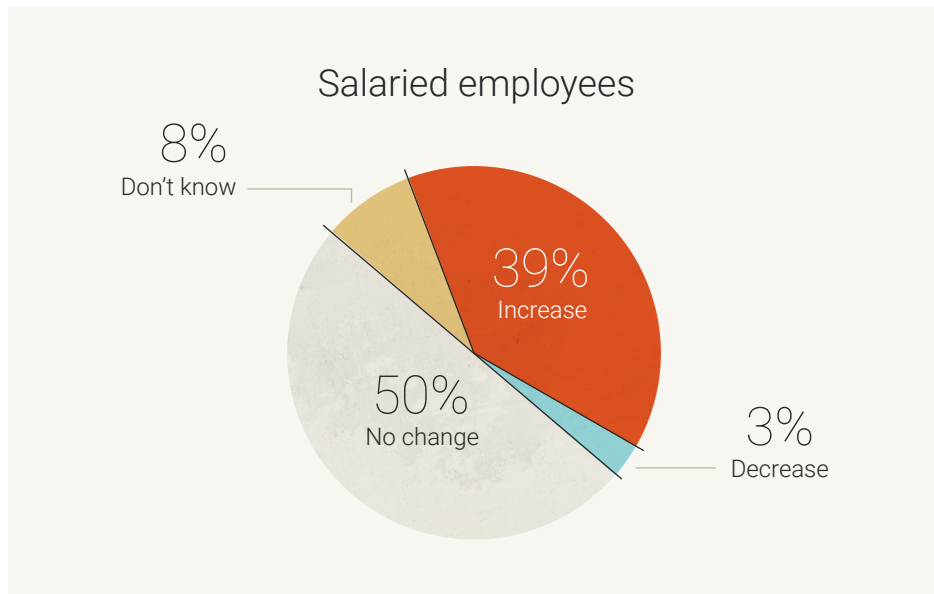


# Recruit and retain the best people.

Financial concerns about a looming recession or rising inflation also appear to be hindering SMBs from taking proven steps to recruit or retain high-performing employees—including plans to hire, as well as invest in programs known to be attractive to employees and candidates—despite overwhelmingly ranking recruitment and retention as a top three concern.

According to 2023 SOHR data, 87% of small business leaders name retaining and engaging existing employees as the number-one HR initiative most critical to company success; attracting new employees came in second on the list at 57%. However, when asked about their hiring plans over the next 12 months: 50% of SOHR respondents report they don't plan to make any staffing changes among salaried employees; 68% say the same about external contractors.

## Planned changes in staffing for salaried employees and external contractors



In addition, SMB leaders say they're holding the line on many of the benefits and programs that separate workforce data shows employees and candidates say they want and value most—specifically:

**1. Greater flexibility in where and how they work.**

According to one 2022 study, employees say flexibility over work hours and location makes them feel “empowered,” and is just as important as traditional workplace benefits like paid time off and a 401(k) match. However, 26% of 2023 SOHR respondents have or plan to implement more choice of where to work.

**2. Expanded opportunities to grow their skills and advance their careers.**

The same 2022 study reveals 34% of employees put “invest in career growth and skills development” on their workplace wish list. SMBs, though, are not on the same page. Despite the fact that 87% of 2023 SOHR respondents say that employee upskilling/reskilling is important, many SMBs lack programs to help employees in this area:

- 55% have no formal employee training programs.
- 30% have no plans to offer more options for career advancement.
- Only 17% plan to offer training courses through a Learning Management System (LMS).





**In most cases being a good boss means hiring talented people and then getting out of their way.**

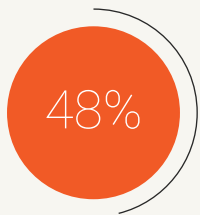
**Tina Fey**  
 nine-time Emmy award-winning actress and writer



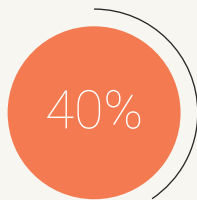
**3. A deeper organizational commitment to and investment in programs/policies to amplify diversity, equity, and inclusion (DEI).**

According to LinkedIn, 76% of employees and job seekers say diversity is important when considering job offers, and 80% want to work for a company that values DEI issues. And although 59% of 2023 SOHR respondents agree that a DEI policy could improve financial performance, fewer than half (40%) agree that DEI improves their organization's ability to attract and retain employees, and 33% have no plans to invest in DEI initiatives.

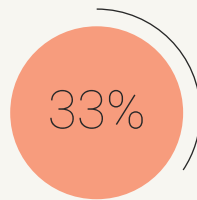
Small business leaders' reasons for investing in DEI



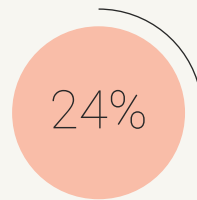
Diversity provides new skills, talents, ideas, and experiences that help drive productivity



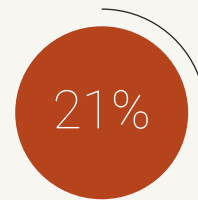
DEI improves our ability to attract and retain employees



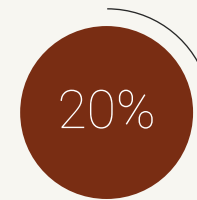
Our company doesn't have or plan to invest in DEI initiatives



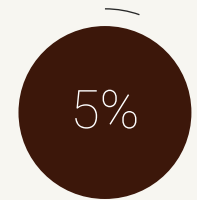
Company management believes strongly in these principles



Helps us to attract younger workers



Helps ensure that we comply with regulatory requirements



Other



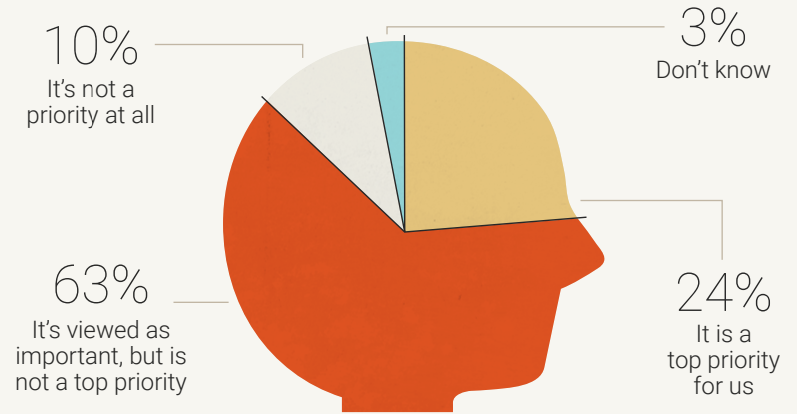
# Find and fill gaps in business productivity.

For the most part, SMBs are not using workforce analytics tools to measure productivity, 2023 SOHR data shows. Overall, fewer than half currently use technology to track employees' time management (49%) or performance (29%). However, more data-driven HR solutions might aid SMBs in channeling strategic investments toward work options and wellness supports that many employees—and even employers—say help them be more productive, including remote/hybrid work arrangements and mental health benefits.

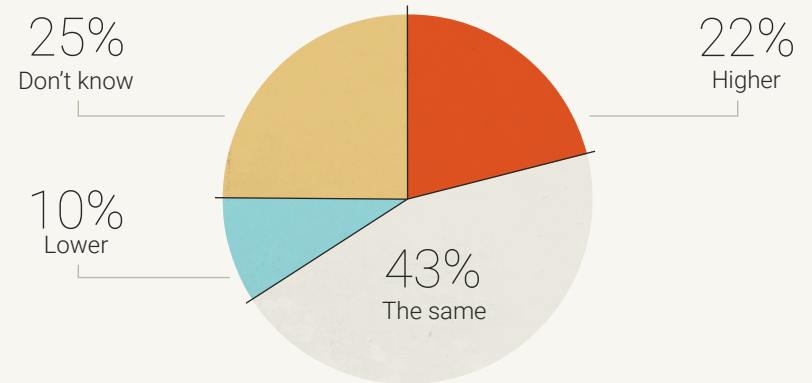
**SMBs and employees differ widely on the importance of workplace support for mental health.** As employees continue to recover from the toll the COVID-19 pandemic—and the resulting social and physical isolation—had on mental health, employees and job seekers prize workplaces that support mental wellbeing. An American Psychological Association survey finds 81% of employees say mental health support will be an important consideration in whether they stay at or seek a job. Yet, 73% of 2023 SOHR respondents say employee mental health is either not a top priority or not a priority at all.

**Despite productivity gains from remote work, SMBs maintain a majority in-person workforce.** Despite productivity gains from remote work, many SMBs have an operating model that relies on an in-person workforce. Among SOHR respondents, 88% say their employees work exclusively onsite; 10% have a hybrid work arrangement and 2% work exclusively remotely. When asked about the challenges to supporting a hybrid/remote workforce, few respondents named worker productivity. On the contrary, 65% of respondents say the effect of remote work on productivity has remained the same or higher. And, as noted previously, research shows employees feel more empowered to do their best work when they have the flexibility to create a work schedule and location that are best for them.

Degree of priority for employee mental health



Remote work productivity





“

**Productivity is the deliberate, strategic investment of your time, talent, intelligence, energy, resources, and opportunities in a manner calculated to move you measurably closer to meaningful goals.**

—Dan S. Kennedy,  
strategic advisor, consultant, business coach, and author,  
influencing more than 1 million business owners annually

”

### **As Kennedy rightly notes, building a stronger business requires “deliberate, strategic investment.”**

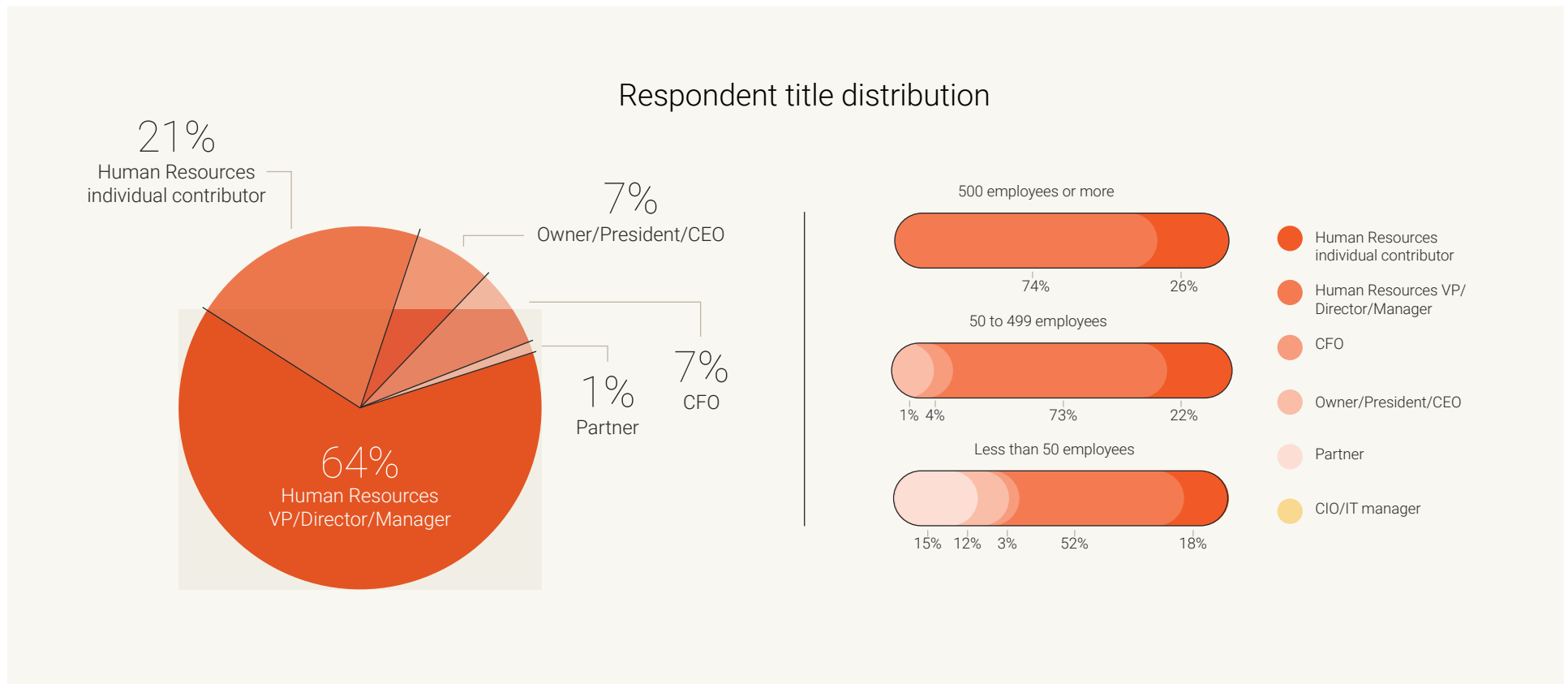
Data from the 2023 SOHR reveals that for many SMBs, investments in “time, talent, intelligence, energy, resources, and opportunities” are deliberate for certain, but not necessarily strategic and calculated. Bringing 21st century solutions to address business challenges will be critical to SMBs’ growth and success in the year ahead.

Leveraging technology to modernize both business and people performance is the key to help SMBs “move measurably closer to meaningful goals” that all business leaders seek.

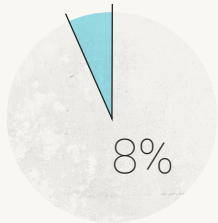
## Annually since 2021, the Mineral State of HR survey gathers and analyzes responses from HR and business leaders across a wide range of workforce topics related to human resources, compliance, and overall business health.

The 2023 State of HR survey was a 44-question web-based questionnaire fielded in May 2023, with 750 respondents in businesses with 1 to 3,000 employees, representing nine industries. Respondents self-identified as being knowledgeable about their organization's HR and compliance initiatives, and included HR professionals, business owners, presidents, CEOs, and partners.

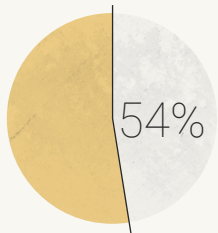
All 2023 State of HR data was collected, analyzed, verified, and produced by SMB Group. All content for the 2023 State of HR Report was developed and produced by Mineral.



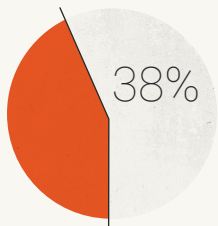
### Employee size distribution



500 employees or more

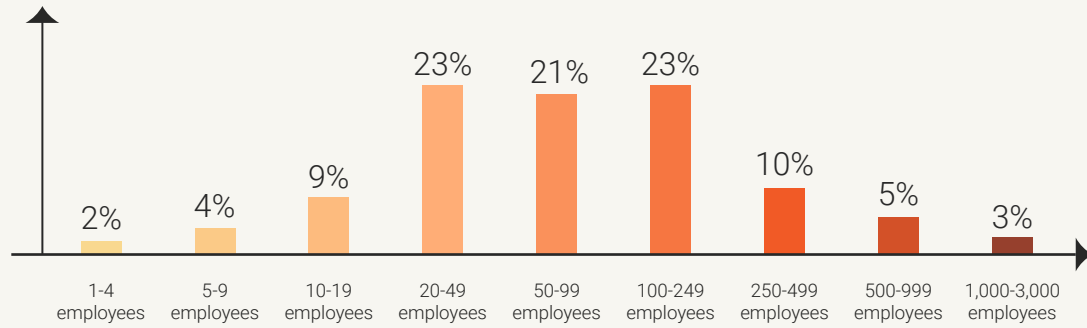


50 to 499 employees

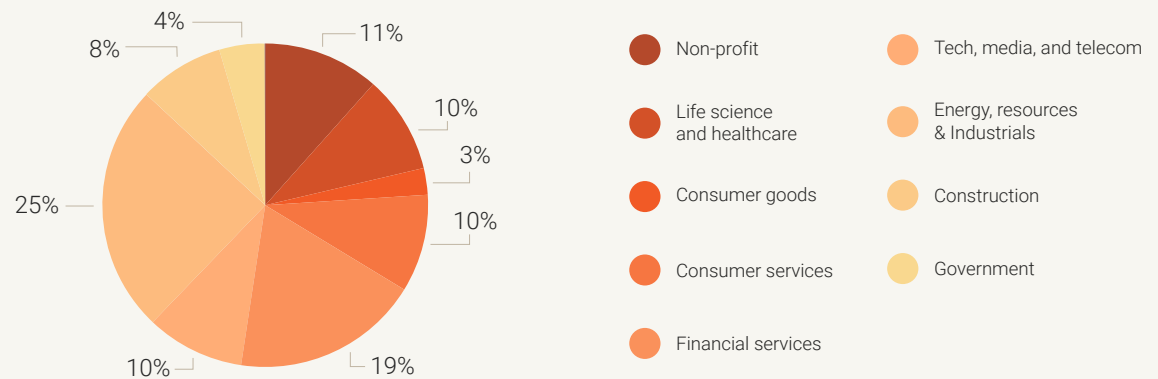


Less than 50 employees

### Employee size distribution

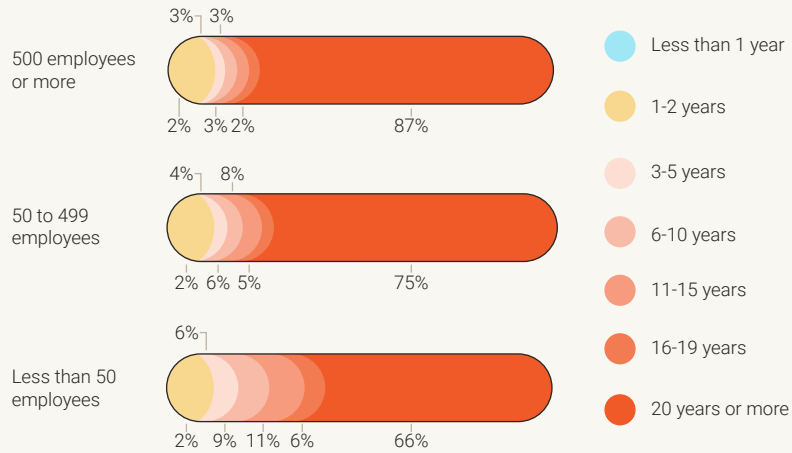
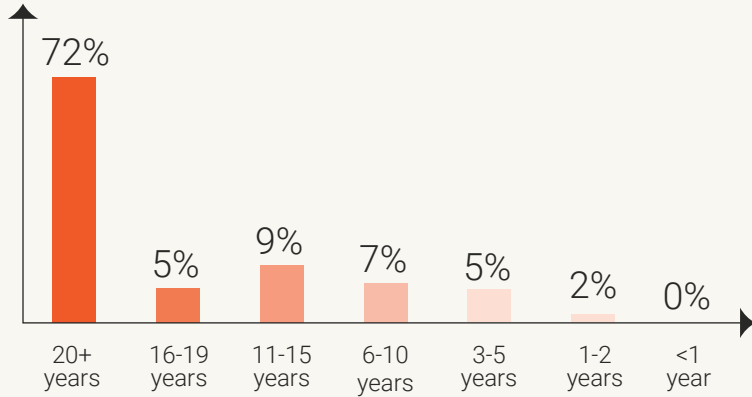


### Industry sector distribution

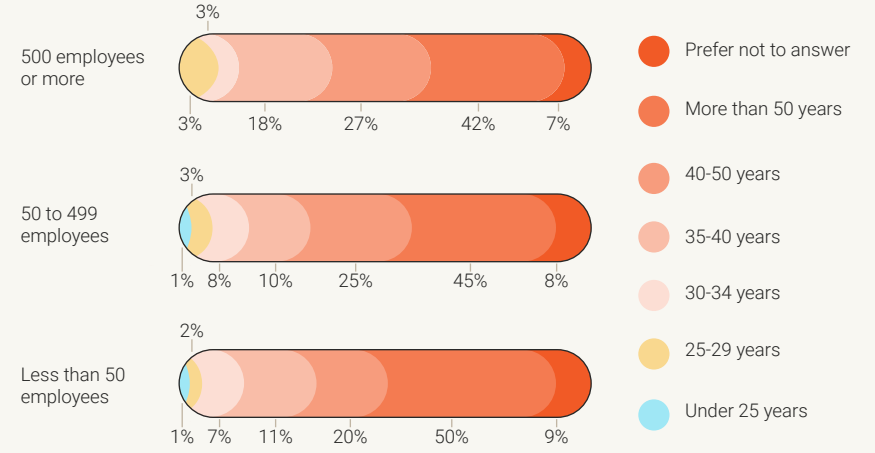
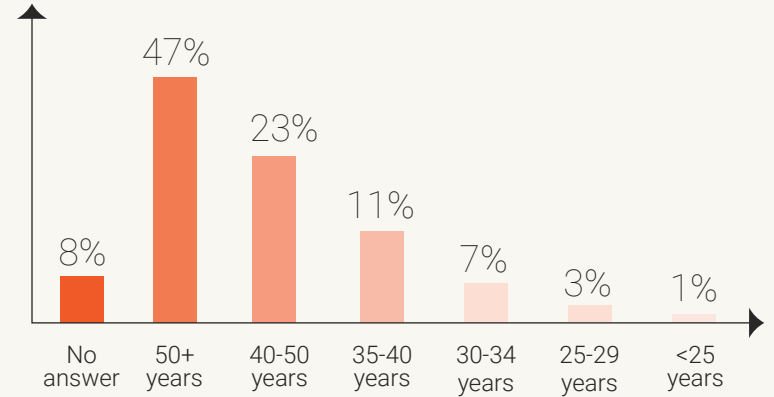




Age of business distribution



Age of respondent distribution



## About Mineral

Trusted by more than 1 million companies, Mineral is the HR and compliance leader for growing businesses. Mineral's flagship solutions, including the Mineral Platform, Mineral Intelligence, and Mineral Experts, combine data, technology, and human expertise to take the guesswork out of HR and compliance, and give clients peace of mind. Partnering with more than 2,500 industry-leading insurance brokers, health insurance companies, PEOs and HCMs, Mineral has built the largest HR community in the US. Mineral was formerly known as the combined entity of ThinkHR and Mammoth. For more information, visit [trustmineral.com](https://trustmineral.com).

## About SMB Group

SMB Group is a technology industry research, analysis and consulting firm focused on technology adoption and trends in the small and medium business (SMB) market. Founded in 2008, SMB Group is recognized for thought leadership, research, and expertise in the highly fragmented SMB market—which is composed of many smaller, more discrete markets. Learn more at [smb-gr.com](https://smb-gr.com).

## Get more from Mineral

Find full data and analysis from 2023 State of HR at [trustmineral.com/state-of-hr](https://trustmineral.com/state-of-hr).

# Mineral<sup>®</sup>

HR and compliance made simple.

### About Mineral

Trusted by more than 1 million companies, Mineral combines data, technology, and human expertise to take the guesswork out of HR and compliance. Partnering with insurance brokers, PEOs and HCMs, Mineral has built the largest HR community in the U.S. Mineral was formerly known as ThinkHR and Mammoth. Learn more: [trustmineral.com](https://trustmineral.com). ©2023 Mineral, Inc. Report-SOHR2023ExecutiveSummary-TM-9-12-2023