

The background of the cover is a blue-tinted photograph of a person's hands typing on a laptop. Overlaid on the right side is a 3D bar chart with bars for the years 2017, 2018, 2019, 2020, 2021, 2022, and 2023. The 2023 bar is the tallest and is highlighted with a glowing effect. A white line graph with an upward-pointing arrow is also overlaid on the chart.

2023 HR TECH

MID-YEAR TRENDS REPORT

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INTRODUCTION

The world of HR is continually evolving, and with each passing year, technological advancements play an increasingly pivotal role in shaping the landscape of HR practices. According to Aptitude Research, 54% of companies increased their investment in technology in the first half of 2023. As we reach the mid-year mark, it becomes essential for HR professionals, executives, and decision-makers to gain insights into the latest HR technology trends that are reshaping the way organizations manage their workforce.

The pace of technological innovation shows no signs of slowing down and the demand for technology partners continues to grow. HR professionals are increasingly relying on technology to address new challenges that have emerged in the wake of global events and shifting workforce expectations. From AI to skills to DEI, the HR technology landscape has evolved to accommodate these critical areas.

In this report, we will explore key HR technology trends that are driving change and transformation across the HR spectrum. We will examine how these trends are redefining how companies attract and retain talent and share highlights from our research this year.

This report aims to provide a comprehensive analysis of the most significant mid-year HR technology trends that have emerged and what to expect for the second half of 2023. By delving into these trends, we hope to equip HR leaders with the knowledge and foresight necessary to leverage cutting-edge technologies and stay ahead in the ever-changing talent management landscape. We have compiled this report through extensive research, data analysis, and expert opinions from leading HR practitioners and technology innovators. Our aim is to equip with the knowledge needed to make informed decisions about integrating these emerging HR technologies into their people strategy.

As the workforce continues to evolve and adapts to a rapidly changing world, embracing the latest HR technologies is no longer a choice but a necessity to stay competitive, agile, and future-ready. The top trends we found in our research this year include:

01	Skills	04	Sourcing
02	Strategic Workforce Planning	05	Internal Mobility
03	Automation and AI	06	Generative AI



Quantitative Research:

335 responses for TA and HR VP Level, Recruiters/Sourcers, and IT Professionals.

Company Sizes:

18% (250-999ees)

22% (1,000-4,999ees)

28% (5,000-9,999ees)

32% (10,000ees+)

Qualitative Research:

Interviews with TA and HR leaders in 2022 and 2023



SKILLS-BASED EVERYTHING

Skills have the greatest impact on the future of work and employee experience. A skills-based approach to talent enables companies to provide a fairer hiring process, support strategic workforce planning, and make smarter talent decisions to enrich reskilling and upskilling. As companies look closely at their talent strategies, skills are a critical part of the equation. In our January report in partnership with HCI, we found that **95% of companies stated that skills are more important than job titles when promoting employees.**

High-performing companies (defined as companies with above average retention, employee experience, and quality of hire metrics) that prioritize a skills-based approach have a better understanding of the skills they need for today and are more proactive with reskilling and upskilling for the future (see Figure 1). These companies are also more likely to provide opportunities to every employee regardless of their job role. A skills-based approach gives these companies a competitive advantage.

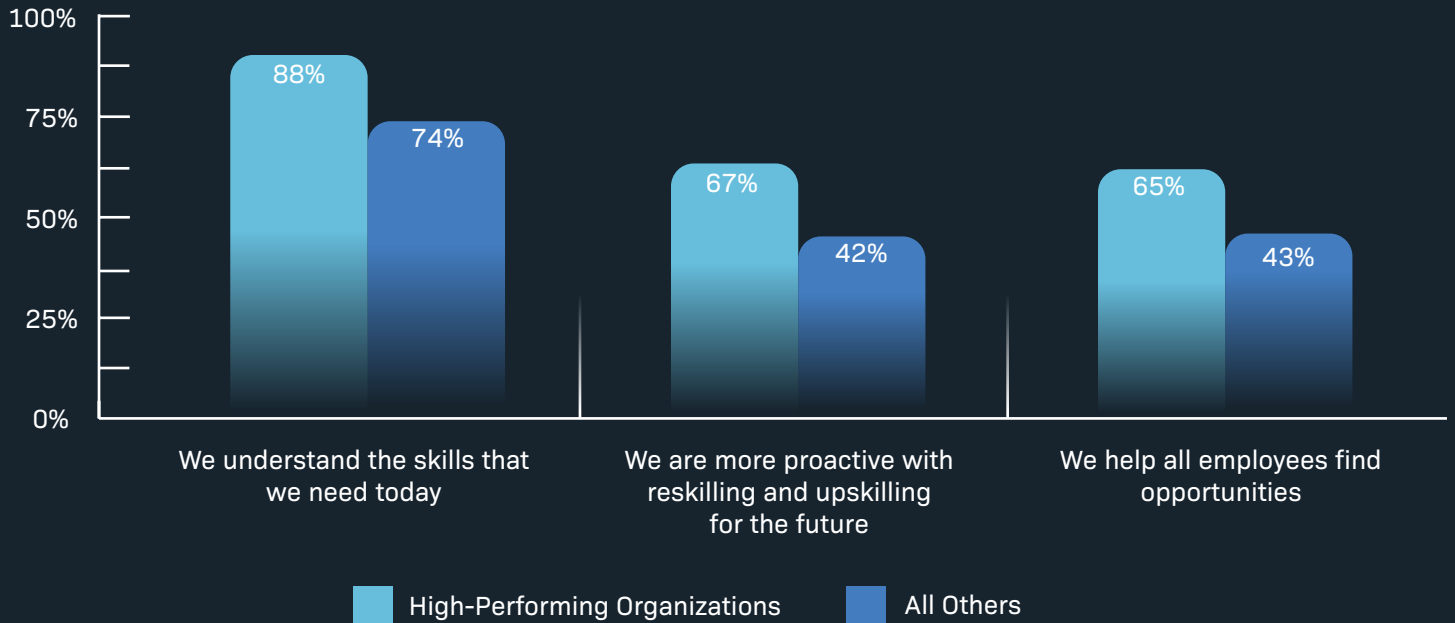


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Figure 1: *High-Performing Organizations that Use a Skills-Based Approach*



Although companies are quickly embracing skills, developing a strategy and investing in the right technology is no small task. This study found that one in two companies are just getting started with skills and many of these companies believe it will take several years to develop the right approach. Companies often feel confused about how to assess skills, build a skills ontology, and find the right partner.

KEY FINDINGS



Skills Are a Priority: According to this study, 82% of companies identified skills as a priority and 54% of companies are increasing their investment in skills this year. The number one driver is to provide more career development opportunities for talent.



Most Companies Are Not Prepared: To see results, companies must think through their strategy, technology, and change management. The number one challenge to embracing skills is the lack of resources.

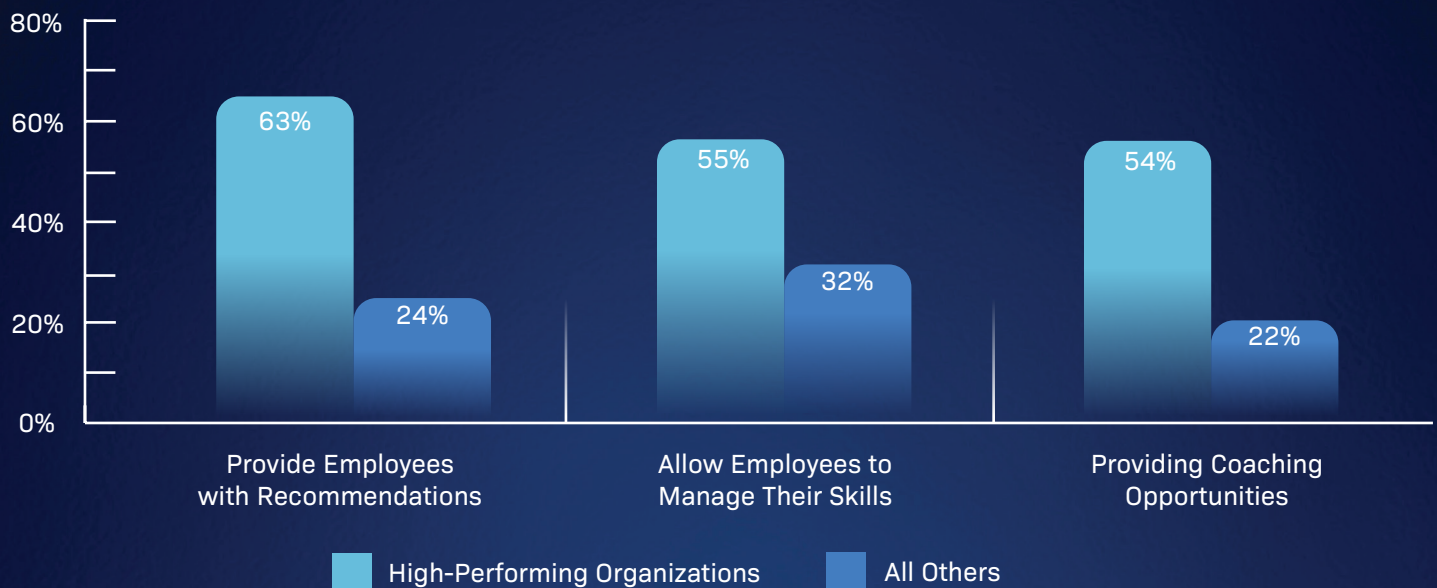


Dissatisfaction with Traditional Technology: Companies must carefully consider their technology investments and evaluate providers with deep commitments and expertise across skills. One in two companies are not happy with solutions that support skills today.

✓ Lack of Ownership: Most skills and competency libraries were created manually by HR professionals. This required a significant time commitment and often would face roadblocks. The amount of time (months and often years) needed to build skills libraries would create resistance internally and finding ownership was challenging. Talent acquisition and talent management functions would rarely collaborate on building out these libraries.

✓ Skills Allows for Personalization: One of the greatest benefits of a skills-based approach is the ability to personalize the experience. A personalized experience gives candidates a stronger connection to the employer brand, improves retention with employees, and gives internal candidates the insights they need to find the right career journey. For internal mobility, an experience that is not personalized often results in a company losing quality talent. High-performing companies were more likely to provide employees with recommendations on their next career development opportunities, coach individuals in their career journeys, and empower employees to manage their own skills (see Figure 2).

Figure 2: High-Performing Companies Personalizing the Experience



Skills is the foundation of many of the trends included in this report and the research topics we plan to cover for the remainder of 2023.

STRATEGIC WORKFORCE PLANNING:



Economic uncertainty and shifts in the labor market have accelerated the interest in strategic workforce planning. According to Aptitude Research, 85% of companies continue to invest or increase their investment in 2023, and nearly half of all HR leaders are feeling more pressure from senior leaders to address the future of work. However, workforce planning is not optional. This study found that:

27%

of companies have not measured the ROI of their digital transformations.

72%

of companies are facing pressure to cut costs this year (including headcount).



Workforce planning was viewed as a tool to support layoffs rather than a strategy to support the business

Companies want to stay prepared, respond to unforeseen changes in the business, and reduce costs. Strategic workforce planning is the most powerful muscle a company can build to achieve these goals. It creates greater alignment between talent and business priorities and allows companies to be more thoughtful and less reactive in their approach to talent.

The focus on workforce planning is not a new phenomenon. Companies have been committed to better understanding the supply and demand of talent over the past few decades. In 2008, for example, companies turned to strategic workforce planning in response to the recession and high unemployment. Unfortunately, most strategies failed even before they started due to a lack of resources and poor execution. Workforce planning was viewed as a tool to support layoffs rather than a strategy to support the business. In addition, companies only tracked current headcount or relied on Excel spreadsheets that needed to be regularly updated or consistently shared with key stakeholders.

Companies have hit an inflection point today, and workforce planning is no longer a short-term fix. Instead, companies looking to thrive over the next year must consistently provide insights and data to address current and future talent needs over the next year and beyond. It is the only option.

A few factors are contributing to the urgency around workforce planning today:



Pressure from senior leaders:

Forty-seven percent (47%) of HR professionals state that senior leaders ask for workforce planning strategies regularly. The past few years have made it clear that decisions around talent can no longer be reactionary, and companies need a data-driven approach to talent.



Skills-based workforce planning:

One in two companies prioritize upskilling and reskilling their workforce today. A skills-based approach is the future of workforce planning and provides companies with better visibility into their workforce and a sustainable long-term approach.



Investment in the future of work:

Seventy-two percent (72%) of companies have increased their investment in initiatives supporting the future of work, yet 60% of companies do not feel prepared. Workforce planning gives companies the insights they need to achieve any HR or talent transformation results.

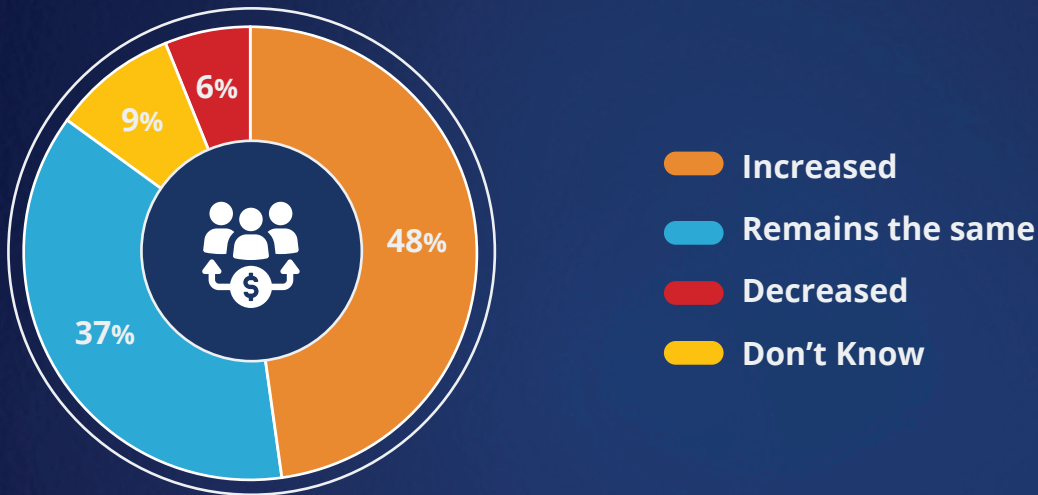
STRATEGY

Today's HR leaders have a unique opportunity to embrace strategic workforce planning, strengthening their relationships with business leaders and providing more data and insights into what constitutes the future of work and talent. Dynamic scenarios and investment in skills will help companies shift workforce planning to **strategic workforce planning**.

KEY FINDINGS

- Workforce Planning at Most Companies Is Still Immature:** Although 85% of companies are investing the same or more, only 14% are taking a strategic, long-term approach to workforce planning initiatives. Since most workforce planning processes are conducted on an “as-needed” basis, they address current headcount but fail to help business leaders plan for the skills and core competencies needed in the future.

Figure 3: Investment in Strategic Workforce Planning



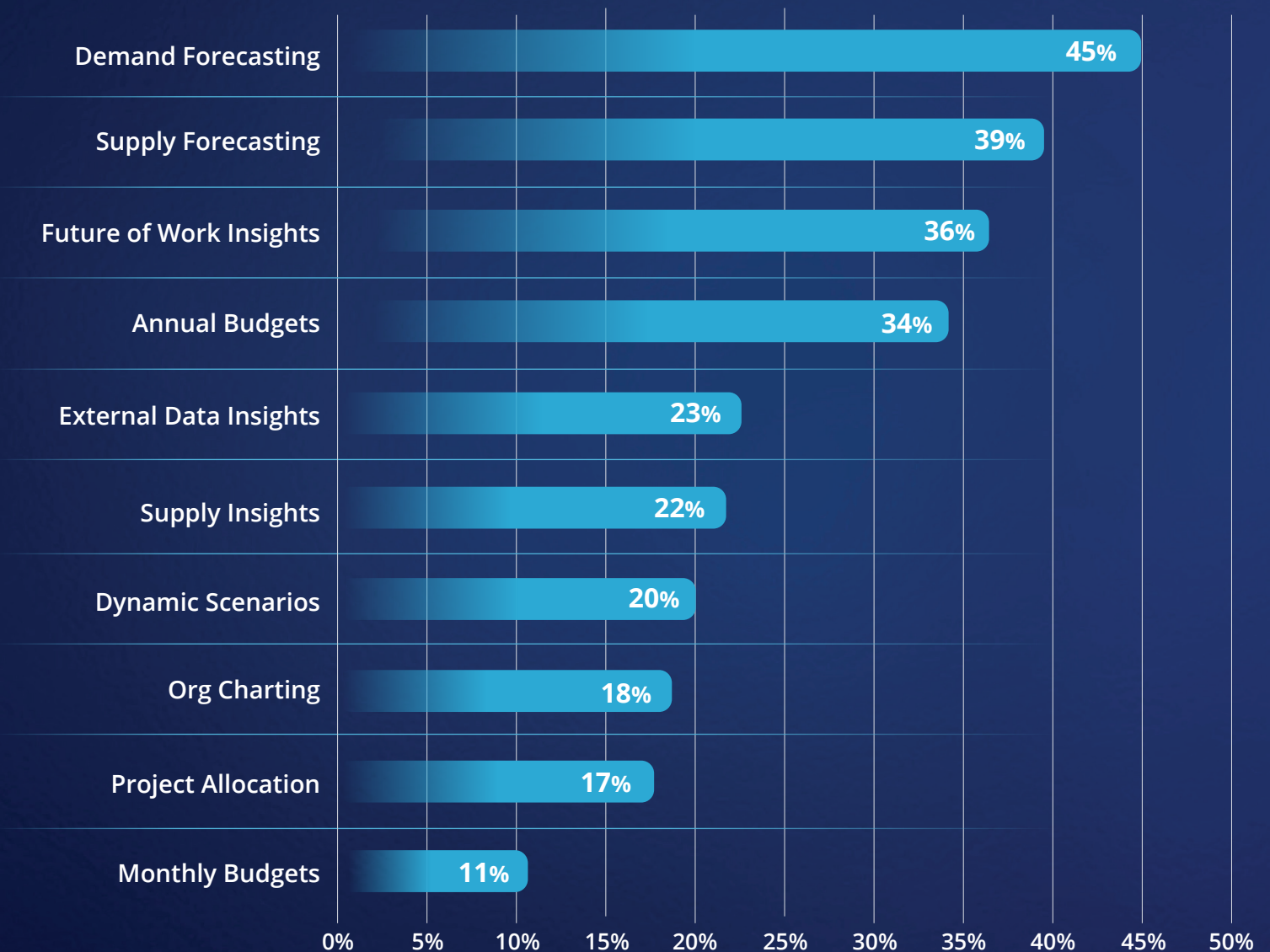
- The Potential Benefits of Strategic Workforce Planning Are Massive:** With strategic workforce planning, companies can see results across all talent initiatives, including talent acquisition, talent development, and contingent workforce management. They can also see the impact from a business enablement (top-line/revenue) perspective, including cost savings, customer retention, and growth.

- A Skills-Based Approach and Clear Skills Taxonomy Allows Companies To Scale Strategic Workforce Planning:** Only 18% of companies have a skills-based approach to strategic workforce planning. Skills are the future of these strategies and allow companies to scale workforce planning and make it more consistent across the company. Skills also allow companies to look and align more holistically at total talent, including the traditional and contingent workforce.

✓ Strategic Workforce Planning Will Not Happen Overnight: Our research has identified four distinct maturity levels for strategic workforce planning. Based on survey results, workforce planning has identifiable stages of maturity that can help companies evolve into more forward-thinking organizations. Companies must be patient, start small, and invest in the right partners to support this process. As mentioned earlier, a skills-based approach to workforce planning can expedite this process.

✓ Investment in Dynamic Scenarios: Dynamic scenarios and a focus on skills help companies mature in their workforce planning approach and ensure that it is truly strategic. Companies that invest in dynamic scenarios can better understand the supply and demand for talent.

Figure 4: Strategic Workforce Planning Initiatives



AI & AUTOMATION



Today, HR functions and the organizations they support have been forced to adapt to new workforce paradigms: ongoing shifts from in-office to fully remote to hybrid work; widespread breakdowns in talent supply chains; high employee burnout and turnover rates; and increased DEIB expectations. With more disruption on the horizon, there's a lot of pressure for HR to rapidly expand its operating capacity without increasing its operational overhead—and this is where automation has the most immediate impact opportunity.

KEY FINDINGS

1

We are officially in the Early Majority stage in the adoption of AI in HR. According to our research, 75% of companies today are utilizing AI in their operating models in some form or fashion. As shown in Figure 5, the adoption maturity curve spans four groups: those automating simple tasks like automatically assigning a job requisition to a recruiter (36%), those automating tasks across multiple platforms like auto-requisitioning a new hire based on job family and seniority (25%), and those leveraging robotic process automation or RPA for more complex use cases like creating individualized, location-based new hire onboarding programs (23%).

2

In support of their top priorities, most companies increased investments in automation in 2022 to support greater scale and impact. Sixty percent (60%) of HR and IT leaders surveyed said they increased investment in automation in 2022, and Figure 3 shows what they are trying to accomplish with these investments.

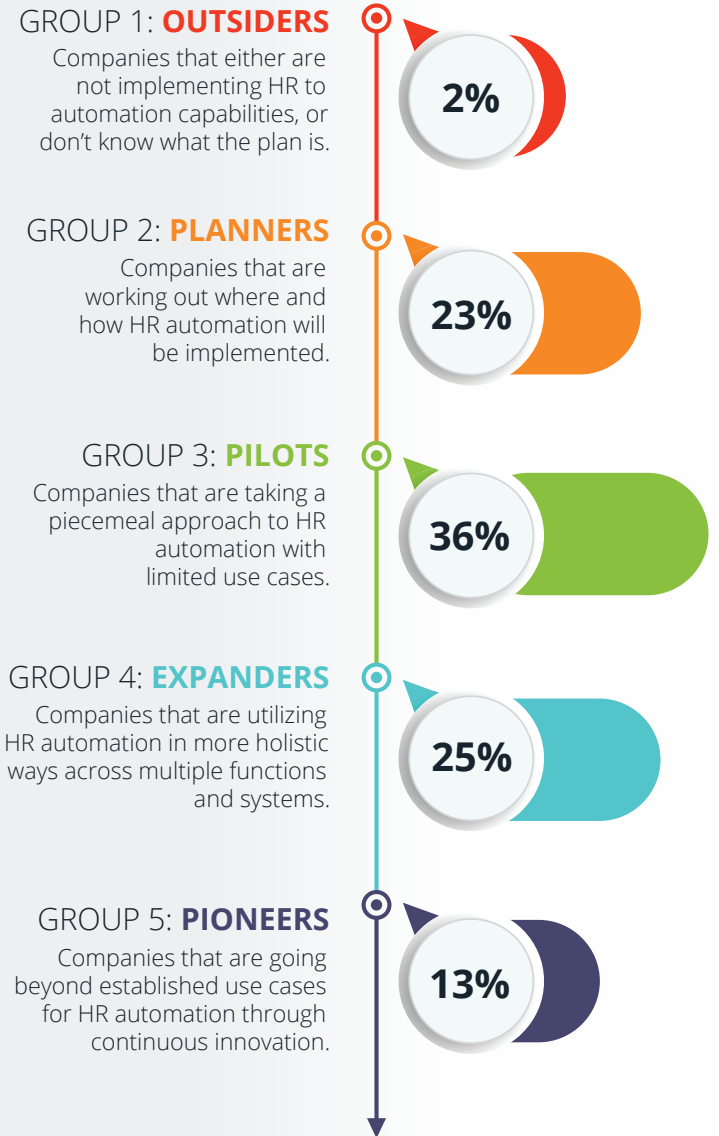
3

The tactical need to increase capacity in HR—a top driver for 48% of companies—is driving the next great wave of investment in HR automation (and possibly the biggest). The reason is simple: “I am only going to be able to grow my team to a certain size, and I know that the things I need to get done are going to need more resources that I’m not going to get.” It’s a reality every HR organization faces. But where this is an obstacle for some, Greg Muccio, Senior Director of TA at SWA, sees it as an opportunity. “I have to look at how automation in my systems, the different pieces of technology come together to solve the problems in front of us. I need agility, I need scale.”

4

IT is Prioritizing Automation in HR more than ever before. 52% of IT professionals reported that HR technology projects are higher priority than other areas and 57% have 4 or more IT resources directly supporting HR technology needs. What’s driving this increased investment and priority? According to Allan Sabol, Director of Product Management at ServiceNow, the answer lies in mutual opportunity derived from automation initiatives. “HR often goes to IT with requests, needs, problems. But automation projects are an instance where both IT and HR has an opportunity to look good individually and together.”

Figure 5: HR Automation Adoption Levels

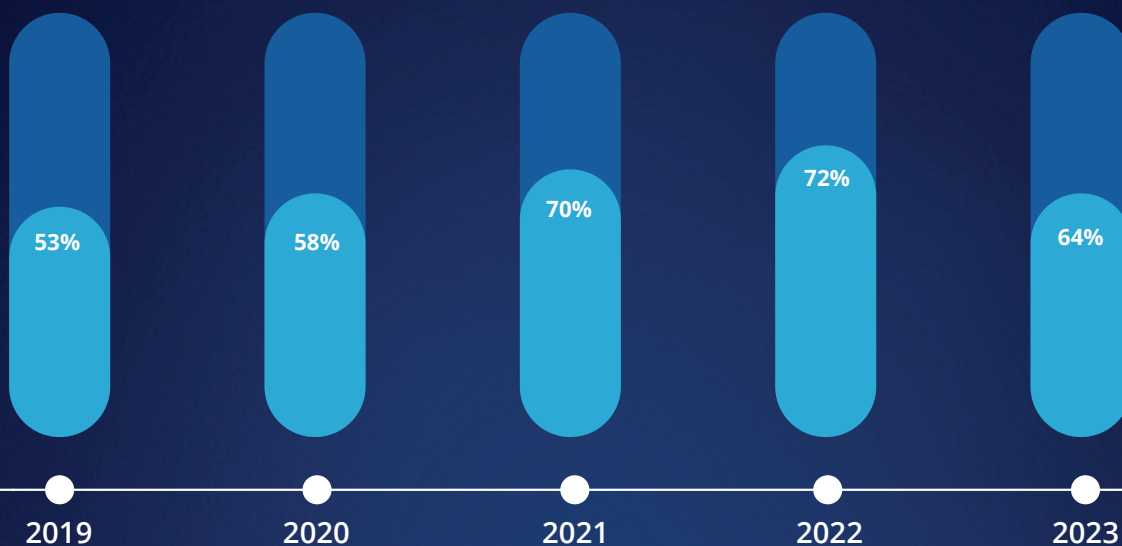


THE STATE OF SOURCING



Aptitude Research conducted a survey in July 2020, during the height of the pandemic, and found that the most critical capability gap in TA involved sourcing candidates. Three years later, sourcing remains the biggest challenge for talent acquisition teams, even with a possible economic downturn. We recently published a new study on the *State of Sourcing*. Companies need help identifying and attracting the right talent regardless of industry or hiring activity, even with new solutions and opportunities. Sourcing is often reactionary as companies are left scrambling to find and compete for talent in a short period of time.

Figure 6: *Investment in Sourcing*



Companies built out internal expertise, outsourced sourcing activities, or leveraged technology that included job boards, sourcing solutions, talent intelligence, and contingent workforce solutions to fill this capability gap. And, no surprise, with new solutions and the impact of AI, companies turned to technology to help fill the gaps and provide immediate solutions. But, not all sourcing providers are the same.

And the result is that many sourcing strategies fail to deliver results. We found several challenges with sourcing, including:

- **Dissatisfaction with sourcing strategies:** Seventy-five percent (75%) of companies are not happy with their sourcing strategy.
 - **Lack of ROI:** Sixty-five percent (65%) of companies don't measure the ROI of their sourcing investments.
 - **Too many sourcing solutions:** One in three companies use more than five sourcing tools.
 - **Lack of expertise:** Many companies lack the expertise and capabilities required to source effectively.
 - **Sourcing diverse candidates:** Companies rely on the same job boards, job aggregators, and sourcing channels to find candidates without thinking more broadly about diversity. Additionally, many companies are not tracking the sources of hire to know where diverse candidates are coming from.
 - **Difficulty finding candidates in the ATS/CRM:** Search is the main point of frustration with many ATS and CRM systems. Search is limited to keywords and many candidates have incomplete or outdated profiles. Aptitude Research found that recruiters spend over 10 hours a week, on average, looking for candidates in the ATS.
 - **Limited in-house expertise:** Companies do not have expertise in sourcing. Some companies building sourcing functions are simply shuffling recruiters or HR professionals into a sourcing role without considering the expertise needed.
-

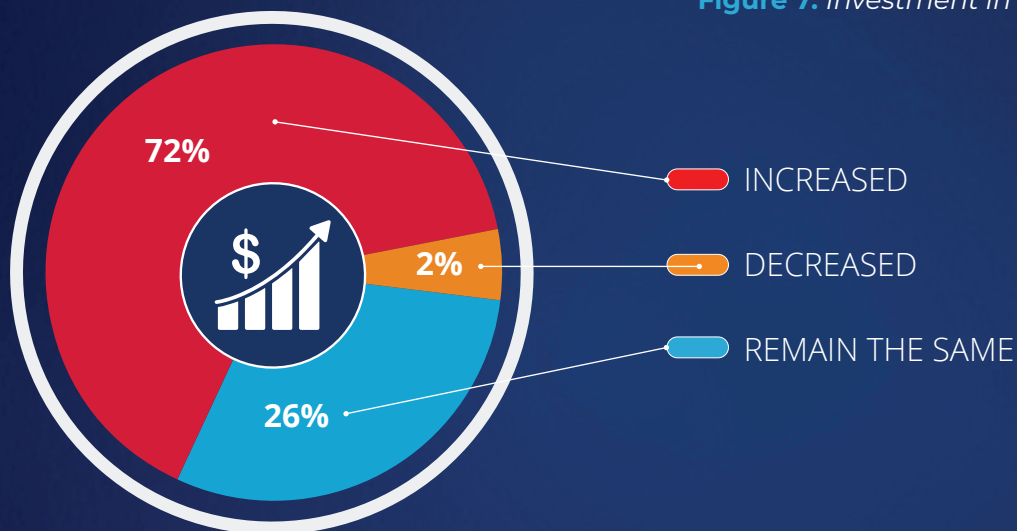
Companies are responding to these challenges by rethinking their approach to sourcing and focusing on building a more effective process. Companies are shifting their view around the following:

- **The definition of talent:** Companies must think more holistically about talent and include contingent workers in their sourcing strategies.
- **Sourcing channels:** Companies have shifted sourcing channels over the past year. Determining what option works for the future is a key priority in 2023.
- **Quality:** Sourcing must be able to balance efficiency with the quality of candidates.
- **A data-driven approach:** Sourcing can no longer be ad hoc. Companies need data to gain insights and drive decision-making around sourcing strategies.

THE NEW ERA OF INTERNAL MOBILITY

In 2022, Aptitude Research found that over 70% of companies were increasing their investment in internal mobility and 47% of companies increased the number of internal hires. The movement of talent into new positions is not a new trend. Companies have been hyper-focused on internal mobility and career progression at various times periods of uncertainty. For many companies, internal mobility offers the perfect panacea to challenges facing both recruitment and retention by bridging the candidate and employee experiences and reducing turnover.

Figure 7: Investment in Internal Mobility



But, despite this increased focus on internal mobility over the past few years, only one in four companies are confident with their strategies moving forward and 77% of companies have lost talent due to a lack of career development opportunities. Many organizations have adopted a superficial approach to internal mobility by promoting jobs through internal career sites without offering individuals opportunities and development. For other companies, lack of ownership creates barriers for implementing programs and technology. **Internal mobility needs to be more than a rally cry. It needs to be a clearly defined strategic investment that is less about moving an individual from job A to job B and more about driving value for the employee.**

Fortunately, some companies are turning to skill-based internal mobility and prioritizing how they reskill and upskill their workforce to adapt to the future of work. They are empowering employees, leveraging technology, and encouraging collaboration across multiple stakeholders. A skills-based approach to internal mobility can help connect talent to the right opportunities, personalize the experience, and continuously update with every interaction. It transforms internal mobility from an employer-led initiative to a talent-first strategy.

KEY FINDINGS

-  **Metrics that matter:** Companies need to consider a new set of metrics for measuring the success of internal mobility. Metrics should incentivize managers and recruiters to provide growth and opportunities for employees while supporting broader DEI and company objectives.
-  **Internal mobility needs to be talent first:** Current internal mobility strategies require employees to do most of the work to find their next opportunities for development. Companies promote jobs and employees are left on their own to find what might be next. The next era of internal mobility must make it simple for employees to understand their opportunities and develop the skills they need to be successful.
-  **Internal mobility must empower hiring teams:** One in two recruiters are feeling burned out this year and hiring teams are feeling additional pressure to find quality talent quickly. Internal mobility must be talent first, but it also must empower hiring teams by lifting the administrative burden and making it easier to find talent.
-  **Internal mobility must provide personalization:** Most companies are not personalizing internal mobility. Fifty-eight percent (58%) of internal candidates go through the same process as external candidates. Internal candidates are treated like strangers to their employer and often do not receive a response.
-  **Internal mobility is most successful when it involves multiple stakeholders:** Nearly 50% of companies stated that leadership and CHROs are either owning or directly responsible for internal mobility efforts. They are driving these initiatives and looking to work closely with key stakeholders and creating opportunities for employees.
-  **Skills are a priority:** According to this study, 82% of companies identified skills as a priority. Companies are increasing their investment in skills this year and the number one driver is to provide more career development opportunities for talent.

THE FUTURE OF GENERATIVE AI

Generative AI is changing the face of HR Technology. ChatGPT has the fastest-growing user base with over 100 million users, and many providers are trying to keep up with the latest on generative AI. The potential impact on the future of work is tremendous.

Generative AI improves efficiency (automating many administrative tasks), quality (improving quality of content generated), and experience (providing faster results and more immediate answers). But, it has its risks including questions around how the data captured, security, and how decision-making is happening. Over the past two months, several vendors have made announcements about how generative AI and GPT-4 are enhancing their products. Some are making announcements that will provide immediate benefits to recruiting teams, candidates, and employees. Others are launching press releases for the sake of... launching a press release. Here are a few of the vendors to watch, use cases we have seen so far, and questions to ask providers.

Who are the Vendors Making Announcements?

Beamery

Beamery launched TalentGPT to offer a single assistant that leverages both Beamery's proprietary AI, as well as OpenAI's GPT-4 and other leading large language models (LLMs). It will be used across all products to help redefine and personalize the user experiences for recruiters, candidates, and employees. It will be used to summarize data and generate content that can then be contextualized to the right audience.

eightfold.ai

Eightfold announced that it is integrating recent advances in generative AI LLMs to create two role-specific Talent Intelligence Copilots (employee and recruiter). Also, its Talent Insights will reflect the changing skills and roles brought about by generative AI in the labor market. These enhancements will improve the experience of recruiters and employees by providing assistance and improving productivity.

seekout>

SeekOut launched its SeekOut Assist product which allows companies to copy and paste job descriptions and automatically generates a targeted search, then lists the most qualified candidates a role. It then personalizes communication to candidates.

SkyHive

SkyHive announced a job description generator powered by generative AI and received a patent for this product.

phenom

At its user conference, IAMPHENOM, Phenom announced Experience+ (X+), a new platform-wide generative AI capability that improves efficiencies by automating content creation, surfacing actionable intelligence, and eliminating time-consuming tasks for candidates, employees, recruiters, managers, HR, and HRIS teams.

Microsoft Viva

Microsoft Viva announced Copilot which takes advantage of next-generation AI and is built on the Microsoft 365 Copilot System, combining the power of LLMs with data in the Microsoft Graph and Viva apps to give leaders an entirely new way to understand and engage their workforce.

Other vendors making announcements include:



The list will grow over the next few months.

What are the use cases?



Job Descriptions:

Generating job descriptions and using copilots to provide assistance in creating job descriptions and templates.



Summarizing Data:

Summarizing data and extracting data in existing ATS and HRIS systems to provide insights and answers to companies.



Sourcing:

Searching for candidates using job descriptions and job titles and providing a list of candidates.



Communication:

Generating email templates and personalizing them for targeted audiences. Providing immediate answers to employees questions.



Onboarding:

Providing personalized new hire experiences and generating content for new hires.

These use cases do not include the various ways that candidates and employees may use ChatGPT and generative AI to respond to screening questions, take an interview or an assessment, or participate in a performance review.

What are the concerns?

We are at the very early stages of generative AI and companies evaluating providers should stay informed and ask the right questions of their providers. Companies should be concerned about entering confidential data in open LLMs and the risk for security and data privacy. And, at this stage, generative AI still needs to pass decision making off to existing systems or humans.

What are the use cases for generative AI, and how is the data being used once captured?

Are vendors using private LLMs or open LLMs?

What do vendors need to change internally to support generative AI (design thinking approach, new sales process, AI skills, and talent)?

CONCLUSION

As we approach the midpoint of the year, it is evident that the HR Tech landscape has witnessed remarkable transformations, responding dynamically to the evolving demands of the modern workplace. The mid-year trends report has shed light on several key developments that are shaping the future of HR technology and reshaping the way organizations manage their human resources. One prominent trend that emerged is the accelerated adoption of artificial intelligence and machine learning in HR processes. From talent acquisition and candidate screening to employee engagement and performance management, AI-driven solutions have demonstrated their ability to streamline workflows, enhance decision-making, and unlock valuable insights. As these technologies continue to mature, their impact on HR practices will undoubtedly become even more pronounced.

ABOUT US



Aptitude Research is a leading human capital management (HCM) research and advisory firm. Our in-depth research and vendor assessments help HR leaders develop a deep understanding of the HCM technology landscape, including talent acquisition and engagement, to ultimately make better purchase decisions.

Our flagship research, The Aptitude Index Report, delivers a comprehensive look at talent acquisition trends and technology. This knowledge, combined with our consulting and advisory services, enables companies to save time, money and improve the recruiting, hiring and workforce management experience.

Founded by leading analyst Madeline Laurano and based in the Boston area, Aptitude Research provides a wealth of HCM expertise to companies, vendors and investors. View our recent and upcoming research at [AptitudeResearch.com](https://www.AptitudeResearch.com) or connect with us on [Twitter](#) or [LinkedIn](#).

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DRIVING VALUE THROUGH SKILLS,
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