

# CHRO BUSINESS OUTLOOK: CHROs FEEL MORE OPTIMISTIC ABOUT 2024





# EXECUTIVE SUMMARY

---

Overall, most CHROs perceive economic and employment conditions as fair, but there is a growing sense of optimism. Currently, about a quarter of CHROs view economic conditions as excellent or good, marking a clear upward trend compared with previous quarters. This positive trajectory is expected to continue over the next six months, with forecasts indicating further improvement in economic conditions.

The employment landscape appears even more promising. Nearly half (44%) of CHROs rate current employment conditions as good or excellent, marking the highest proportion since tracking began in Q4 2022. This optimism extends to the future with 41% of CHROs anticipating good or excellent employment conditions in the next six months, also the highest proportion since tracking began. Factors such as market stability and an abundance of job opportunities contribute to these positive forecasts.

This positive shift in economic and employment conditions signifies a potentially positive outlook for businesses and industries in the near future. CHROs in specific industries (e.g., manufacturing, retail) are reporting high demand for goods and services. More than half of CHROs anticipate an increase in headcount (53%) over the next six months, aligning with figures from Q4 2023, signaling organizational readiness for growth.

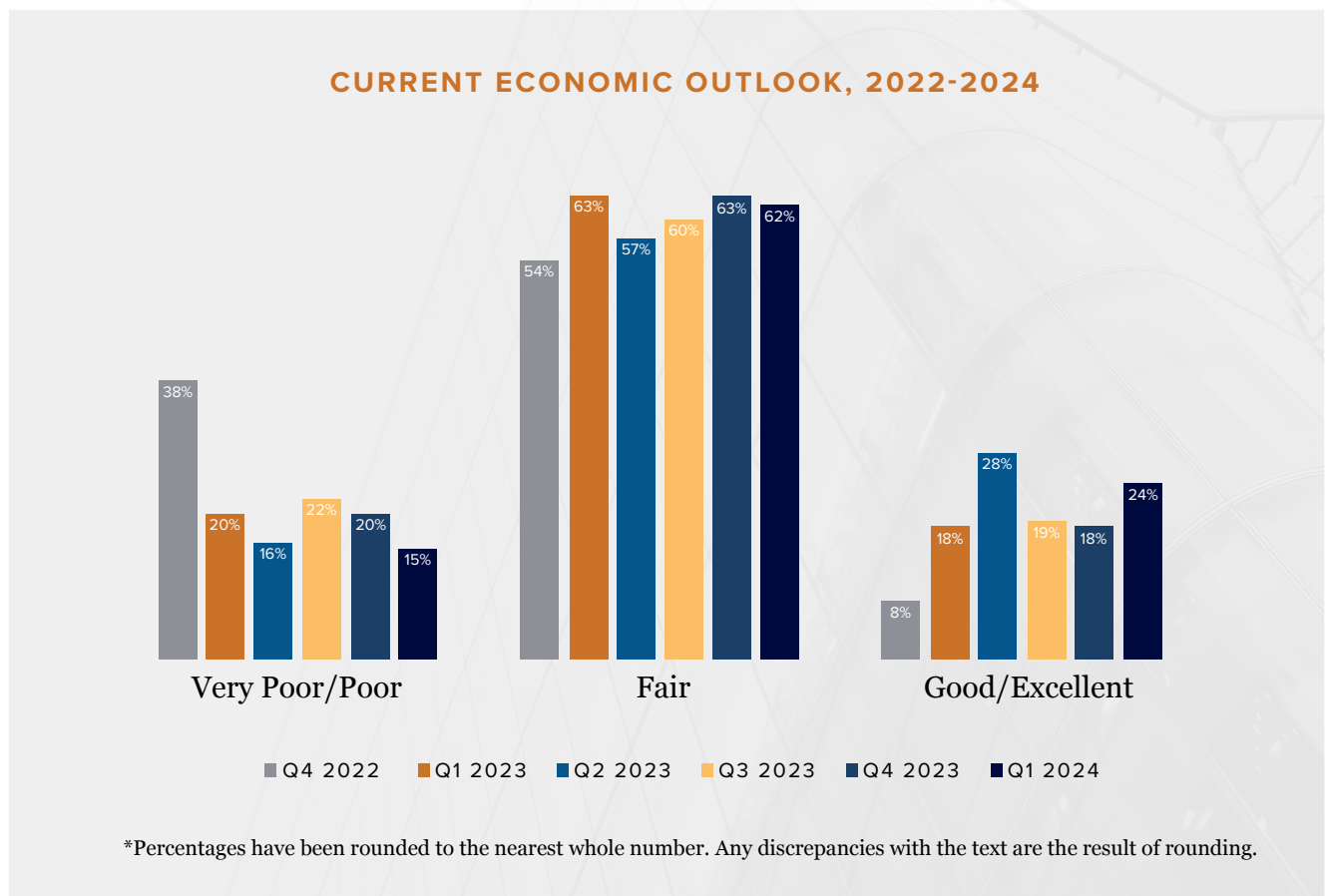


# THE ECONOMIC ASSESSMENT: FAIR, BUT LEANING POSITIVE

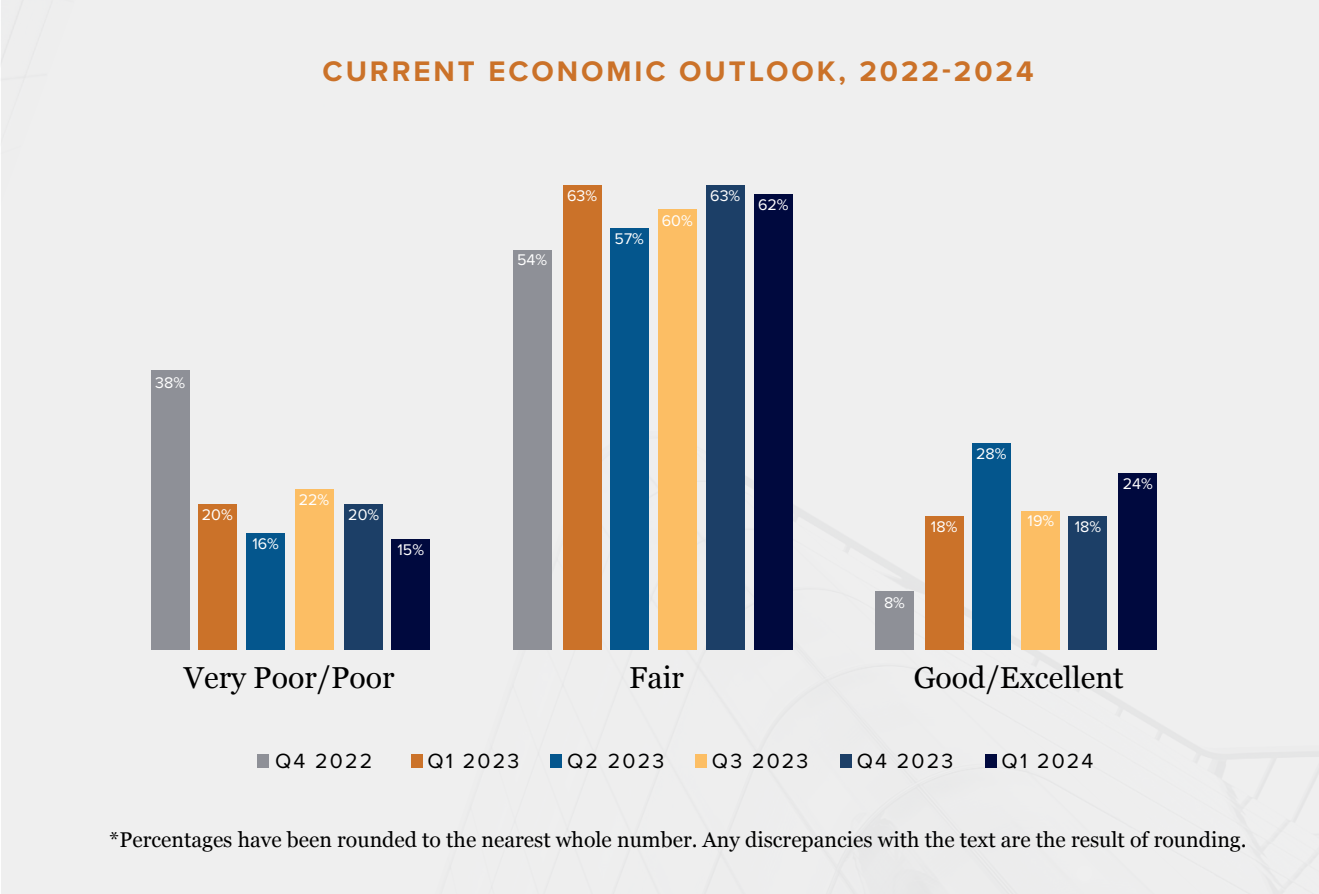
Nearly a quarter of CHROs (24%) view current economic conditions positively, with 23% considering them good and 1% excellent. However, the majority (62%) perceive conditions as fair, while 15% rate them as either poor or very poor. Despite the prevalence of a fair outlook, those holding a positive view outnumber those with a negative perspective by 9 percentage points.

Following a stable pattern from Q3 to Q4, CHROs' assessments of current economic conditions have shown a modest uptick in positive ratings, most closely resembling the economic ratings observed in Q2 2023. A higher portion of CHROs believe economic conditions are good—a notable 6 percentage point increase from Q4. Nearly the same percentage believe economic conditions are fair (1 percentage point decrease from Q4), while fewer say conditions are poor or very poor (5 percentage point decrease from Q4). CHROs are more optimistic about economic conditions today compared with one year ago in Q1 2023.

This trend aligns with the sentiments shared by everyday Americans, particularly at the start of Q1 2024. In January, The [Conference Board's Present Situation Index](#) jumped to 154.9, up from 147.2 in December, indicating more confidence in the current business and labor markets at the start of the new year. However, this spike was short lived, with the February score falling back to 147.2, the same level as December. These fluctuations underscore the dynamic nature of economic perceptions and are perhaps reflective of the evolving landscape of both domestic and global factors.



There is a similar, yet more optimistic pattern for CHROs' forecasts of future economic conditions. About 3 in 10 (29%) CHROs anticipate favorable economic conditions in the next six months. This quarter saw a significant increase of 7 percentage points in forecasts of good/excellent conditions, tying with Q2 2023 for the most positive projections. These findings reflect a shift toward a more optimistic economic outlook among CHROs.





# ECONOMIC FORECAST DRIVERS

---

## DRIVERS OF A **NEGATIVE** ECONOMIC FORECAST

ACCORDING TO ONE SURVEY RESPONDENT:

“ Household goods, utilities, and gas are still all very high and increasing more than average wages. ”

### **Economic Uncertainty, Inflation, and High Interest Rates**

Concerns remain among CHROs about the potential of a recession, consumer debt hitting a breaking point, and wages stagnating. Although inflation is not increasing as quickly as before, the costs of everyday goods and running a business are still very high. High interest rates are also hurting businesses and the housing market.

### **Upcoming Election and Current Political Climate**

The election year is a source of concern, with others worrying about U.S. involvement in wars overseas. Some also express uneasiness in government operations and policies.

---

## DRIVERS OF A **FAIR** ECONOMIC FORECAST

ACCORDING TO ONE SURVEY RESPONDENT:

“ Although interest rates are going down, we have an upcoming election and it’s too early to tell. ”

### **Election-Related Uncertainty**

CHROs are feeling conflicted in their forecasts due to the potential volatility of the upcoming election. They are also cautious with their predictions due to the current geopolitical climate and how that might impact the economy.

### **Consumer Spending Remains Steady Despite the High Cost of Living**

Some say that consumers are still spending on certain goods and services, but inflation and high cost of living are still a damper on economic growth.



## DRIVERS OF A **POSITIVE** ECONOMIC FORECAST

ACCORDING TO ONE SURVEY RESPONDENT:

“ All economic indicators are leveling off—we have gotten through the rate hikes without hitting a recession and things seem to steady at the moment. ”

### **Economic Stability and Strong Labor Market**

CHROs believe we are in for a soft landing and have avoided a recession. With inflation and interest rates leveling off, some believe we will see more growth in 2024 than in recent years. CHROs in specific industries (e.g., manufacturing, retail) are reporting high demand for goods and services. In addition, indicators such as low unemployment rates and the improving quality of candidate pools are contributing to a strengthening labor market.

### **Election Year Gains**

Some CHROs believe the election year will keep the economy stable and deter any major negative swings. This prediction is sound, with many election years in the past showing modest gains rather than losses.



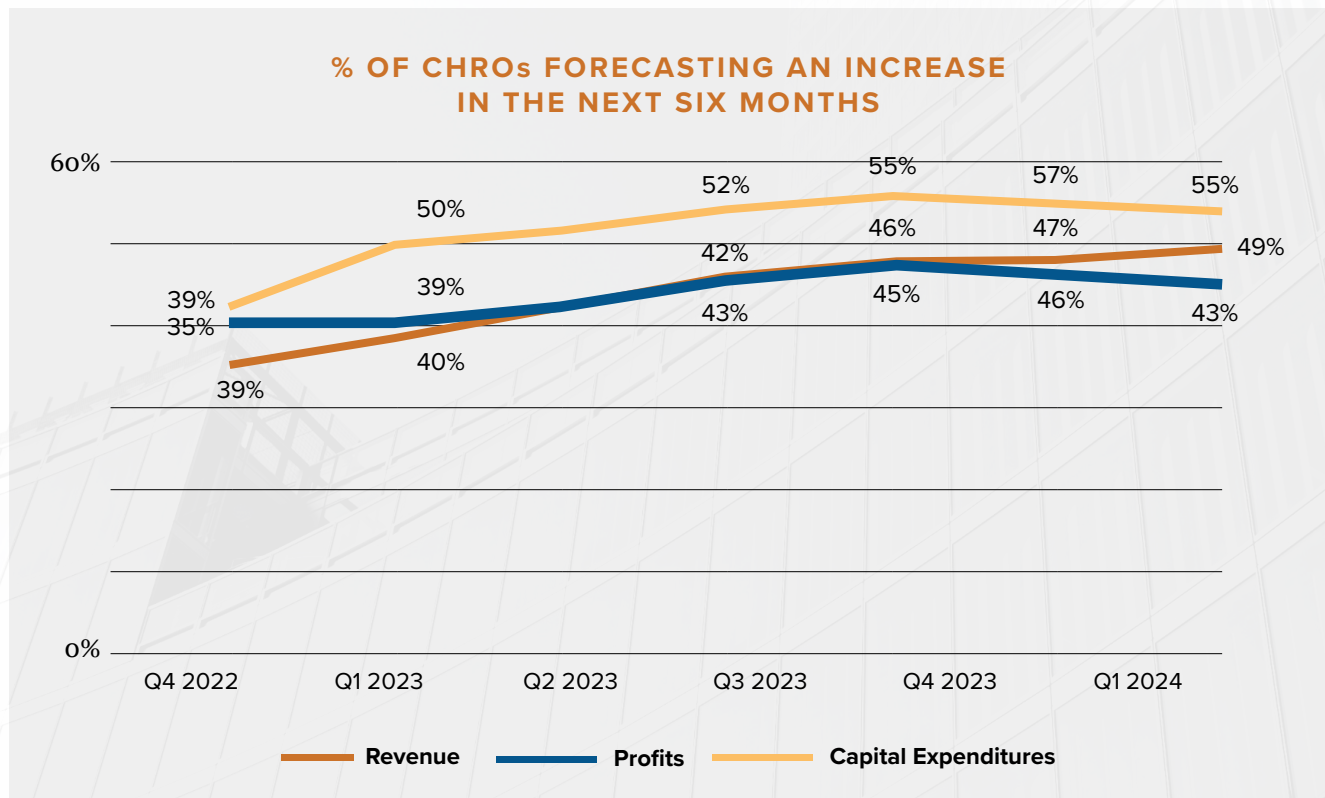


# ORGANIZATIONAL-LEVEL INDICATORS

Over half of CHROs (55%) anticipate revenue growth in the next six months, relatively unchanged from the previous quarter. Similarly, the stable trend persists for profits, with 49% expecting an increase. However, most projected increases are modest, with few expecting growth over 20%. Reuters also predicts profit acceleration in 2024 overall, despite economic uncertainty. Moreover, [according to estimates compiled by LSEG](#), overall earnings for the S&P 500 are projected to grow by 11.1% in 2024, following an increase of just 3.1% last year.

Despite this, there are signs of a shift in spending priorities. Although 43% of CHROs expect an increase in capital expenditure over the next six months, 43% also expect no change, which is 8 percentage points higher than last quarter. This suggests some organizations may be taking a more cautious approach with capital expenditures and thus being more conservative with spending. In fact, [recent SHRM research](#) indicates that a top priority for organizations in 2024 is reducing costs and increasing efficiencies (68%). Overall, these economic indicators reflect a moderately optimistic outlook for the next six months, akin to the previous quarter.

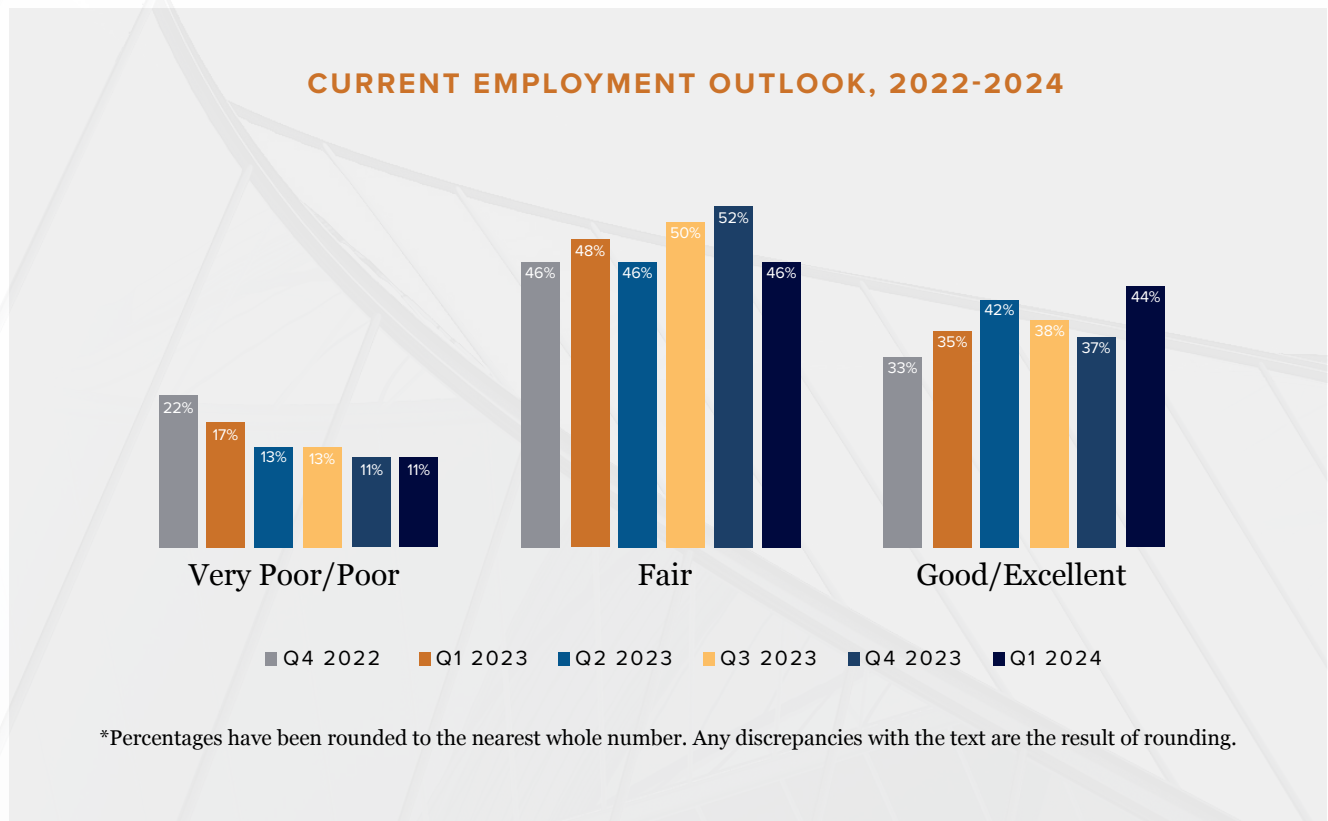
	Increase of over 20%	Increase of 10-20%	Increase of less than 10%	No Change	Decrease of less than 10%	Decrease of 10-20%	Decrease of over 20%
<b>Revenues</b>	2%	18%	35%	29%	11%	4%	1%
<b>Profits</b>	2%	13%	35%	32%	14%	4%	1%
<b>Capital Expenditures</b>	2%	14%	26%	43%	9%	4%	1%



# CHROs SIGNAL BRIGHTER OUTLOOK FOR EMPLOYMENT CONDITIONS

CHROs display a more positive view of employment conditions than economic ones. Around 44% rated current conditions as good or excellent, while 46% saw them as fair, and only 11% deemed them poor or very poor. These positive assessments signal a robust labor market, in fact CHROs' assessments of employment conditions have improved in the past quarter.

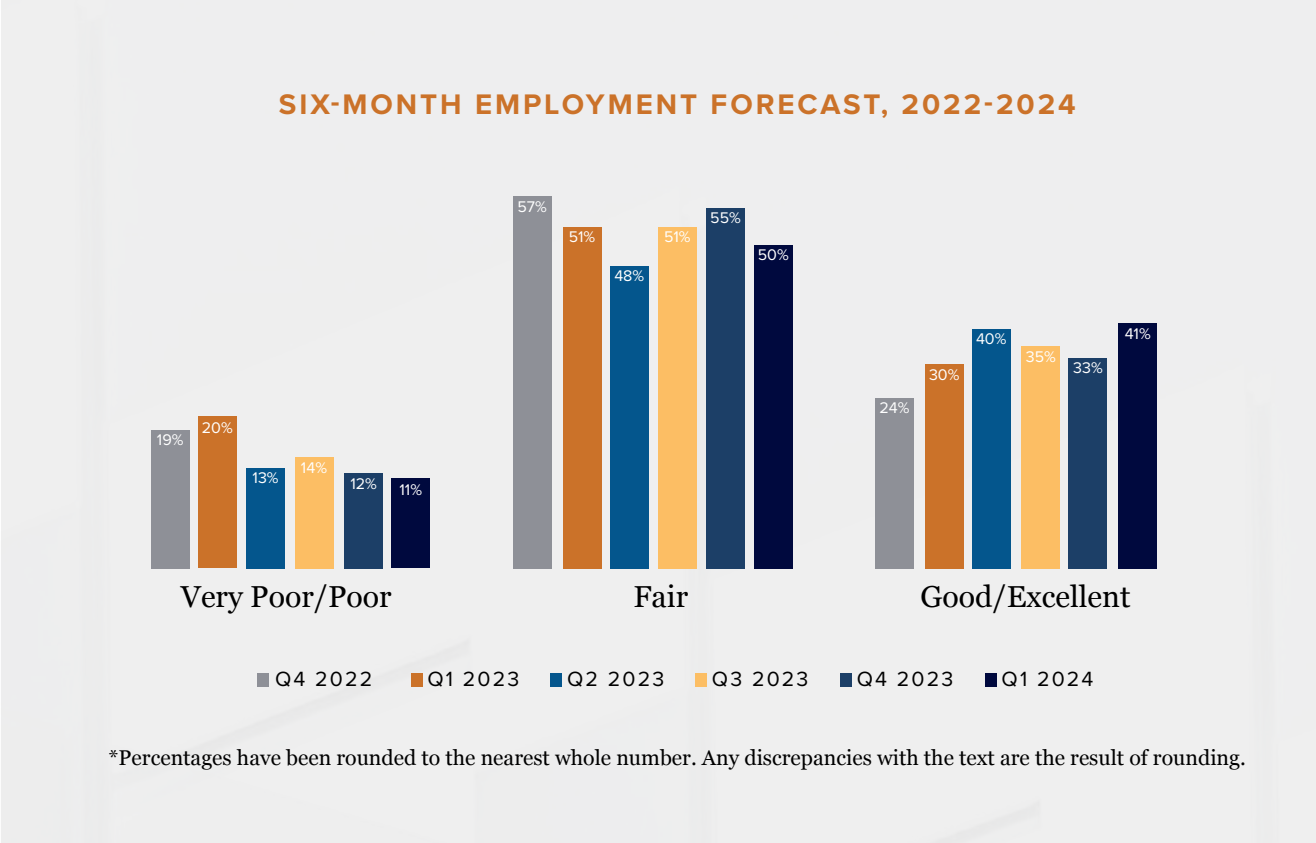
While the percentage of CHROs rating conditions as poor or very poor remained steady, there was a slight decrease in those rating conditions as fair (a 6 percentage point drop from Q4 2023). Conversely, the proportion of CHROs rating conditions as good or excellent increased by 7 percentage points from Q4 2023, marking the highest positive assessment since tracking began in Q4 2022. Perhaps the [total number of jobs well surpassing pre-pandemic levels](#) is a contributor to these positive assessments, with around 5 million more jobs available in December 2023 compared with February 2020.





CHROs are increasingly optimistic about future employment conditions, with 41% anticipating good or excellent conditions in the next six months, marking an 8-percentage point increase from Q4 2023. Conversely, fewer CHROs foresee fair conditions (50%), a 5 percentage point decrease from Q4. The forecast for poor or very poor conditions is only 8%, 4 percentage points lower than Q4 2023. Overall, this quarter marks the highest percentage of CHROs expressing a positive outlook since Q4 2022.

Consistent with CHROs’ optimism around future employment conditions, [the U.S. economy added 229,000 jobs in January 2024](#), making it the 34th consecutive month of job growth in the United States. What’s more, the unemployment rate is 3.7%, which is near historic lows.



# EMPLOYMENT FORECAST DRIVERS

---

## DRIVERS OF A **POSITIVE** EMPLOYMENT FORECAST

ACCORDING TO ONE SURVEY RESPONDENT:

“As businesses expand coming out of the pandemic, job opportunities will continue to grow.”

### **Abundance of Job Opportunities and Continued Hiring**

There are many candidates available for open positions and plenty of jobs available. Additionally, positive stock market performance and stronger economic indicators are contributing to businesses hiring.

### **Competitive Hiring Environment**

Certain roles (e.g., leadership) are especially competitive while other roles are easier to fill.

---

## DRIVERS OF A **FAIR** EMPLOYMENT FORECAST

ACCORDING TO ONE SURVEY RESPONDENT:

“With this being just before the election, I don’t think there will be much change in employment conditions. Numbers might be inflated before the election but will even out after it.”

### **Some Market Stability, Some Uncertainty**

CHROs believe we are in for a soft landing and have avoided a recession. With inflation and interest rates leveling off, some believe we will see more growth in 2024 than in recent years. CHROs in specific industries (e.g., manufacturing, retail) are reporting high demand for goods and services. In addition, indicators such as low unemployment rates and the improving quality of candidate pools are contributing to a strengthening labor market.

### **Technology and AI**

CHROs highlight the growing influence of AI and automation on the workforce. While some believe it will result in negative outcomes like layoffs and red tape, others believe it will improve business outcomes.





## DRIVERS OF A **NEGATIVE** EMPLOYMENT FORECAST

ACCORDING TO ONE SURVEY RESPONDENT:

“ Enough people have left the workforce that qualified, quality, workers are still difficult to find. ”

### **Talent Shortages and Difficulty Meeting Expectations of Job Seekers**

Some CHROs expressed difficulty finding and retaining qualified workers. Others report difficulties meeting the expectations of job seekers when it comes to salary, benefits, and flexible work arrangements.

### **Negative Economic Factors**

Economic uncertainty due to factors such as inflation and consumer debt contribute to hiring freezes and downsizing.



# KEY HR INDICATORS PAINT A MIXED PICTURE

Many CHROs are optimistic about employment conditions, but a closer look reveals a balancing act for HR departments. While many aim to expand their workforce, fewer anticipate increases in key budgetary areas as compared with Q4. This creates a challenge: How can organizations grow their teams and maintain productivity gains with limited resources for attracting and retaining talent?

**Workforce Growth:** The job market presents a fascinating paradox. While [job cuts surged by 136% in January 2024 compared with December 2023](#), a majority of CHROs remain optimistic about hiring. Many anticipate an increase in the number of full-time employees at their organization over the next six months, with only a small portion expecting a decrease. This aligns with trends observed in Q4 2023, suggesting that organizations are still actively seeking talent despite economic headwinds.

**Creative Talent Acquisition:** While CHROs are optimistic about increasing headcount, filling open positions might not be as straightforward. Although most anticipate no significant change in time to fill, nearly 3 in 10 expect it to take longer. To address this potential challenge, [recent SHRM research](#) finds HR departments are relaxing degree requirements (28%). This shift in strategy reflects a need to cast a wider net to attract qualified candidates in a competitive market.

**Budgetary Tightening:** Economic uncertainty seems to be impacting budgets. Inflation puts pressure on businesses, forcing them to adjust spending to manage rising operating costs. While half of CHROs still expect an increase in their total rewards budget over the next six months, this reflects a 7 percentage point drop compared with Q4 2023. This trend extends to recruiting budgets as well, with only a quarter expecting an increase, and another 7 percentage point decline. This suggests a cautious approach to spending in the near term.

**Core HR Metrics:** Despite external pressures, CHROs remain focused and optimistic about internal performance. 42% expect an increase in overall productivity, aligning with expectations from the previous quarter. This sustained rise might be due to various workplace innovations, including technological advancements like generative AI. Additionally, nearly 3 in 10 CHROs anticipate an increase in employee engagement (eNPS), although slightly down from Q4 (4 percentage points). By prioritizing core metrics like productivity and engagement, organizations can build resilience and weather the current economic storm.

	Increase of over 20%	Increase of 10-20%	Increase of less than 10%	No Change	Decrease of less than 10%	Decrease of 10-20%	Decrease of over 20%
<b>Number of FT employees</b>	2%	19%	41%	34%	10%	3%	1%
<b>Time-to-fill</b>	4%	11%	14%	56%	13%	3%	1%
<b>Total rewards budget</b>	<1%	9%	40%	41%	5%	4%	<1%
<b>Recruiting budget</b>	1%	5%	20%	65%	7%	2%	1%
<b>eNPS/employee engagement</b>	0%	5%	22%	59%	10%	4%	1%
<b>Overall productivity</b>	1%	8%	33%	47%	8%	2%	1%



# CONCLUSION

In summary, the outlook among CHROs has trended toward a more positive position, although the most common outlook remains fair. The combination of an election year and inflation introduces a degree of uncertainty and financial strain for businesses, influencing their decisions regarding employment, investment, and overall business strategy. Navigating these challenges requires adaptability and strategic planning to mitigate risks and capitalize on emerging opportunities in the evolving business landscape.

SHRM plays a pivotal role in supporting [Chief Human Resources Officers \(CHROs\) in shaping and executing business strategy](#). Through its vast array of resources, including research, tools, and professional development opportunities, SHRM equips CHROs with the knowledge and skills necessary to align HR initiatives with organizational goals. By providing insights into emerging trends, best practices, and regulatory changes, SHRM enables CHROs to make informed decisions that drive business success.

Additionally, [SHRM offers networking opportunities](#) that facilitate collaboration and idea exchange among leadership, empowering CHROs to leverage collective expertise in solving complex business challenges. Overall, SHRM serves as a strategic partner for CHROs, helping them navigate the evolving landscape of human resources and contribute effectively to overall business strategy.



## METHODOLOGY

The CHRO Business Outlook survey is a research program conducted quarterly. A total of 391 surveys were completed from January 3 to January 10, 2024. The survey was fielded electronically using the SHRM Voice of Work Research Panel to U.S.-based CHROs and senior HR executives. 97% of respondents were C-suite officers or vice presidents. Respondents represented organizations of all sizes; 50% worked for organizations with 250+ employees.