



ANNUAL HR SYSTEMS SURVEY REPORT

AI-ENABLED HR SEGMENT REPORT



Licensed to



SAPIENT INSIGHTS GROUP

INTRODUCTION AND KEY THEMES



1/5

SECTION

INTRODUCTION AND KEY THEMES



ABOUT US

Sapient Insights Group is a women-owned research and advisory firm with a strong sense of business ethics, a passion for data, and a commitment to achieving outcomes for our clients, partners, and the business functions we serve. All that we publish is based on our Voice of the Customer research results and our work with the broader HR community. We have the confidence to challenge our industry on what drives results rather than so-called best practices. Organizations often waste time and resources trying to fit into a mold that doesn't work for their unique industry or size. We pride ourselves on offering information and practical guidance tailored to every organization type.

Everything we offer our clients is rooted in decades of experience, primary research, and proven practices. We bring you the insights you need and inject some fun along the way...



We specialize in serving these communities:

Executives, HR, Finance, IT leaders, and their organizations as they tackle technology transformation, modernize business practices, lead change, and develop workforces for today and tomorrow.

Technology vendors and investors, arming them with the latest market data, growth projections, and user feedback to guide spending plans, product roadmaps, marketing strategies, pricing, and strategic partnerships.

Supporting services providers and consultants with targeted data to shape their advice to customers and inform their practice roadmaps.

RESEARCH CONTRIBUTORS



**STACEY
HARRIS**

Chief Research Officer,
Managing Partner

Sapient Insights Group



**TERI
ZIPPER**

Chief Executive Officer,
Managing Partner

Sapient Insights Group



**SUSAN
RICHARDS**

Founder, Managing Partner

Sapient Insights Group



**CLIFF
STEVENSON**

Director of Research

Sapient Insights Group



**TAMMY
SMITH**

Manager, Data Science

Sapient Insights Group



**KOHLE
HARRIS**




Data Analyst

Sapient Insights Group










LEGEND

Organization Sizes:

-  Enterprise
≥5,000 Employees
-  Mid-Market
500-4999 Employees
-  SMB
<500 Employees






Voice of the Customer:

-  Payroll Systems
-  HR Management Systems
-  Benefits and Wellness
-  HR Service Delivery Systems
-  Time Management Systems
-  Talent Management Systems
-  HR Analytics & Planning Systems


The HR Systems Blueprint:

-  Data Governance
-  Strategy
-  Culture






























Generational Compositions:

-  Greatest Generation
1930-1945
-  Baby Boomers
1946-1964
-  Gen X
1965-1980
-  Millennial
1981-1996
-  Gen Z
1997-2012

Contacts:

-  Email
Research@SapientInsights.com

Primary Applications we track in 6 categories:

-  Payroll
-  HRMS
-  Benefits
-  Health and Safety
-  Wellness
-  Employee and Manager HR Self-Service
-  HR Portals and Communications
-  HR Content and Document Management
-  Employee Engagement/ Surveys
-  Employee Help Desk/Case Management
-  Time and Attendance
-  Absence Management
-  Leave Management
-  Labor Scheduling
-  Labor Budgeting
-  Productivity / Task Management (Assessing)
-  Recruiting and Acquisition
-  Onboarding and Mobility
-  Performance Management
-  Learning and Development
-  Compensation and Rewards
-  Skills Management
-  Career Planning and Succession
-  Embedded HR Tech Analytics Applications
-  Generic Analytics, Vis, and Stats Tools
-  Enterprise Business Intelligence Platforms
-  HR Intelligence / Analytics Platforms
-  Workforce and Org Planning Applications
-  Data Mapping and Integration Tools - (Assessing)
-  Data Storage Applications: Warehouses and Lakes

The information in this survey analysis report is compiled and analyzed by Sapient Insights Group as part of our commitment to providing thought leadership on human resources technologies and trends and the impact their adoption has on business outcomes. Sapient Insights Group does not endorse any solution or vendor referenced in our research.

This report cannot be uploaded to servers, databases, or any other means for an AI program to summarize, read, or use in any way. This report cannot be publicly posted in part or in its entirety without explicit permission from Sapient Insights Group. Approval to share visuals or sections from the research can be licensed from Sapient Insights Group. This paper is licensed to Workday for distribution.

Please credit all quotes and references from this publication as Sapient Insights 2024-2025 HR Systems Survey Report, 27th Annual Edition, AI-Enabled Segment Report on the first reference. All subsequent references should read Sapient Insights 2024-2025 AI-Enabled HR Segment Report, Sapient Insights Group.



INTRODUCTION

This segment report is taken directly from Sapiant Insights 2024–2025 HR Systems Survey Report, 27th Annual Edition, our latest installment in our ongoing Voice of the Customer research. The information in this report has not been modified from the original paper, but additional charts and data were added for further context on the topic of AI.



Since 1997, this invaluable resource has provided insight and guidance to practitioners around the world. Sapiant Insight's renowned survey is the industry's most extensive global research effort of the HR systems market, delivering views of current and future technology spending, adoption, and achieved outcomes. The cumulative 27-year research effort represents more than 25000 companies and over 300 million employees in more than 80 countries.

This year's report covers the current and future adoption plans for specific HR-related application categories, Voice of the Customer feedback on specific vendor solutions, and value achieved for the categories of HR applications listed below.

Core HR
Systems



Time
Management



Analytics and
Planning



HR Service
Delivery



Talent
Management



Emerging
Technology



Sapiant Insights Group does not endorse any solution or vendor depicted in our research. This report consists of aggregate research data gathered from Sapiant Insights Group 2024–2025 HR Systems Survey, 27th Annual Edition and insights from Sapiant Insights Group research organization, which is provided for informational purposes only.

Additionally, we cover key HR operational topics critical to the success and outcomes organizations hope to achieve with HR System investments, including:

- Systems governance, planning, and strategies
- Selections, implementations, and maintenance
- Service delivery models and system enablement
- Expenditures, resourcing, and organizational structures
- Adaptive change management and system adoption
- Vendor negotiations and relationships

For custom cuts of research data, contact us at Research@SapiantInsights.com.

The survey was conducted from May 1st through June 26th, 2024.

3318

Unique
Organizations

59

Countries

25M

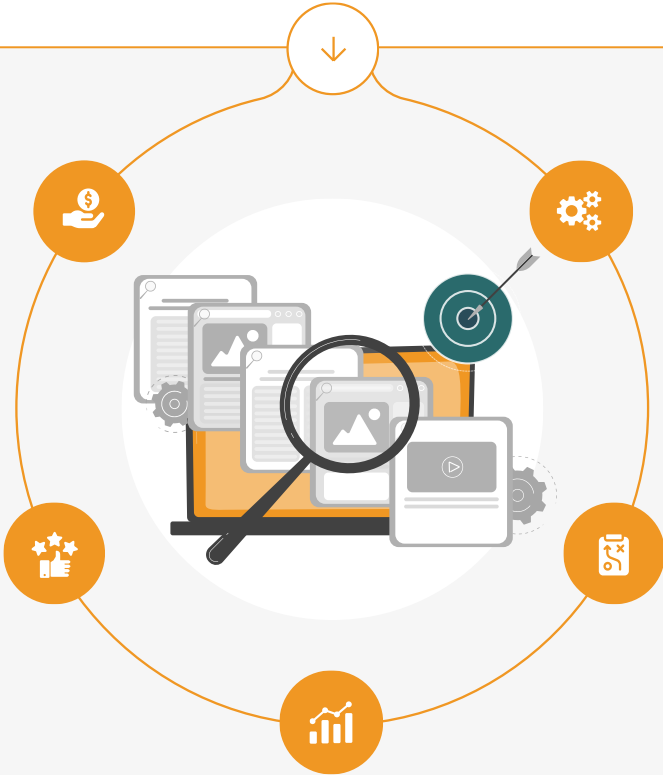
Employees and
contingent workers
represented

The **Sapiant Insights 2024–2025 HR Systems Survey Report** contains 248 pages and 183 figures, including charts and graphics. This comprehensive set of HR system data and insights is produced annually to help HR Tech buyers, consumers, investors, and solution providers make informed decisions for their organizations. **This AI-Enabled Segment Report contains 51 pages and 45 Figures.**

For more details on our full research methodology and demographics on participating organizations, please see this paper's **Research Methodology and Demographics section**.



SAPIENT INSIGHTS GROUP'S 2024-2025 ANNUAL HR SYSTEMS SURVEY KEY THEMES & FINDINGS



SPENDING

- HR Tech spending plans are holding steady YoY, with **41%** of organizations increasing HR Tech spending in the next 12 months.
- **7-9%** budget increases are expected for those making increased investments this year.
- **HRMS, benefits, learning, and recruiting** are on the HR Tech buyer's current shopping list.

AI-ENABLED HR

- Early indicators show, on average **7%-10%** increase in HR, Talent, and Business Outcomes aligned with **#AI** investments.
- Just **8%** of SMB organizations use AI features embedded in their HR Technology compared to **32%** of Enterprise organizations.
- Writing **Job Descriptions** is the **#1-way** HR currently uses AI tools.

VOICE OF THE CUSTOMER

- Major **declines** in HRMS, payroll, and benefits YOY User Experience and Vendor Satisfaction ratings are driving change plans.
- The big replacement story this year is the HRMS. **18%** of organizations are replacing their HRMS in 12 -24 months, a **48%** increase YoY.
- Last year, we highlighted key HR solutions getting ready to make a mark in the **Mid-Market** space, and this year, they did!

STRATEGIC HR FUNCTIONS

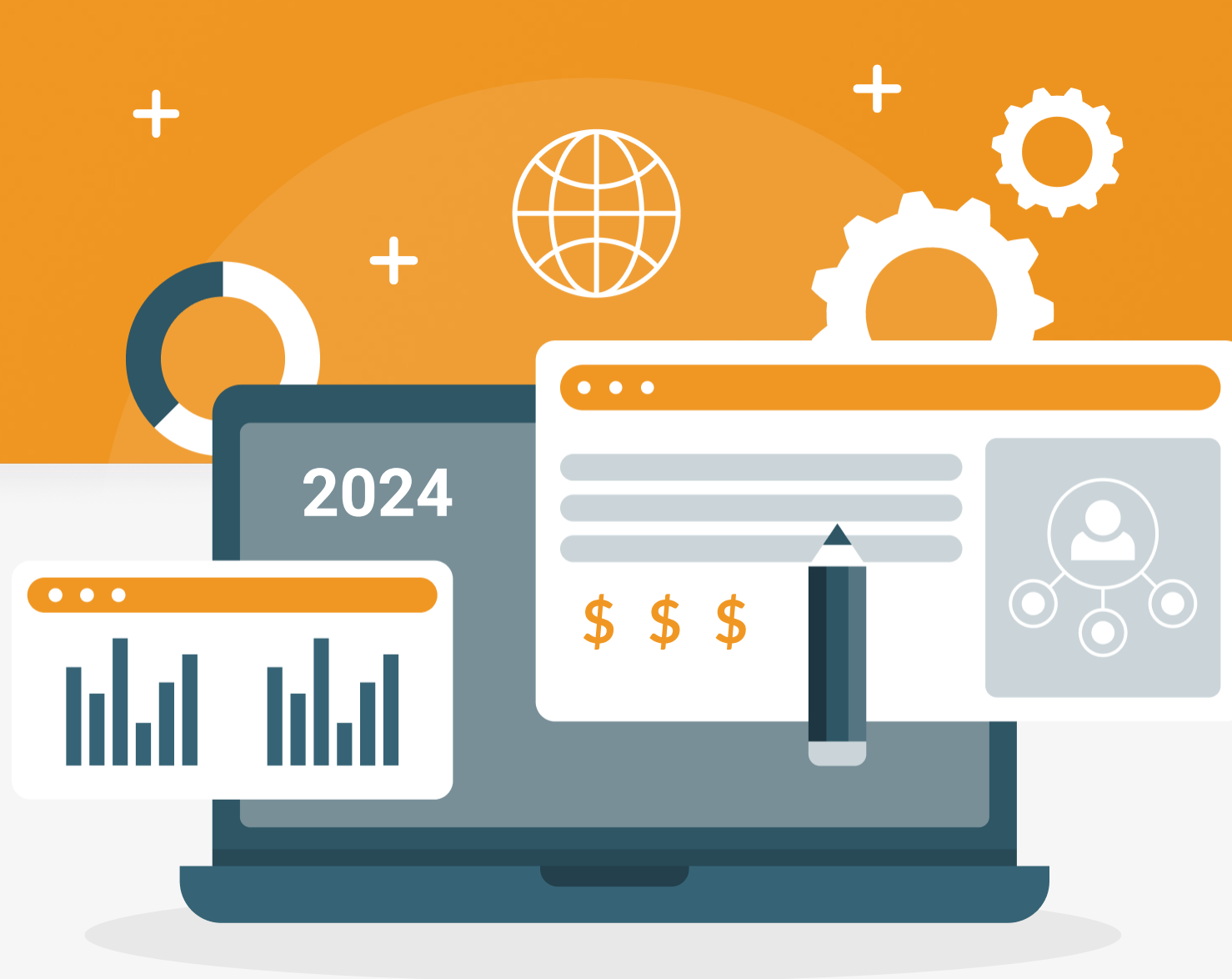
- Year-over-year, all **Outcomes** are slightly down, but HR is making progress! **52%** of HR functions are viewed as Strategic partners in 2024!
- **43%** of organizations now have a defined HR Technology function or role – but **58%** of those in the role have less than **3 years** of experience.
- On average, Gen Z's make up **17%** of today's workforce—shifting user experience conversations from user-friendly to intuitive and adaptive.

BEYOND AI - EMERGING HR TECH

- AI is Hot, but buyers are burnt on the topic! **3 X's** as many companies say they aren't adopting AI solutions because they have **no good use cases** this year.
- HR Tech buyers are building **HR Platform Clusters** looking for more stability in price, data integration, global capabilities, and shared vendor services.
- Organizations with a dedicated Employee Experience function are **2 X's** more likely to have a well-defined HR Systems experience!



AI-ENABLED HR



2/5

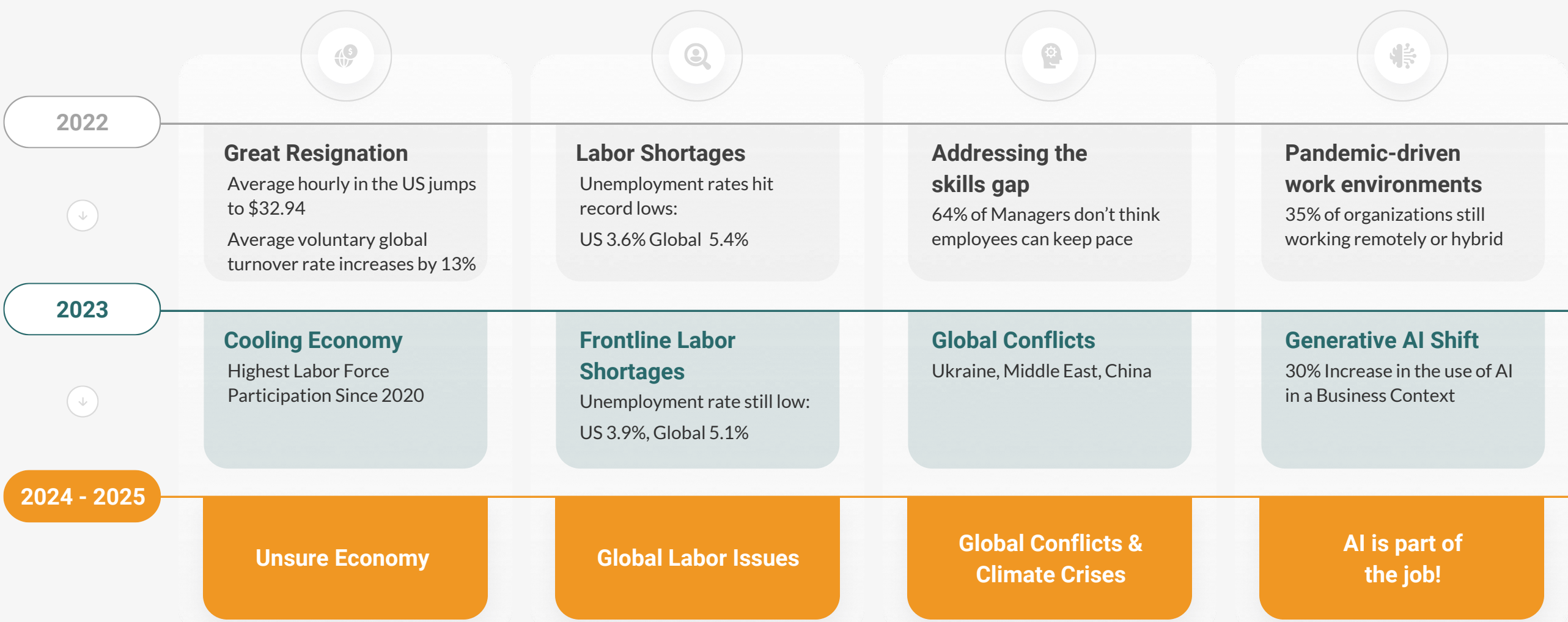
SECTION

AI-ENABLED HUMAN RESOURCES



The story of 2024 and 2025 is one of a global tipping point – as the world is poised at the top of a precipice we’ve been climbing towards since 2020. Collectively, we’ve been holding our breath to see what direction our economy, governments, climate, artificial intelligence, and evolving workforces will take our businesses. Depending on which factor impacts your business the most, we expect that sometime in the next 12 to 24 months, most organizations will be forced to make significant investment decisions to ensure their ability to compete and survive in the impending transformation of our global economy.

In the 10 years that I’ve been fortunate enough to manage this outstanding industry research, I’ve never seen HR technology spending plans, hiring plans, and future growth projections remain so stable from one year to the next. Now, don’t get me wrong, there are a lot of underlying shifts taking place in the type of technology investments we are making and the roles we are hiring for in this industry. For many organizations, this is the calm before the storm as we prepare workforces, evolve our approaches to data governance, and stabilize the systems that help us run our businesses and engage our workforces. Historians will look back on this era as the point at which we decided to either empower human ingenuity with technology or use that technology to remove the errors, risks, and costs associated with a human workforce. There is no right or wrong in these decisions, and there is much middle ground between these two factors.



OUTCOME FOCUSED HR

The Business of HR is about achieving outcomes. And “how” we achieve those outcomes continues to make the most significant difference. Outcomes are definable, measurable expectations of “what” the customer, employee, and stakeholders will achieve from the organization’s work. As you will see in **Figure 1**, outcome-focused HR functions are viewed as strategic and adaptable, enabling them to focus on helping the organization achieve its goals.

It is also important to note that this is not a maturity pyramid. Various HR functions move in and out of these categories, as they need to readdress compliance risks or revisit changing HR practices. However, the goal is to make outcomes part of the language of HR and achieve the greatest success by pushing multiple HR levers to obtain those outcomes.

We observed this in action over the last four years, as organizations with internal mobility programs, skills management solutions, and transformational time management processes were twice as likely to experience higher post-pandemic profits and increased customer demand. They were also 20% more likely to see lower voluntary turnover rates during the Great Resignation.

Last year, we observed that transformational HR data management approaches align with early AI/ML adoption. In 2024, we are now seeing that AI-enabled organizations achieving better business outcomes are **2X** times more likely to have transformational HR Analytics, Workforce planning, and Skills management processes. Being transformational in these process areas requires company-wide data management capabilities, HR data literacy skills, and close alignment with operational business needs.

FIGURE 1: OUTCOME FOCUSED HR, A NEW HR LEADERSHIP MODEL



AI-ENABLED HR – WHAT IS IT?



With the dawn of Generative Artificial Intelligence (GenAI) in the last two years, we've seen a seismic shift in how organizations use and think about the role of Artificial Intelligence in their businesses. However, cutting through the hype and understanding the impact of AI investments on both business and workforce dynamics requires accurate and contextualized data.

Our 27 years of in-depth research into HR and HR systems give us a unique ability to carefully examine both the positive and negative practices emerging from this phenomenon. Leading through change is now a critical requirement for every HR leader, as our world continues to transform from a knowledge-based to an insight-based work environment. AI solutions will continue to commoditize knowledge, requiring us to place higher value on skills aligned with judgment, creativity, and critical thinking.

Adjusting for company size and industry, we calculated an 8% higher average of HR, Talent, and Business Outcomes for organizations using AI / ML in their HR System Environment.

We've tracked the adoption of AI/ML in HR system environments and budgets since 2014, with multiple years seeing a doubling in adoption size. This year is the first year we've tracked this metric since Generative AI hit the scene, and it is also the first year we've seen significantly higher outcome metrics across all areas. It should be noted that these outcomes could be driven by many factors other than AI/ML, such as the fact that organizations that were already performing well could have invested in AI/ML earlier. We'll need several more years of data to confirm this connection.

AI seems to dominate business discussions these days. However, it's important to note that while there has been a 90% increase in the use of standalone AI and machine learning (ML) within HR processes this year, only 23% of organizations are currently allocating funds for AI applications in their HR budgets and tracking the use of those investments, as shown in **Figure 8**. We anticipate that this percentage will continue to grow over the next several years.

However, it may take longer than expected for organizations to see actual returns on the significant investments made in AI. Based on our extensive experience with new technology rollouts, we expect an initial improvement in various metrics for early adopting organizations in the near future who are prepared and ready to utilize this new technology. It will likely take the bulk of organizations several more years to create data and system environments ready to take advantage of this massive shift. But, over the next 5 to 10 years, the resulting changes are likely to be greater than most anticipate.

FIGURE 2: AI / ML IS IN USE IN MY HR SYSTEMS ENVIRONMENT

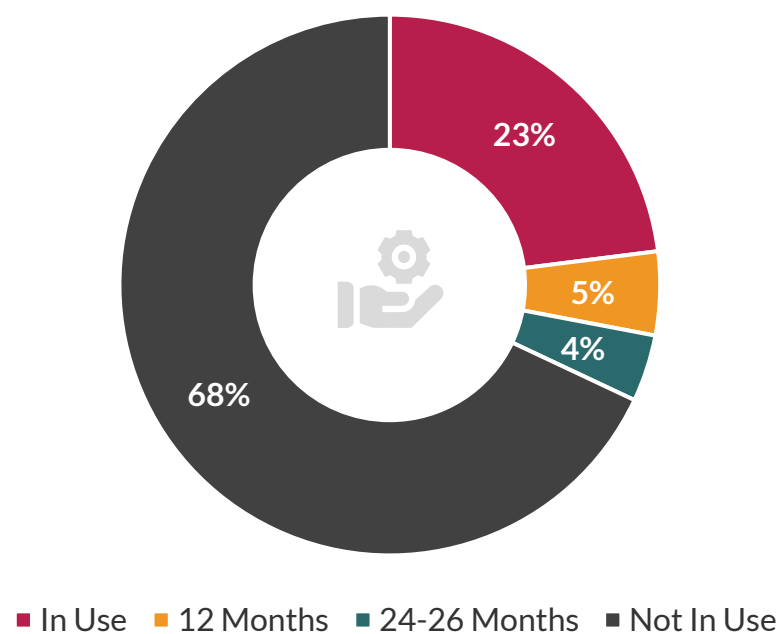


FIGURE 3: OUTCOMES ALIGNED WITH AI / ML IN USE ORGANIZATIONS

Average HR, Talent, and Business	NO AI USE	AI IN USE
Talent Outcomes Average	2.86	3.16
HR Outcomes Average	2.92	3.23
Business Outcomes Average	2.87	3.15
Overall Averages	2.88	3.18

On a scale of 1 – 5, how have these Talent, HR, and Business outcomes changed over the last 12 Months?



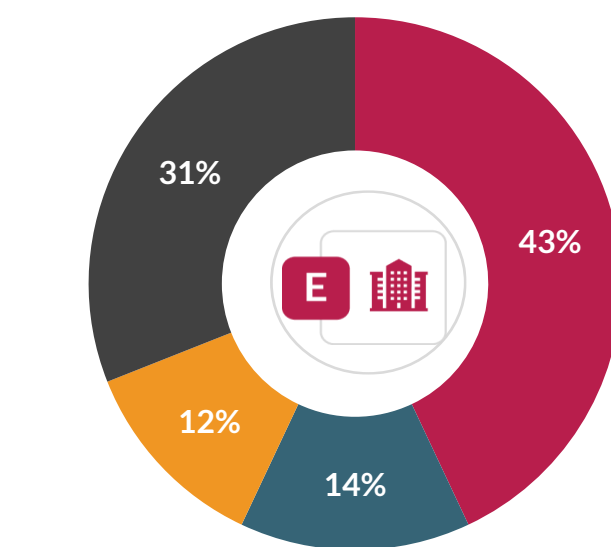
AI-ENABLED HR DIFFERS GREATLY BY COMPANY SIZE

Conversations around Artificial Intelligence (AI) and Machine Learning (ML), particularly generative tools like ChatGPT, have taken center stage in HR industry forums and vendor marketing across all size ranges. Yet, our 27th Annual HR Systems Survey reveals a more nuanced reality: While AI generates substantial buzz, its adoption as a true business tool within HR remains uneven and often exploratory, especially when examined by size and industry.

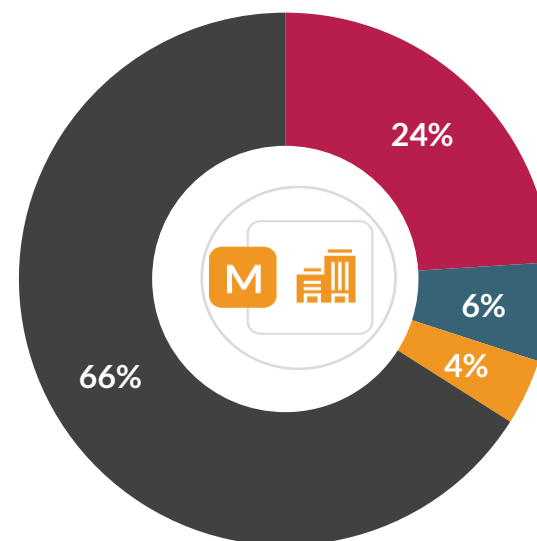
We asked participants whether AI/ML tools are currently used in their HR organization. When segmented by company size, the data shows a stark divide in adoption:

- Enterprise organizations (5,000+ employees) are leading the charge, with 43% already using AI, and another 26% exploring implementations over the next three years. Still, 31% report no use of AI, suggesting that full-scale deployment is not yet the norm even among large firms.
- Mid-market companies (501–4,999 employees) show far less activity, with only 24% currently using AI and 66% not using it. This signals a cautious or capacity-limited approach to AI in this segment.
- Small and mid-sized businesses (SMBs; ≤500 employees) remain primarily on the sidelines, with a striking 78% reporting no use of AI in HR. A mere 18% are currently using these tools.

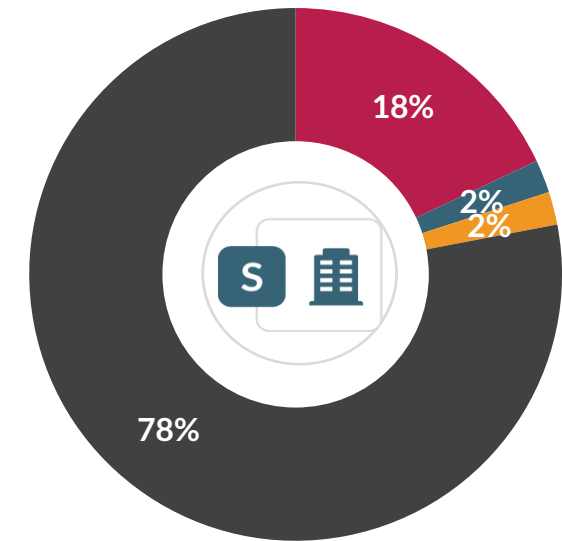
FIGURE 4: IS AI / ML (CHATGPT) IN USE IN YOUR HR ORGANIZATION BY COMPANY SIZE?



● In Use
● 12 Months
● 24-36 Months
● Not In Use



● In Use
● 12 Months
● 24-36 Months
● Not In Use



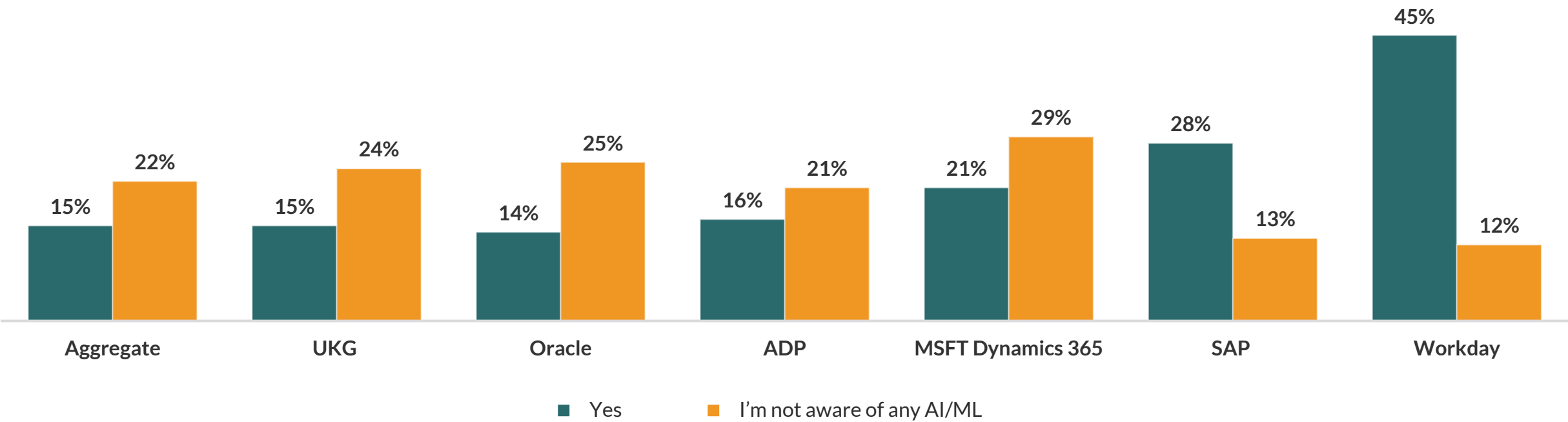
● In Use
● 12 Months
● 24-36 Months
● Not In Use



We’ve also asked organizations over the last two years about their use of embedded AI / ML, specifically in their HRMS environments. Last year, that number was just 14% of organizations that were aware of the use of AI/ML in their HRMS environments, and we expected it to increase considerably this year, but it only rose to 15%. Enterprise organizations were more likely to be using and aware of embedded AI/ML at 32%, but that was still a significantly smaller percentage than expected, given the extensive focus on AI messaging from the vendor community this year.

When we examine this data by Vendor rather than by size or industry, we see that each of these organizations has extensive amounts of AI/ML currently embedded in their complete solution or in solutions that can be added to the platform. Additionally, only Workday and SAP have more customers using the embedded application versus those who are unaware of the status. Workday customers were 2X times more likely to say they were using Machine Learning / AI technologies provided by their HRMS provider than the average organization, and SAP was the only other large HRMS solution more likely to be identified as including AI, rather than customers being unaware of those capabilities.

FIGURE 5: ARE YOU CURRENTLY USING AI / ML PROVIDED BY YOUR HRMS SOLUTIONS?



This lack of both awareness and comfort with these technologies is the biggest challenge vendors will face in creating real ROI for their customers on their AI/ML investments. AI is hot, but buyers are feeling burnt out on the topic. When asked about the barriers to plans for implementing these solutions, **3 Xs** as many companies said they weren’t adopting AI solutions because they have **no good use cases** this year versus issues like cost or knowledge that were the most significant reasons for not adopting these solutions last year.

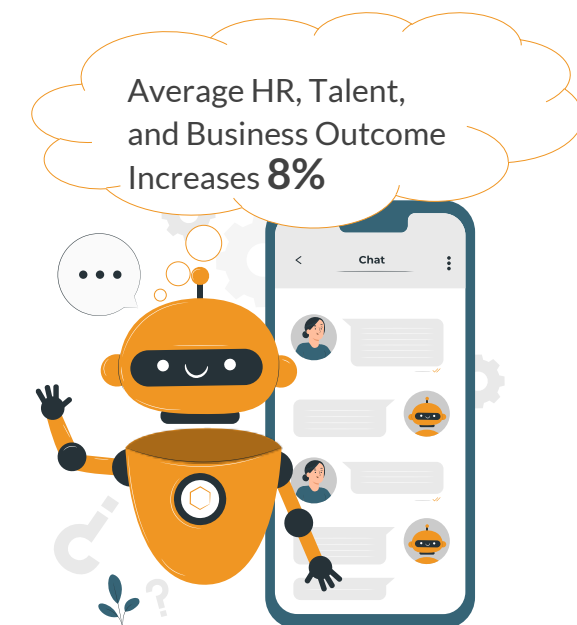
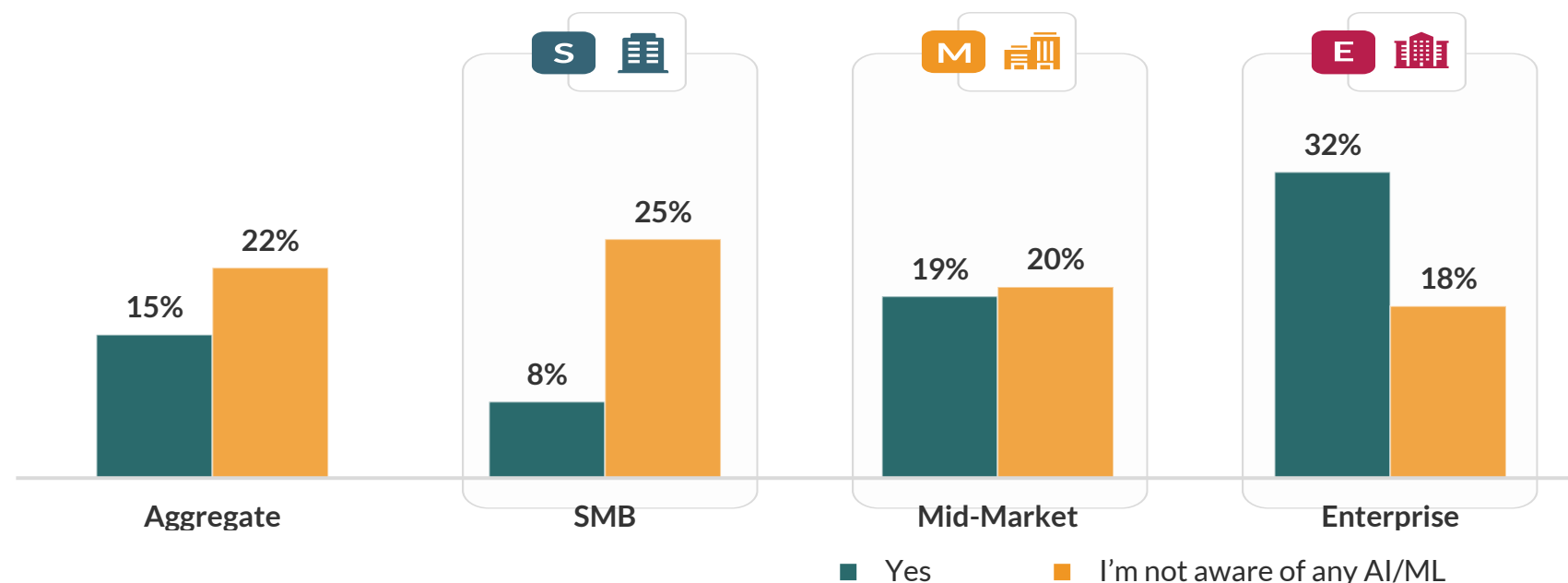


Even with embedded AI solutions in existing HR applications, Mid-Market and SMB organizations are less likely to adopt or even be aware of available AI applications. While Enterprise organizations may have the resources and infrastructure to experiment with and implement AI in HR functions, Mid-Market and SMBs still grapple with foundational issues like integration, data readiness, and clear use cases.

This disparity raises broader questions about AI's role in making advanced HR technology capabilities more available and whether it will become disproportionately leveraged by those with deeper pockets and technical resources.

Notably, early analysis of organizations using embedded AI tools shows an average 8% improvement in HR, talent, and business outcomes, with the most substantial gains in operational HR metrics. However, these results are still preliminary and not yet statistically significant.

FIGURE 6: ARE YOU CURRENTLY USING AI / ML PROVIDED BY COMPANY SIZE?



The uptake of AI in HR isn't explosive, but it's steady. And it reflects a healthy skepticism. HR leaders, especially in mid-sized and smaller companies, want to know: What business problem is this *solving*? That's not hesitation—it's maturity. HR has evolved into a business-facing function. It's no longer chasing tech for the sake of tech. It's asking the right question: *What will help our people succeed, and how does that tie back to outcomes that matter?* AI might be the answer to some of those questions. But it's not the answer to all of them. Not yet.



THE HR SYSTEMS ENVIRONMENT

Although we are seeing HR step into its strategic role with confidence and a focus on both business and workforce welfare, our research has clearly shown that many HR leaders are still struggling to build an HR System environment that supports their vision. Even if they are one of the less than half of organizations that have an HR system or HR operations function, these roles are still juggling more than ever.

43% of organizations now have a defined HR Technology function or role, but 58% of those in the role have less than 3 years of experience on the job.

In Figure 7, we’ve captured the HR Systems environment that Sapient Insight Group assesses each year. This complex picture of multiple systems, processes, strategies, maintenance, and change leadership is based on the details we’ve gathered from HR leaders in organizations of every size and industry concerning the system complexities they manage daily.

It isn’t surprising that it is difficult to determine where AI / ML investments will add the greatest value to this picture.

FIGURE 7: THE HR SYSTEMS ENVIRONMENT THAT SAPIENT INSIGHTS GROUP ASSESSES EACH YEAR

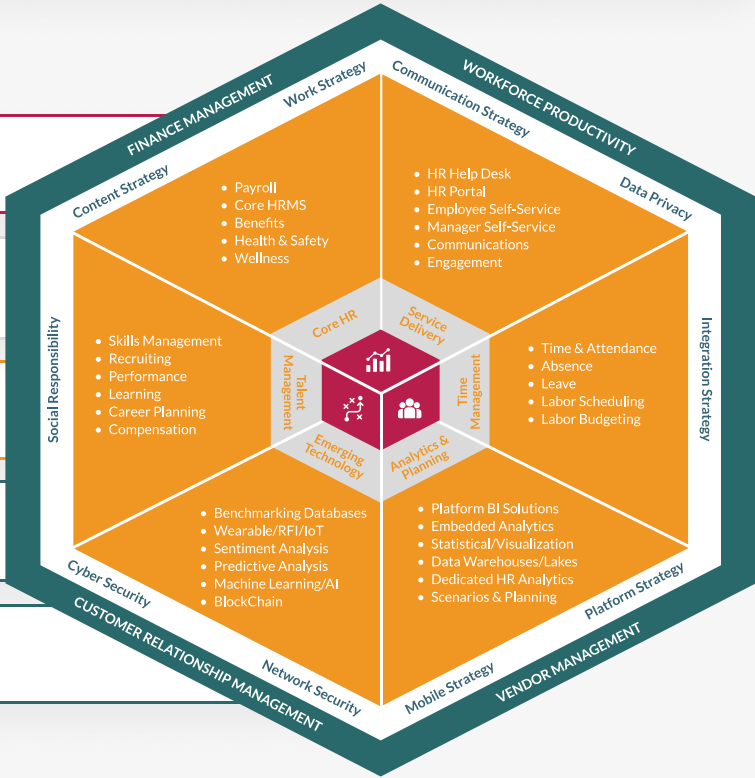
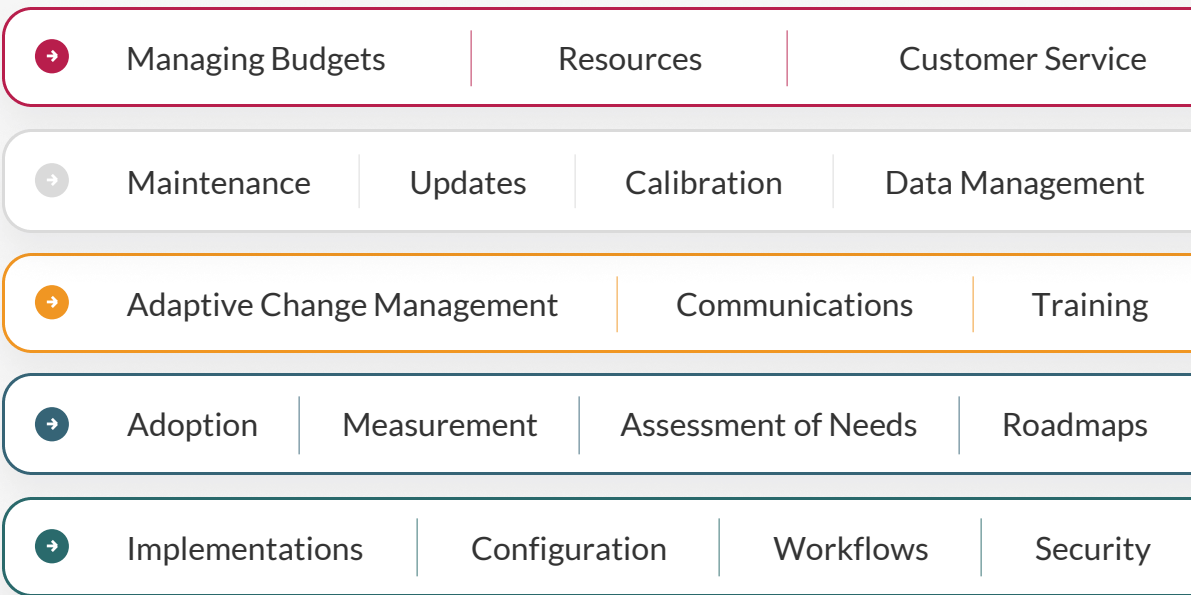
3	6	55	60+	100+	600+	2,750+
Critical starting points	Primary HR System Categories	Individual Application Areas	HR’s Possible non-HR strategies to assess	Non-HR applications that need connections	HR solutions with 3% or more adoption our data	HR vendors tracked annually by Sapient Insights Group

SAPIENT INSIGHTS HR SYSTEMS ADOPTION BLUEPRINT™

LEGEND

- Data
- Strategy
- Culture
- Guiding Principles
- HR System Applications
- Enterprise Standards
- Enterprise Work Applications

CONSTANT WORKSTREAMS



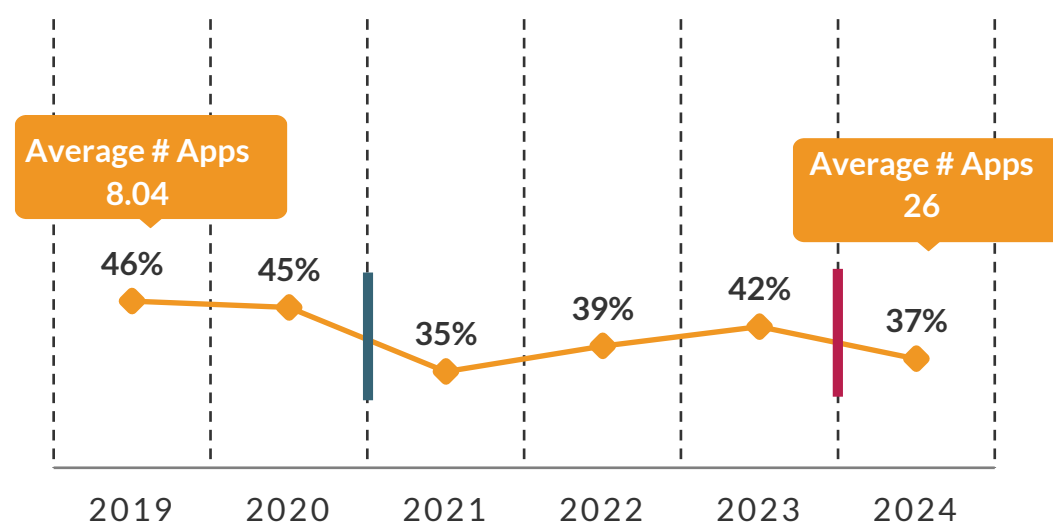
HR SYSTEMS STRATEGY IN THE AI ERA

AI dominates the HR technology conversation—but the reality is more nuanced than the hype suggests. This year’s focus centers on **embedded AI** (built into existing HR systems) versus **standalone AI** tools (like chatbots and virtual assistants). Most HR software providers now offer embedded AI features that automate routine tasks, freeing up HR teams to focus on more strategic work. These tools use natural language processing to analyze sentiment, answer questions, and surface insights about workforce morale and engagement. Meanwhile, standalone AI tools are gaining traction for 24/7 support and streamlining self-service HR interactions.

Since the COVID-19 crisis in 2020, more organizations have reported having a **strategic HR systems strategy**. However, this year marks a notable reversal: the percentage of organizations reporting such a strategy dropped from 42% to 37%. We believe this decline reflects growing **confusion and uncertainty** surrounding the incorporation of AI into existing HR tech environments. The pace of AI innovation is outpacing clarity on how it fits into long-term systems planning.



FIGURE 8: ORGANIZATIONS WITH AN HR SYSTEMS STRATEGY



Source: Sapient Insights Group 2024-2024 Annual HR Systems Survey

AI in HR has caught the attention of Federal and state agencies; they are starting to regulate AI in HR. Some areas they are focusing on employee selection tools, vendor agreements, tracking hours and calculating wages owed with AI, and the use of AI for FMLA compliance. We recommend you work with your legal partners on these new and changing regulations to review your policies.

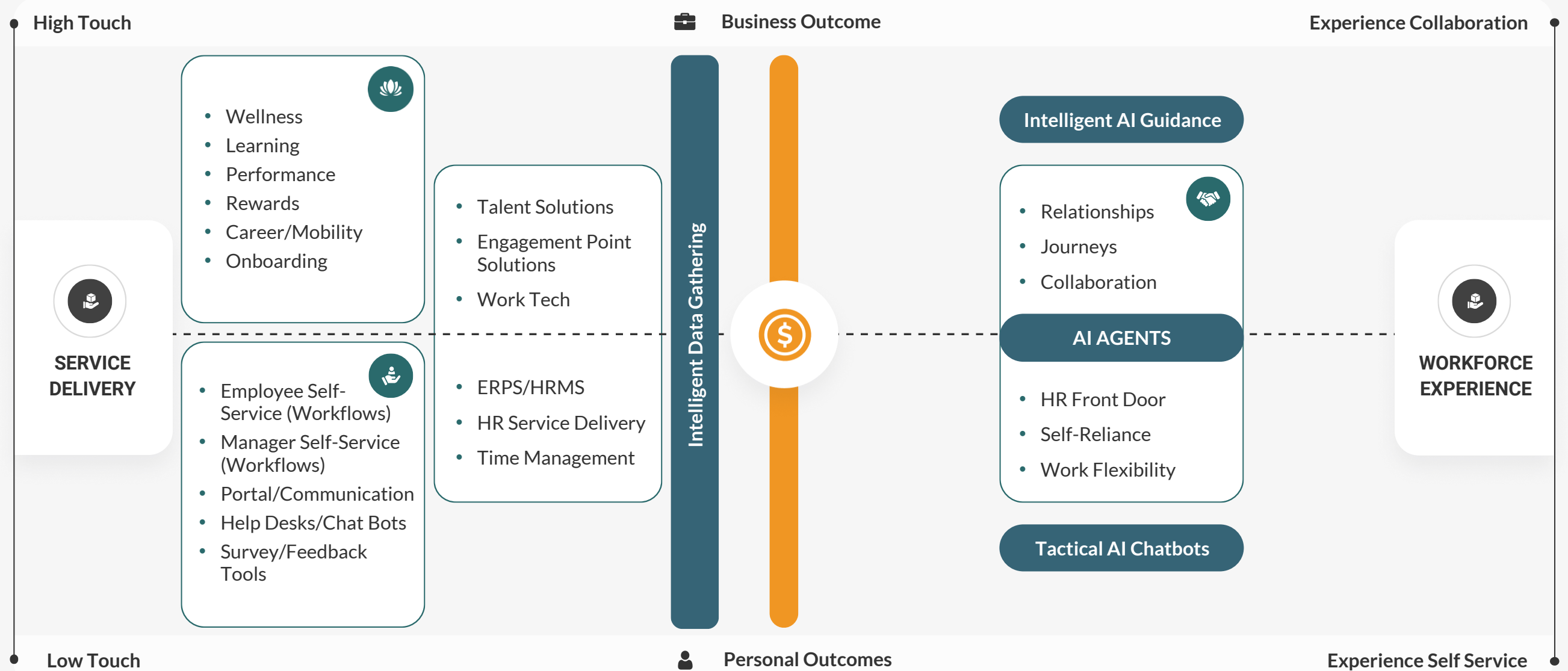
As AI continues to permeate HR practices, there's a growing emphasis on the need for human oversight and the importance of maintaining the "human" in human resources. While AI can process vast amounts of data and identify patterns that humans might miss, it's essential to recognize its limitations and balance this with a pragmatic approach on AI and ethics. The most successful implementations of AI in HR are those that augment human capabilities. As we move forward, the challenge for organizations will be to strike the right balance between leveraging AI's efficiency and maintaining the empathy, intuition, and ethical judgment that human HR professionals bring to the table.



As HR leaders strive to organize the chaos of their HR Systems and processes, they are also being held accountable for the workforce experience, encompassing front-line workers, executives, and even contingent workers. Over 30% of organizations believe they have no standard experience or a disjointed experience with their existing platforms, and this metric remains unchanged whether they are using their HRMS or another portal technology as their primary employee front door. However, organizations with a dedicated Employee Experience function are **2X** more likely to have a well-defined HR Systems experience!

HR Service Delivery models and workforce experiences are inextricably linked. Our data indicates that HR departments continuously balance multiple factors when crafting a comprehensive workforce experience. Recent additions to the HR Service Delivery model, including AI-driven elements, only make that balancing act more complicated. HR must weigh high-touch versus low-touch service delivery and collaboration versus self-reliant workforce experiences, all of which are evaluated against desired business and employee outcomes.

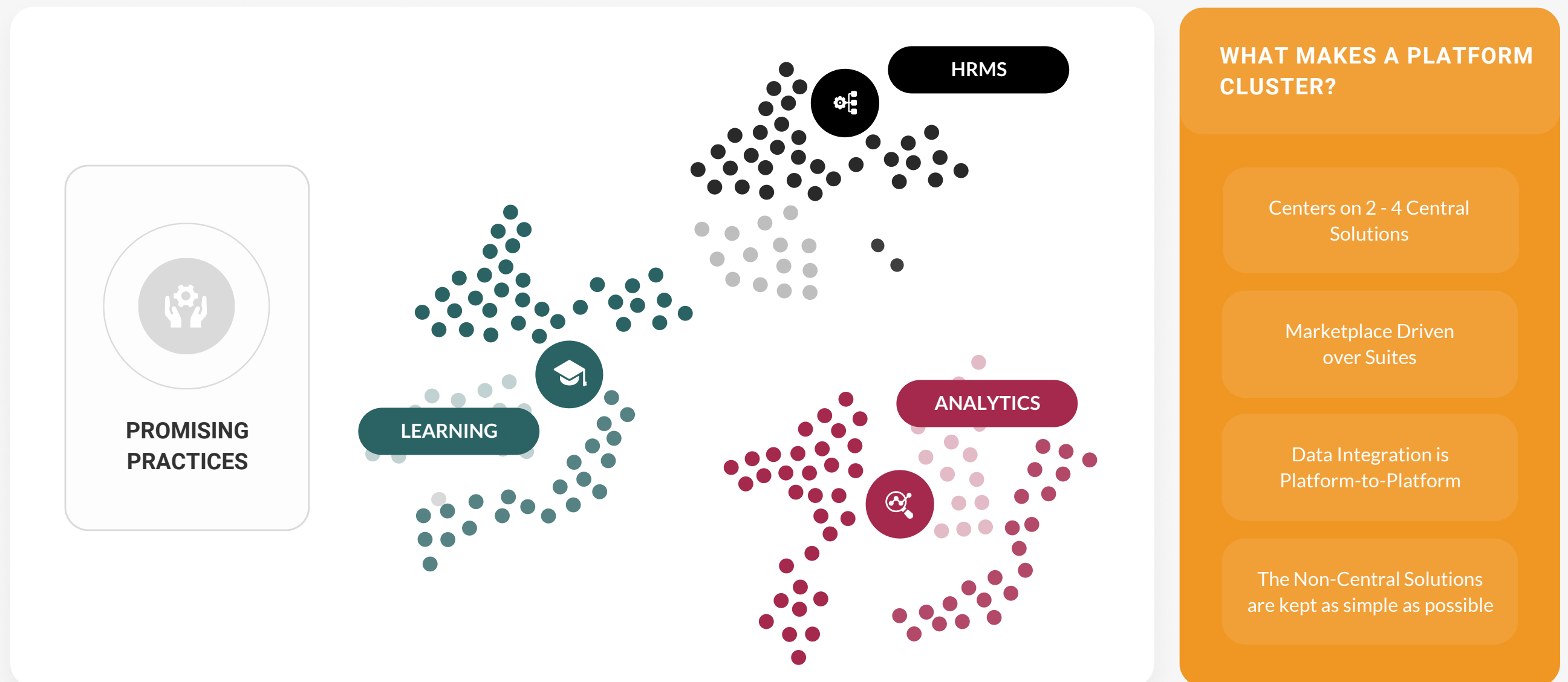
FIGURE 9: HR SERVICE DELIVERY AND WORKFORCE EXPERIENCE MODEL



HR leaders are addressing these challenges by moving away from the age-old conflict between the Best-of-breed and Single-Platform conversation to a new approach, which we are calling HR Platform Clusters. These environments are architected by savvy HR Leaders to focus on 2 – 4 central HR or HR-adjacent solutions that are most critical to an organization's cultural or business outcomes.

Once these pillar applications have been identified, HR leaders can then give guidelines to both HR and IT teams to focus on using as many modules as possible from those solutions or their direct partners. Platform Cluster approaches no longer force HR professionals to use a single solution that may be inadequate, and it also opens their environment to select solutions that already share data standards or have a relationship with the pillar solution. This isn't a revolutionary model but rather an evolution that we've seen organizations move to out of necessity.

FIGURE 10: HR SYSTEM PLATFORM CLUSTERS PROVIDE BOTH STRUCTURE AND FLEXIBILITY



OVERALL SPENDING PLANS

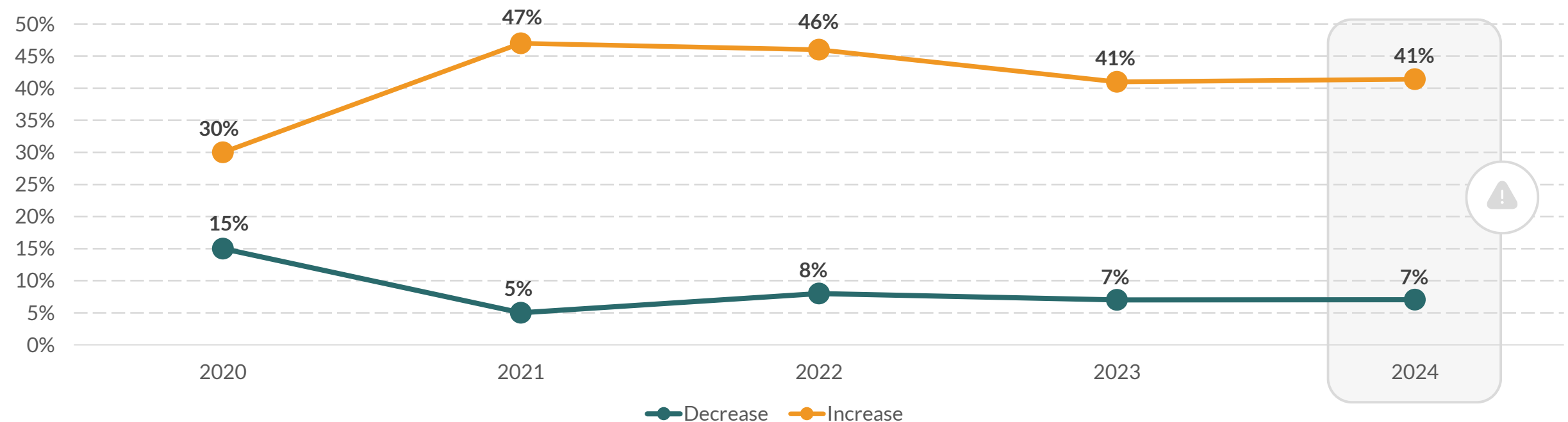
The mixed messaging in the User Experience and Vendor Satisfaction ratings also plays out in the overall HR Technology spending plans for 2024. Every year, we ask organizations to predict whether their expenditures will increase, decrease, or remain the same for the following year. Despite several years of increased spending expectations, we are now seeing plans for HR Technology spending in 2024 plateau, with no significant changes from last year, and holding steady at 41% (see Figure 11). Last year, we saw HR Technology investments shifting from engagement-focused applications to solutions that automated more work, replaced risky on-premise solutions, and addressed any system limiting the organization's ability to fill critical roles. In 2024, HR Technology investments are more diversified. Still, the most significant focus remains on core HR solutions, including Payroll, HRMS, and Benefits, as well as Learning, Recruiting, and early intelligent tools.



We continue to see that SMB organizations have the lowest level of plans for increased spending, with 35% planning to increase spending this year. Mid-market and Enterprise organizations also remained stable, with plans for increased spending at 47% and 53%, respectively.

So, what is driving this sustained HR Technology plan for increasing spending? In aggregate, 62% of organizations stated that their top driver behind increased spending this year was improved HR efficiency, followed closely by the need to improve HR data quality and analytics capabilities. For the small percentage of organizations planning to decrease spending in 2024, the clear driver was cost-cutting efforts within their organization at 66%. About 30% of organizations also stated that system consolidation and reorganizing the HR function were driving spending reductions.

FIGURE 11: 5-YEAR TREND ON HR TECHNOLOGY SPENDING



Source: 2019-2022 HR Systems Survey

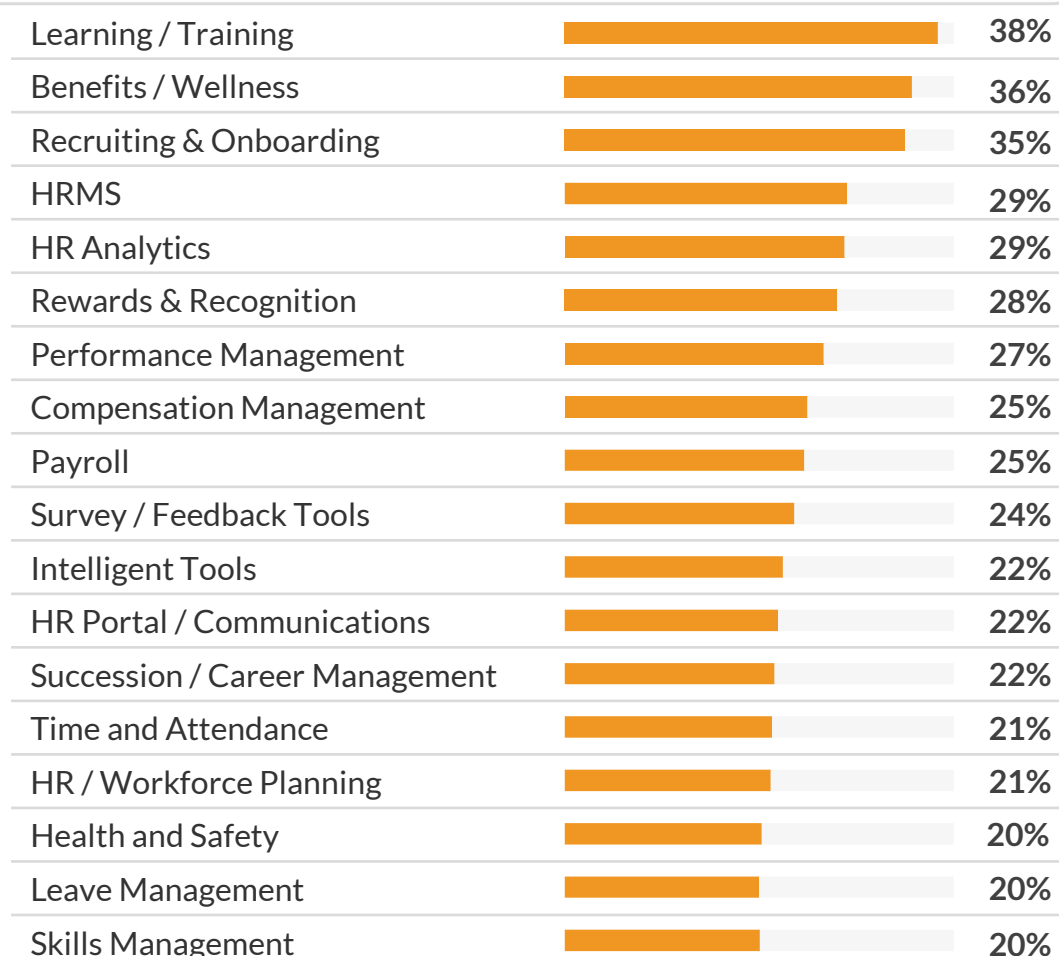


HR TECHNOLOGY SPENDING PLANS

This year, organizations also weighed in on which specific categories of HR applications they plan to increase or decrease their spending in 2024.

Figure 12 below illustrates the categories in which 20% or more of all organizations plan to increase spending in 2024. Although Learning/Training and Recruiting & Onboarding were also at the top of this list last year, this year they saw a 10% decrease in the percentage of organizations that planned to increase spending in these areas. Overall, we had a much more diverse list of places for increased spending plans, meaning almost every category saw a slight decline, except for Intelligent tools.

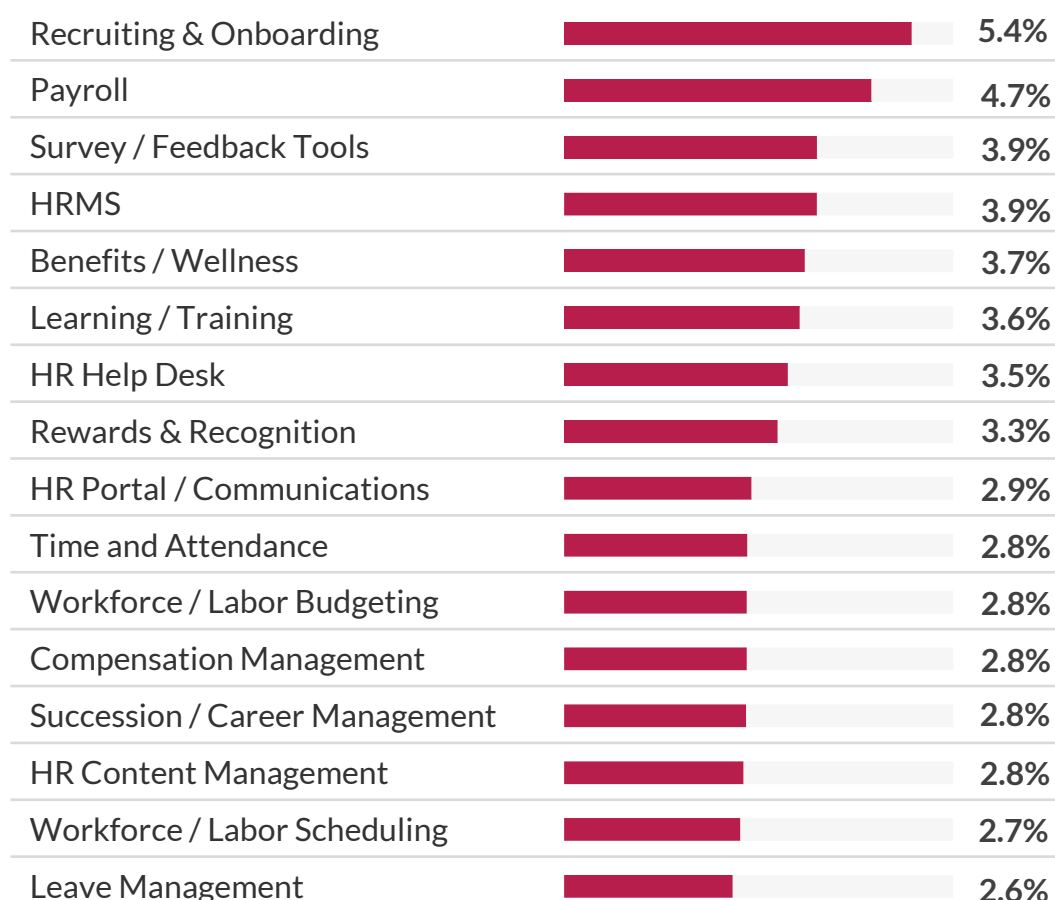
FIGURE 12: TOP INCREASING HR TECH SPENDING BY CATEGORY



When examining the increased spending plans by organization size, HRMS tops the list for Enterprise organizations, followed closely by HR analytics. SMBs & Mid-Market plan to invest more in learning, benefits, and recruiting. They may be over-investing in employee experience and retention as a means of gaining a competitive advantage.

On the other side of the equation, in **Figure 13** below, you will see those categories where 2.6% or more of all organizations plan to decrease spending in 2024. Recruiting & onboarding, payroll, and survey/feedback tools are also the top categories in which organizations plan to reduce spending in 2024. Payroll is on the decrease side again this year due to high expectations that replacing and consolidating solutions will further reduce costs.

FIGURE 13: TOP DECREASING HR TECH SPENDING BY CATEGORY



FINAL THOUGHTS

Two years ago, we introduced the “55 by 25” campaign – our commitment to helping 55% of HR organizations gain recognition as strategic partners. Although we didn’t include our analysis of the Strategic HR function on Talent, HR, and Business metrics this year, we once again found a similar double-digit impact on those metrics.



We will continue to assess our original findings for repeatable outcomes with multiple data sets and build the case for a proven approach to being a Strategic HR function. Central to our advice is a focus on monitoring and measuring outcomes with business leaders; the more we share, the better the conversations.

However, merely generating data isn’t enough. It’s hugely important to prioritize your focus on the outcomes that matter most to your company. What might be critical to one CEO will not be top of mind for another. What is financially feasible for a large enterprise might not be realistic for a small company. This is why we recommend customized outcome dashboards for every HR organization. In addition to supporting data, you need to put those numbers into context, explaining the stories behind them and correlating the actions and decisions to tangible results.

We also urge HR leaders to adopt a big-picture, visionary view when it comes to outcomes. Too often, there’s pressure to achieve specific numbers – such as the revenue generated per employee or the cost of benefits per employee – without regard to the long-term impact on business. Strategic HR organizations must support business outcomes in a sustained manner and avoid hasty, reactionary decisions whenever possible. We need to trust our data and insights and come prepared to explain the impact of every decision – this has never been more important than in the era of AI Enabled HR functions.

HR organizations are currently evaluating their HR System environments, aiming to leverage future AI offerings and drive business outcomes. With **64%** of organizations indicating that customer service experiences directly influenced their vendor satisfaction ratings, we need to seriously reevaluate the relationship between HR System providers, buyers, and consulting firms. These relationships have more impact on the value of our HR systems than any new technology or AI addition.

As we look forward to tomorrow’s significant HR challenges and opportunities, there is no perfect way to prepare for the decisions we must make. However, our research and 27 years of industry experience have demonstrated that solid data governance, effective systems management, and adaptive change management can have a significant impact on HR and business outcomes. We are running out of time to acquire these capabilities as a community – they must be integrated into every development program we create for the next generation of HR professionals and technologists.

The biggest challenges we see facing tomorrow’s HR functions include:

- Enabling the ethical use and impact of AI within our organizations
- Valuing multimodal work environments
- Working as global citizens and employers
- Labor shortages in skilled labor and front-line positions
- Increasing innovation while managing worker burnout



WHY THEY PARTICIPATED:

To ensure that I provide an honest report of our current HCM platform. Everyone tries to sell their best-in-class service, but ours far outweighs many of the others I've worked with.

Manufacturing 4,500 + EE



VOICE OF THE CUSTOMER AI INSIGHTS BY HR APPLICATION

For Full Voice of the Customer Details: [Please Access the Full 27th Edition of the Annual HR Systems Survey Research](#)



3/5

SECTION



VOICE OF THE CUSTOMER **PAYROLL SYSTEMS**

AI IN PAYROLL

In 2024, artificial intelligence (AI) has changed from a rare, differentiating feature in only the most advanced payroll systems to a fundamental part of most platforms, regardless of size. Although the term AI has become the industry standard, it is worth noting that most HR systems utilize large language models (LLMs) and some machine learning. However, the more commonly used term “AI” will be used as a “catchall” term throughout this report.



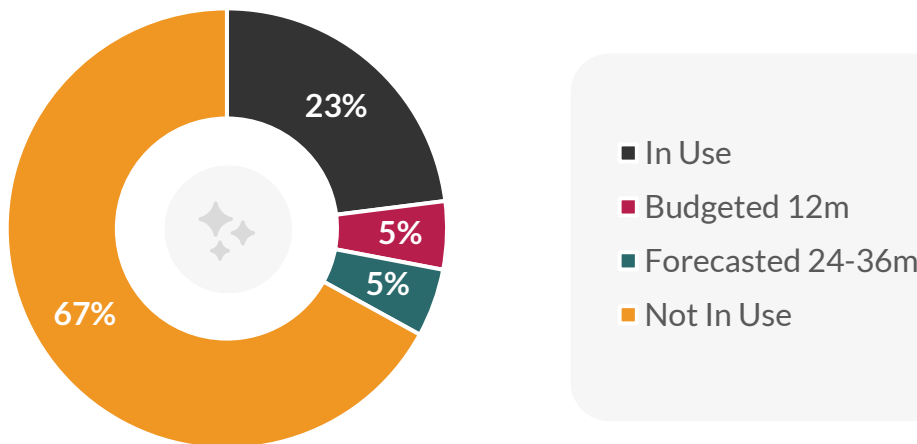
EMBEDDED AI:

The integration of artificial intelligence models into existing products and functionality.

AI APPLICATION:

A stand-alone software program built on a native AI model to complete a specific set of tasks.

FIGURE 14: OVERALL PERCENTAGE OF ORGANIZATIONS USING ALL FORMS OF AI PAYROLL FEATURES IN 2024-2025



In payroll, AI algorithms are often used to detect and prevent payroll fraud. By analyzing patterns in payroll data, these systems can identify anomalies that may indicate fraudulent activities, such as ghost employees or unusual overtime claims. This enhanced security feature provides businesses with an additional layer of protection against financial losses and reputational damage.

Predictive analytics is another area where AI is making significant strides in payroll management. AI-powered systems can now forecast future payroll expenses based on historical data, helping businesses better plan their budgets and make informed decisions about hiring, raises, and bonuses. These predictive capabilities are particularly valuable for businesses with seasonal fluctuations in their workforce or those considering expansion.

In 2024, AI-driven payroll systems are also playing a crucial role in ensuring compliance with complex and ever-changing tax regulations. These systems can automatically update tax tables, calculate withholdings, and generate required reports for various jurisdictions. This is especially beneficial for businesses operating across multiple states or countries, as AI can navigate the intricacies of different tax laws with ease and presumed accuracy.

Personalization has become a key feature of AI-powered payroll systems. As an example, individual employee data can be used to provide personalized insights and recommendations. For example, employees might be alerted to optimal tax withholding strategies or unused vacation days. This AI-assisted personalization enables companies to better manage their workforce and mitigate potential liabilities.

Natural language processing (NLP) capabilities also continue to improve. Employees can now interact with chatbots or virtual assistants to ask questions about their pay, benefits, or tax withholdings. These AI-powered assistants can understand and respond to queries in natural language, providing instant info, reducing the workload on HR and payroll departments.

Despite the numerous benefits, the integration of AI into payroll systems has also raised important considerations around data privacy and ethical use of employee information. As a result, there's an increased focus on developing robust governance frameworks and transparent AI algorithms. Companies are now required to communicate how AI is being used in their payroll processes and ensure that employees have control over their personal data. As we move forward, striking the right balance between leveraging AI's capabilities and maintaining employee trust will be crucial for the continued evolution of payroll systems.





VOICE OF THE CUSTOMER **PAYROLL SYSTEMS**

As we noted in **Figure 14**, 23% of all survey participants said they were using AI as part of their current Payroll environment (both through embedded HR solutions and stand-alone AI applications). Although HR and business system vendors have invested heavily in AI enhancements or rolling out full-blown AI applications, buyers still struggle to understand where and when to use these features and applications safely and with the most significant outcomes for their organizations.

Cost is also a considerable concern for many organizations, as noted in the quote below from one HRMS buyer, who listed 'high cost' as one of the primary reasons their HRMS wasn't meeting all their current business needs.

“Now that they are developing AI and passing the cost on to customers, some of their new SKUs are significantly more expensive compared to others. They understand the value they derive from the connections they build between SKUs - Finance doesn't care about that; they see the numbers. It's a constant uphill battle or tradeoff b/c we can't afford the integrated solution [and AI].”

Retail / Hospitality 19500 + EE

HR vendors consider many factors when deciding to invest in embedded AI features or create AI applications for their existing and prospective customers. Probably the most crucial question is whether a vendor's client base is ready and able to utilize the AI feature or application that has been created.

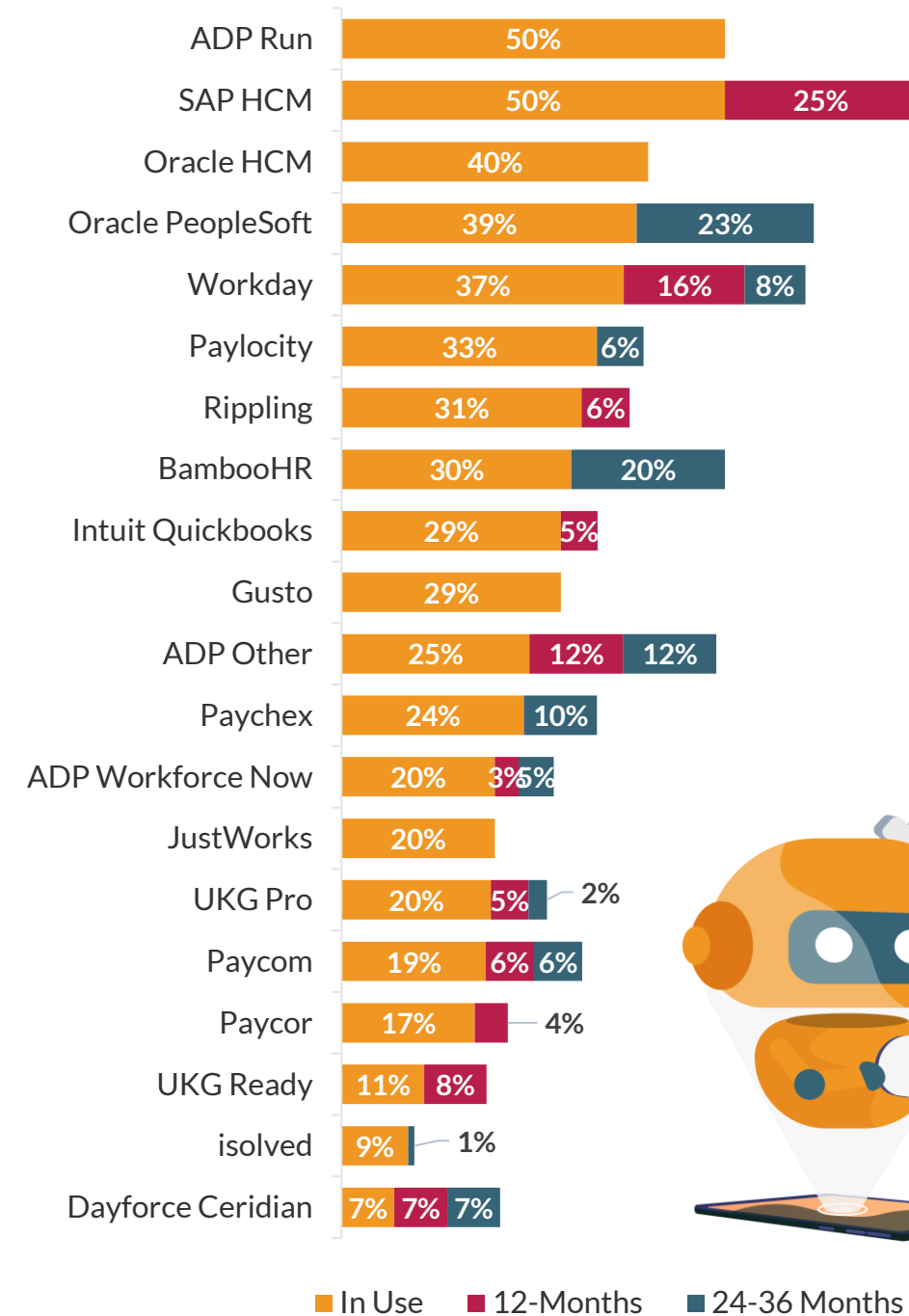
Figure 48 shows the percentage of Payroll clients (by vendor solution) currently using AI as part of their HR technology environment (both through embedded HR solutions and stand-alone AI applications). It also shows customers' future for adopting AI over the next 12 to 36 months. This chart only includes the top 20 solutions in our data.

Several possible factors may play into the higher or lower percentages of the customer's AI adoption levels in this chart:

- The overall percentage of AI features or applications a customer can access from that specific vendor(s).
- The willingness of the customer to buy, pay for, or use available AI solutions.
- The customers' level of data, knowledge, and education readiness to use AI solutions.
- The customer's risk analysis concerning AI use within the HR function. This is a particular issue for multi-national customers.

**FIGURE 15: PERCENTAGE OF PAYROLL CUSTOMERS
*USING AI IN HR CURRENTLY AND IN FUTURE PLANS**

*AI use includes both embedded HRMS AI & stand-alone AI applications





VOICE OF THE CUSTOMER **HR MANAGEMENT SYSTEMS**

AI IN HRMS

In 2024, artificial intelligence (AI) has emerged as a foundational element of many Human Resource Management solutions, significantly changing how organizations approach managing their workforce. AI-enabled HRMS solutions are beginning to streamline recruitment processes, enhance employee engagement, ensure compliance with evolving labor regulations, and deliver extremely high levels of personalization and increased efficiency in HRMS solutions that have invested in embedded AI options.



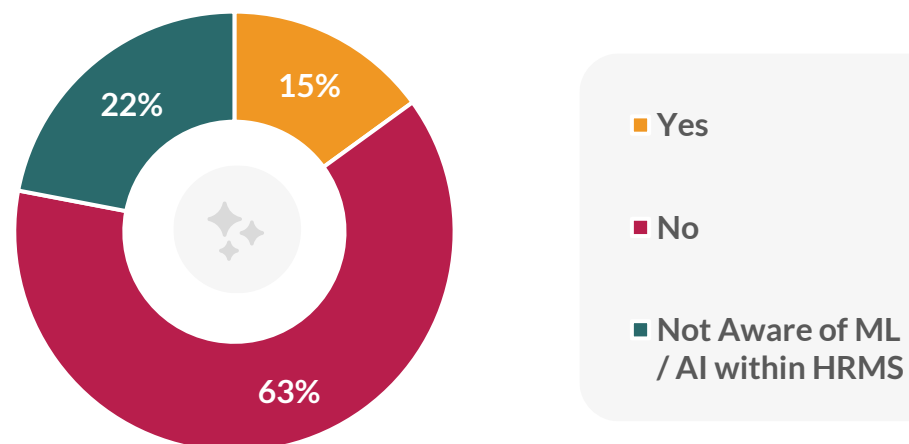
EMBEDDED AI:

The integration of artificial intelligence models into existing products and functionality.

AI APPLICATION:

A stand-alone software program built on a native AI model to complete a specific set of tasks.

FIGURE 16: PERCENTAGE OF ORGANIZATIONS USING EMBEDDED HRMS AI FEATURES IN 2024-2025



The HRMS has been one of the earliest adopters of the major HR technology systems that use AI. Its primary focus on gathering, organizing, and distributing data accurately greatly benefits from natural language processing (NLP) and newer generative AI solutions, such as large language models (LLMs).

In predictive analytics, AI is making significant strides using data captured by the HRMS. For example, AI models can be trained to forecast employee turnover based on historical data, helping businesses proactively address retention issues and make informed decisions about succession planning and employee engagement initiatives. These predictive capabilities are particularly valuable for companies with high turnover rates or those undergoing rapid growth.

AI-enhanced HRMS is also crucial in ensuring compliance with complex, ever-changing labor laws and regulations. These systems can automatically update policies, track employee hours, and generate required reports for various jurisdictions. This is especially beneficial for businesses operating across multiple states or countries, as the AI can quickly and accurately navigate the intricacies of different employment laws.

Personalization has become a key feature of the AI-enhanced HRMS. Compiled employee data can be used to provide personal insights into work history, career progression, and even offer suggestions on team interactions. For example, the HRMS might suggest relevant cohort groups or career advancement opportunities based on an employee's skills and career goals. This level of personalization not only enhances employee engagement but also enables companies to develop their workforce better and reduce skill gaps.

Natural language processing (NLP) capabilities have significantly enhanced HRMS user experiences in 2024. Employees can now interact with chatbots or virtual assistants to ask questions about company policies, benefits, or career development opportunities. These AI-powered assistants can understand and respond to queries in natural language, providing instant, accurate information and reducing the workload on HR departments while improving employee satisfaction and access to information.

While AI offers significant benefits,, its use is not without challenges. Companies often grapple with issues like bias amplification, where AI algorithms perpetuate existing biases in hiring and promotion decisions. Data privacy concerns arise as AI systems handle sensitive employee information. Additionally, automation can lead to job displacement, sparking ethical questions and potential workforce disruptions. Moreover, the complexity of AI systems can make it difficult to understand and rectify errors, potentially leading to unfair or inaccurate decisions.





VOICE OF THE CUSTOMER HR MANAGEMENT SYSTEMS

As we noted in **Figure 16** on the earlier page, the use of embedded AI solutions within an organization's existing HRMS averaged across all HRMS buyers is just **15%**. That number jumps to **22%** of organizations if we look at all survey participants who said they were using AI as part of their current HR Technology environment (both through embedded HR solutions and stand-alone AI applications). Although HR and business system vendors have invested heavily in AI enhancements or rolling out full-blown AI applications, buyers still struggle to understand where and when to use these features and applications safely and with the greatest outcomes for their organizations.

Cost is also a considerable concern for many organizations, as noted in the quote below from one HRMS buyer, who listed 'high cost' as one of the primary reasons their HRMS wasn't meeting all their current business needs.

“Now that they are developing AI and passing the cost on to customers, some of their new SKUs are significantly more expensive compared to others. They understand the value they derive from the connections they build between SKUs - Finance doesn't care about that; they see the numbers. It's a constant uphill battle or tradeoff b/c we can't afford the integrated solution [and AI].”

Retail / Hospitality 19500 + EE

HR vendors consider many factors when deciding to invest in embedded AI features or create AI applications for their existing and prospective customers. Probably the most crucial question is whether a vendor's client base is ready and able to utilize the AI feature or application that has been created.

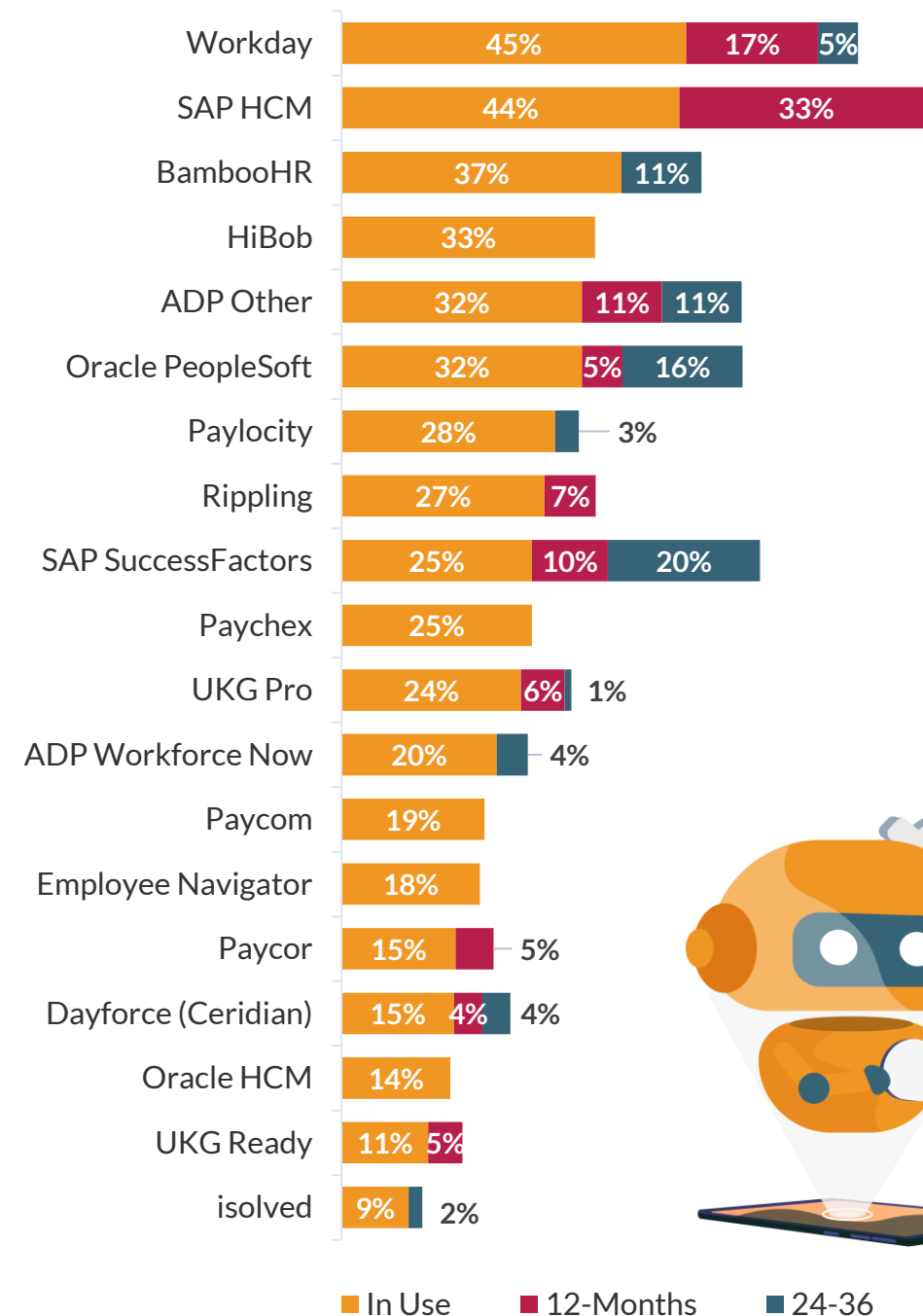
Figure 17 shows the percentage of HRMS clients (by vendor solution) currently using AI as part of their HR technology environment (both through embedded HR solutions and stand-alone AI applications). It also shows customers' future for adopting AI over the next 12 to 36 months. This chart only includes the top 20 solutions in our data.

Several possible factors may play into the higher or lower percentages of the customer's AI adoption levels in this chart:

- The overall percentage of AI features or applications a customer can access from that specific vendor(s).
- The willingness of the customer to buy, pay for, or use the available AI solutions.
- The customers' level of data, knowledge, and education readiness to use AI solutions.
- The customer's risk analysis concerning AI use within the HR function. This is a particular issue for multi-national customers.

FIGURE 17: PERCENTAGE OF HRMS CUSTOMERS
***USING AI IN HR CURRENTLY AND IN FUTURE PLANS**

*AI use includes both embedded HRMS AI & stand-alone AI applications





AI IN BENEFITS AND WELLNESS

Organizations are using AI in Benefits and Wellness in many of the same general ways as seen in payroll systems and HRMS, but with different use cases. AI-powered chatbots and virtual assistants are becoming increasingly commonplace, providing employees with 24/7 support for benefits-related queries. These intelligent systems can guide employees through complex benefit selections, explain policy details, and even assist with claims processes. The goal of most of these AI solutions is to reduce HR workloads and employee frustration significantly.



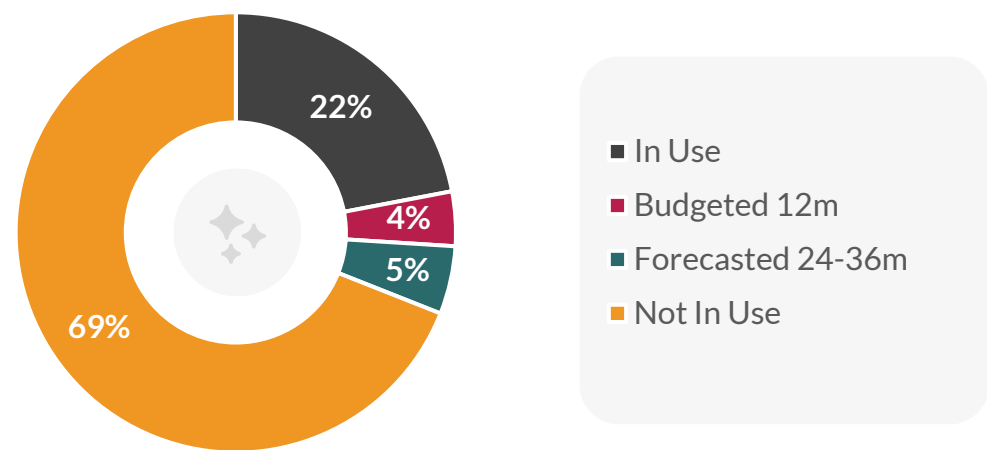
Predictive analytics is another area where benefits management systems are using AI. By analyzing huge volumes of employee data, including health records, lifestyle information, and benefit utilization patterns, AI systems can predict future health risks and suggest preventive measures. This intelligence allows companies to tailor wellness programs to individual needs, potentially reducing healthcare costs and improving employee well-being.

AI is also changing the open enrollment process. Machine learning algorithms can analyze an employee's demographics, past choices, and current life situations to recommend the most suitable benefit packages. These systems can simulate various scenarios, helping employees understand the long-term implications of their benefit choices. This not only simplifies the decision-making process for employees but can also result in more satisfactory and cost-effective benefit selections.

Additionally, AI is being used to detect fraud and errors in benefits claims. Advanced algorithms can quickly scan through thousands of claims, identifying patterns and anomalies that might indicate fraudulent activity or processing errors. This can not only save organizations money but also ensure faster, more accurate processing of legitimate claims. When AI is utilized in this manner in the public sector or by organizations with extensive workforces, the benefits may far outweigh the cost of the AI.

Finally, AI-driven systems are being employed to continuously monitor regulatory changes, automatically updating benefit policies to ensure compliance with the latest laws and regulations.

FIGURE 18: OVERALL PERCENTAGE OF ORGANIZATIONS USING ALL FORMS OF AI BENEFIT FEATURES IN 2024-2025



While AI offers numerous benefits and advantages in healthcare systems, there are also potential risks and drawbacks. Privacy concerns are the most important. AI systems require access to vast amounts of sensitive employee data, thereby increasing the risk of data breaches or misuse. There is also the danger of algorithmic bias, where AI systems may inadvertently discriminate against certain employee groups based on historical data patterns. Also potentially outweighing the benefits, especially for smaller organizations, is the “black box” effect. This is when an organization doesn't have the AI-related skills to properly manage, monitor, and customize the use of AI – resulting in unexpected outcomes.

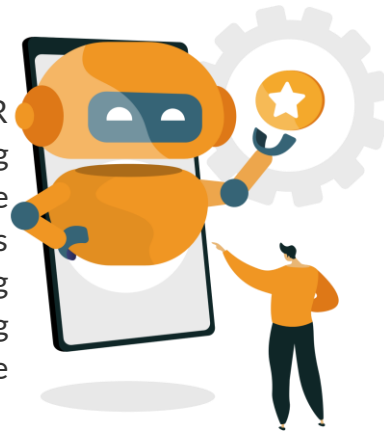




VOICE OF THE CUSTOMER **HR SERVICE DELIVERY SYSTEMS**

AI IN HRSD

AI and machine learning are rapidly transforming HR Service Delivery (HRSD) systems, enabling organizations to streamline processes and enhance employee experiences and business outcomes. Just as we examined how these technologies are being deployed across various HR functions, the following provides an overview of some of the unique ways these technologies are being utilized explicitly in HRSD.

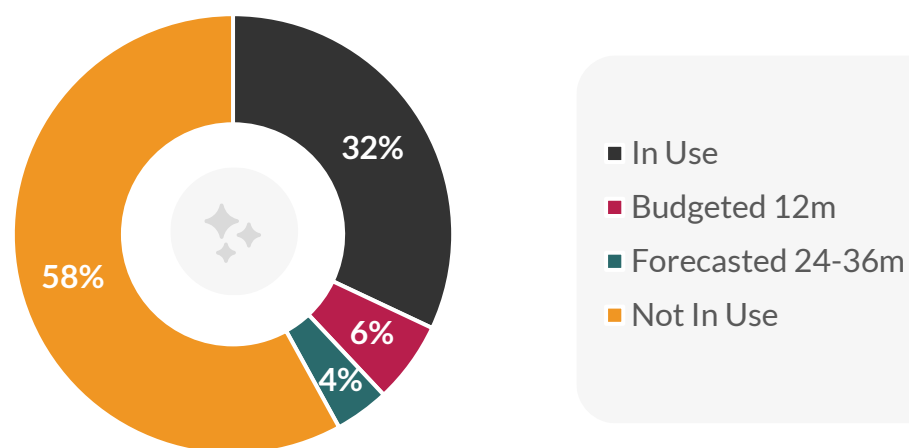


Over 30% of HR functions that have adopted an artificial intelligence (AI) element in their HR Systems environment are using it to:

- Improve HR process efficiency
- Handle HR related questions
- Update employee / HR documentation

HRSD use cases are three of the top five ways organizations are leveraging AI today.

FIGURE 19: OVERALL PERCENTAGE OF ORGANIZATIONS USING ALL FORMS OF AI HRSD FEATURES IN 2024-2025



HR Service Delivery applications were early adopters of branching logic, workflow design tools, and predictive analytics – even before the shift to newer machine learning (ML) algorithms. These applications have quickly adopted natural language processing (NLP) and newer generative AI solutions, such as large language models (LLMs).

One of the most significant applications of AI and ML in HR service delivery is employee self-service. Chatbots and virtual assistants, initially powered by logic-based algorithms, are now shifting to accurate artificial intelligence. These solutions are quickly being utilized to answer employee questions about benefits, policies, and procedures, while also assessing the value of the answers and adjusting output with minimal HR guidance. The 24/7 access and self-updating nature of these AI applications reduce the burden on HR staff and improve employee satisfaction. These were among the earliest applications of AI/ML in the broader HR tech landscape and remain among the easiest to demonstrate a return on investment.

Additionally, AI-driven analytics can identify patterns in employee inquiries and suggest improvements to HR processes. Large language models can similarly examine full-text employee inquiries and comments to identify patterns and perform sentiment analysis, providing an honest and objective sense of employee emotions during major organizational events.

When the most challenging HR issues are escalated to HR staff, they now have AI agents with details to help personalize the conversation, suggest appropriate language, and orchestrate the subsequent steps, ensuring that the proper parties are brought into the discussion. HR listening applications are now gathering environmental data through emails and operation platforms before diving deeper into conversations with insights valued by the employees. By automating routine tasks and providing data-driven insights, these technologies enable HR professionals to focus on the human being in front of them and deliver exceptional employee experiences.

As these technologies continue to evolve, they promise to optimize HR operations further, leading to improved productivity and satisfaction for all. However, this comes with some considerations that should inform any major AI technology decisions.

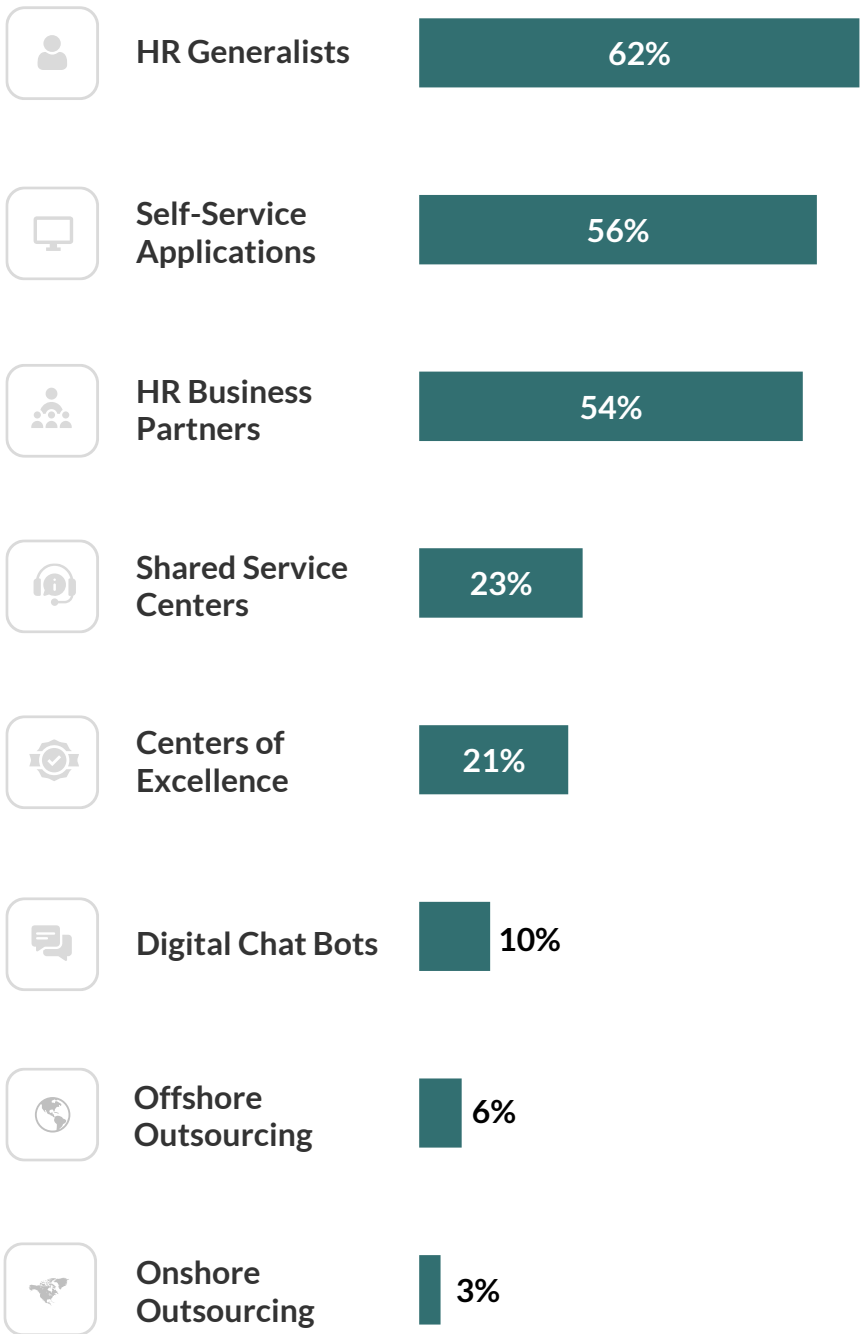
There is no area of in HR technology where the use of AI and ML does not offer some potential drawbacks and risks to consider. One major concern is the potential for bias in AI algorithms, which can lead to discriminatory outcomes. Additionally, there is a risk of job displacement as AI automates routine HR tasks – requiring everyone in HR to shift to more strategic work. HR task automation may also be used solely for cutting costs in the form of salaries. To mitigate these risks, it is essential for organizations to implement ethical AI practices and invest in employee training and development to prepare for the changing workforce.





VOICE OF THE CUSTOMER **HR SERVICE DELIVERY SYSTEMS**

FIGURE 20: WHAT IS THE STATUS OF USE OF THE FOLLOWING HR SERVICE DELIVERY MODELS



The delivery of HR-related services to employees varies widely. In some organizations, HR generalists or HR business partners assume responsibility for ensuring employees receive the needed services. In others, service delivery is funneled through centralized call centers, employee self-service, or even completely outsourced. Most organizations utilize a combination of these approaches to create their HR Service Delivery Model

A service delivery model typically describes the services to be provided and usually includes the necessary infrastructure and management to deliver those services. Sophisticated service delivery models are well-documented, with clearly defined stakeholders and service-level agreements.

The most common HR service delivery approaches are:



As **Figure 20** illustrates, over 54% of respondents indicate that their organizations use HR generalists, HR business partners, or self-service solutions for service delivery. Most likely, these organizations are combining self-service with a dedicated HR staff member. Recent years have seen consistent growth in the adoption of self-service and HR content management tools. However, this year, we saw a 17% decrease (compared to 2023) in the use of shared service centers and HR centers of excellence. The use of digital chatbots also dropped from 16% in 2023 to 10% this year. These declines highlight a shift in HR Service Delivery practices, possibly driven by investments in AI.

HR technology sits solidly in the middle of these service delivery models, providing a vehicle through which the experiences can be tailored into workflows, journeys, front doors, accessible information, and feedback. It is also an excellent avenue for setting cultural expectations, rewarding behaviors, and engaging the workforce.



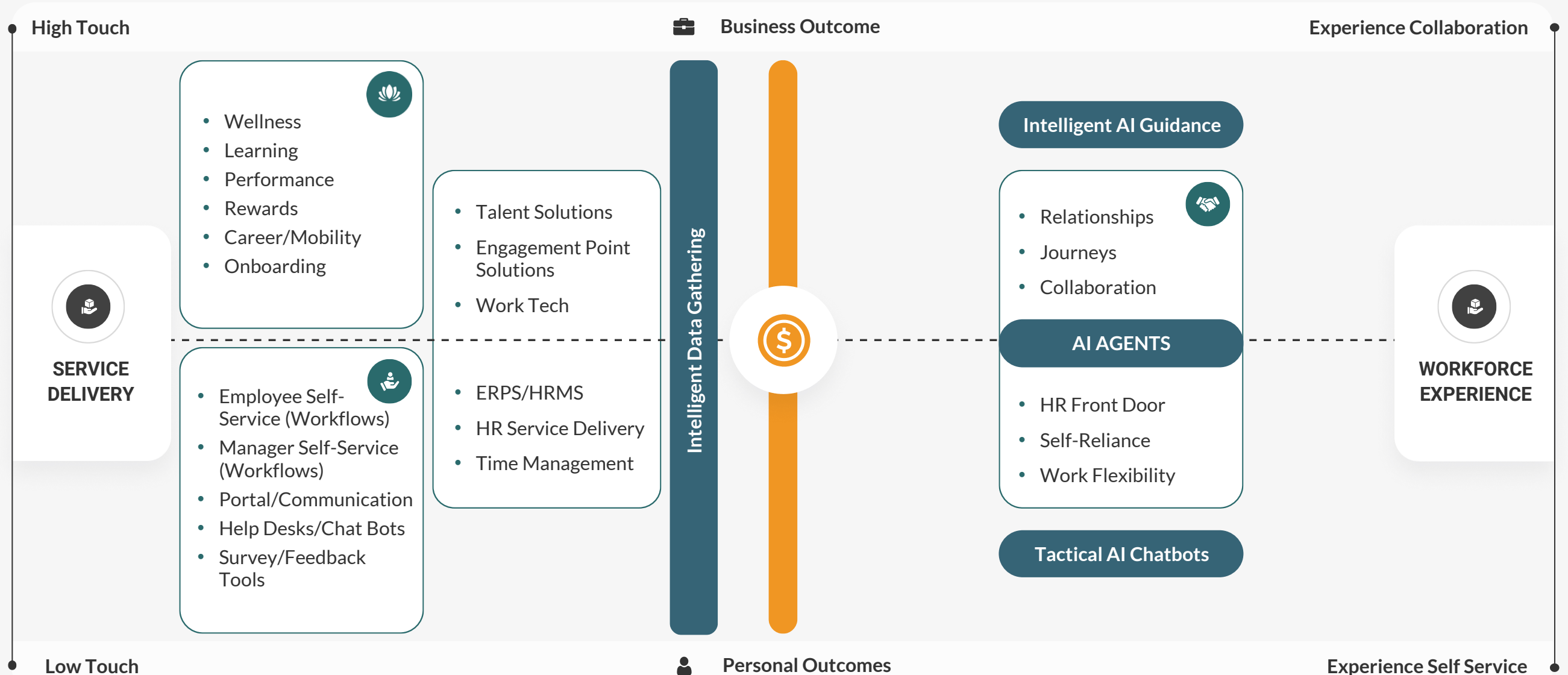


VOICE OF THE CUSTOMER **HR SERVICE DELIVERY SYSTEMS**

HR service delivery models and workforce experiences are inextricably linked. Our data indicates that HR departments continuously balance multiple factors when crafting a comprehensive workforce experience. Recent additions to the HR Service Delivery model, including AI-driven elements, only make that balancing act more complicated. HR must weigh high-touch versus low-touch service delivery and collaboration versus self-reliant workforce experiences; all weighed against desired business and employee outcomes.

A low-touch, self-service model for all employees might achieve the business goal of reducing HR costs. However, it could inadvertently create an isolating experience for employees and increased workloads for new supervisors. In this category, HR technology should serve dual purposes: efficiently delivering HR services and collecting experiential data and feedback. Such solutions ensure an environment that achieves organizational objectives and desired personal outcomes. Only 35% of organizations have a role or function responsible for the Employee Experience, jumping to 50% for Enterprise.

FIGURE 21: HR SERVICE DELIVERY AND WORKFORCE EXPERIENCE MODEL





VOICE OF THE CUSTOMER: **TIME MANAGEMENT SYSTEMS**

AI IN TIME MANAGEMENT

Time Management applications capture massive amounts of data on where and when work takes place in the organization daily. This makes them valuable environments for AI training and analysis. Multiple use cases for Time Management AI-Enablement existed long before the recent emergence of the prevailing AI formats, such as large language models (LLMs), like ChatGPT.

Sophisticated solutions have been utilizing predictive analytics and AI to forecast scheduling, labor budgets, and expected leave-of-absence numbers for years.



One of the most common uses of AI in Time Management is automated time tracking. By analyzing employee work patterns, project data, and sometimes physical location, AI can accurately track hours worked, eliminating the need for manual timekeeping and reducing the risk of errors or fraud. This type of automation is often required to be coupled with calibration or approval workflows that ensure human beings sign off on documented work hours or provide the ability to alter incorrectly calculated hours.

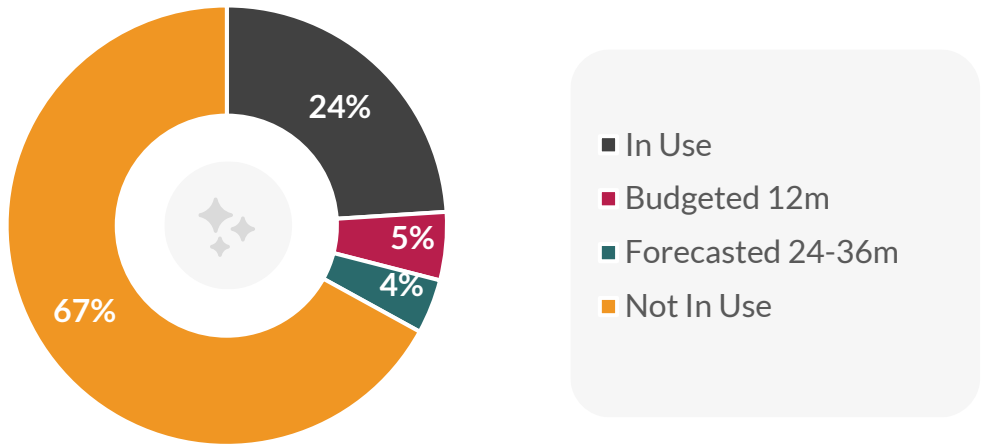
Another key area where AI is making a difference is workforce scheduling. These systems utilize AI algorithms to generate employee schedules based on historical data, skill sets, preferences, local regulations, regional weather patterns, and project requirements. These capabilities require many internal setups, such as implementing a company-wide skills environment or integrating project management solutions. Still, they are often worth the effort as they can help businesses ensure adequate staffing levels while balancing labor costs and employee satisfaction.

AI-powered Time Management systems can also improve analytics and reporting. By analyzing vast amounts of data, these systems can identify trends, patterns, and potential areas for improvement. For example, AI can help businesses identify underutilized resources, inefficient workflows, and possible regulatory violations.

AI can also enhance the employee experience with Time Management systems by incorporating natural language processing (NLP), visual and audio-trained machine learning (ML), and tools that capture environmental data. These forms of AI enable the system to understand and respond to users in a more natural and informed manner. This capability can simplify tasks, reduce time spent on issues, and improve usability.

AI is also being used to address challenges related to time misuse or possible fraud. AI can detect anomalies that may indicate suspicious activity by analyzing employee behavior patterns and comparing them to expected or historical patterns. This can help businesses protect their bottom line and maintain a fair and equitable workplace. We expect to see more use cases for this category as the technology continues to advance.

FIGURE 22: OVERALL PERCENTAGE OF ORGANIZATIONS USING ALL FORMS OF AI TIME MANAGEMENT FEATURES IN 2024-2025



Although there are fewer security and privacy concerns with using AI in Time Management systems than there might be in benefits, for example, there is still the potential for privacy and security breaches due to the massive amounts of data the systems collect.

If AI algorithms are trained on biased data derived from Time Management data, they may perpetuate or amplify existing biases, leading to unfair treatment of employees. Also, Time Management is the HR system that may be the most susceptible to causing job loss or displacement as fully “optimized” schedules may not be feasible for humans in the long term.





VOICE OF THE CUSTOMER: TALENT MANAGEMENT SYSTEMS

AI IN TALENT MANAGEMENT

In 2024, artificial intelligence (AI) has transformed from a niche, cutting-edge capability found only in top-tier talent management platforms to an essential component of most systems. While "AI" has become the industry's go-to term, it's worth clarifying that most HR solutions are primarily leveraging large language models (LLMs) and certain machine learning techniques.

Nevertheless, for the purposes of this report, the more common and simple "AI" will be employed as an umbrella term. One of the most significant advancements in AI in 2024 has been the expansion of use cases for Talent Management. In acknowledgment, we will examine how AI has impacted the central application area in the relevant report section.

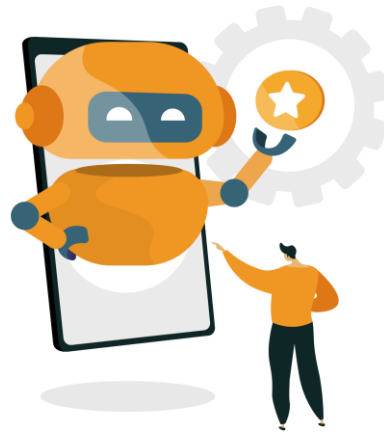
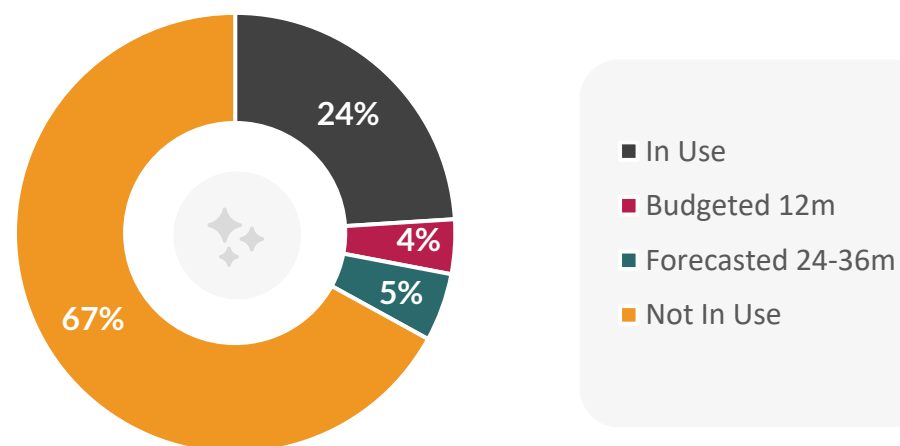


FIGURE 23: OVERALL PERCENTAGE OF ORGANIZATIONS USING ALL FORMS OF AI RECRUITING FEATURES IN 2024-2025



Recruitment and Onboarding Systems:

AI is seeing the most use cases in the recruitment process. AI-enabled recruitment software can analyze vast amounts of candidate data to identify the most suitable individuals based on specific criteria. AI-powered chatbots can also streamline the application process by answering common questions and providing initial screening. Once an employee is hired, AI can automate many onboarding tasks, such as generating personalized welcome packages and scheduling necessary training.

Performance Management:

Traditional performance reviews are being augmented by AI-driven tools. AI can provide real-time feedback based on employee behavior and productivity metrics, allowing for more frequent and objective performance evaluations. Additionally, AI can identify potential areas for development and recommend tailored training programs.

Learning Management Systems:

AI is helping to make learning solutions more personalized and effective. AI-powered learning technology can collect learner data to identify knowledge gaps and tailor content to individual needs. AI-powered chatbots can also provide instant support and answer questions in real-time. Several systems utilize AI to automate administrative tasks, including grading assignments and tracking progress.

Rewards and Recognition Systems:

When used correctly, AI can help organizations identify high-performing employees and reward them accordingly. By processing various data points, such as productivity, quality of work, and customer satisfaction, AI can help managers identify employees who deserve recognition. AI can also suggest appropriate rewards, such as bonuses, promotions, or public praise, based on either self-selection or proven practices.

When it comes to talent management, the potential benefits of using AI-enabled systems are directly linked to the most significant concerns. One of the most prominent concerns is the potential for bias in AI algorithms, which could lead to discriminatory hiring practices or unfair performance evaluations. Instances where this has happened have led to legal actions. Additionally, there are justified concerns about data privacy and security. Breaches can negatively impact employees, as well as individuals outside of your organization, such as those using recruitment solutions.





VOICE OF THE CUSTOMER: HR ANALYTICS & PLANNING SYSTEMS

AI IN HR ANALYTICS SYSTEMS

Artificial intelligence (AI) and machine learning (ML) have revolutionized various industries, and human resources (HR) is no exception. By leveraging these technologies, HR departments can gain valuable insights into their workforce, optimize processes, and make data-driven decisions.

As these technologies continue to refine and improve, they promise to lead to more focused and accurate HR analytics solutions. These analytics platforms can help even newcomers to the analytics space separate meaningful insights from extensive datasets. However, as with any technology adoption, there are essential factors to consider when making a buying decision.

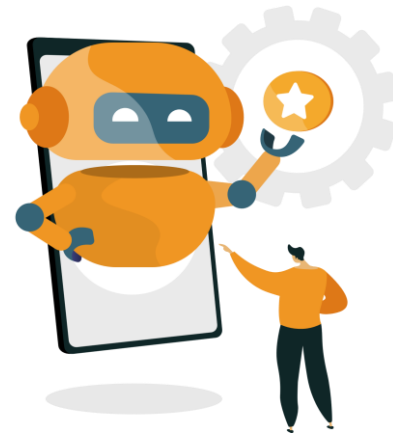
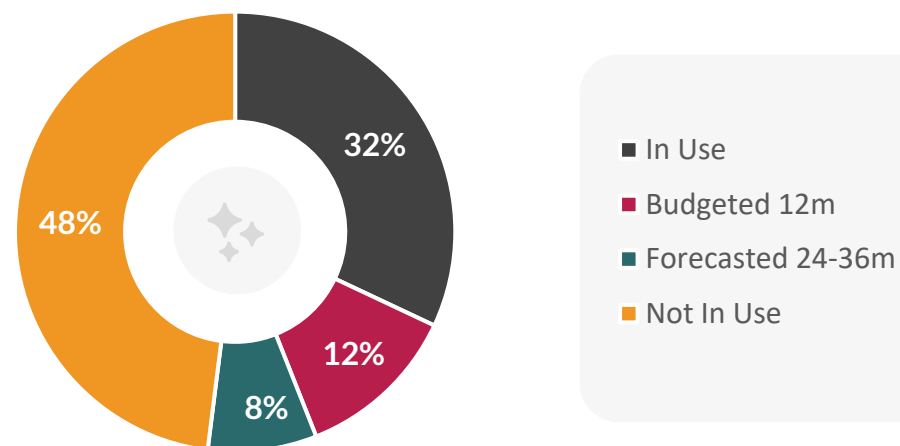


FIGURE 24: OVERALL PERCENTAGE OF ORGANIZATIONS USING ALL FORMS OF AI ANALYTICS FEATURES IN 2024-2025



HR analytics was not the first adopter of AI-backed technologies, but this category is currently at the forefront of leveraging AI-enabled technology to enhance their platforms. By incorporating AI and machine learning algorithms, many of these solution providers can provide more accurate, predictive, and actionable insights for their customers.

One of the keyways HR analytics solution providers are utilizing AI is through natural language processing (NLP). This technology allows users to ask questions in plain language and receive relevant, data-driven answers. For example, an HR professional could ask, "What is the average tenure of employees in the sales department?" and HR the AI-enabled software would quickly provide a precise response. This eliminates the need for complex data queries and makes analytics accessible to a wider range of users.

Another area where AI is making a significant impact is in predictive analytics. By analyzing historical data and identifying patterns, AI-backed HR analytics platforms can predict future trends such as employee turnover, hiring needs, and skill gaps. This enables HR teams to see potential issues and make better-informed decisions about their workforce. For instance, if the AI predicts a high turnover rate in a specific department, HR can implement targeted retention strategies to mitigate the impact. Going one step further, these same AI-backed analytics platforms can help create these retention strategies by making predictive models based on past behaviors to find the retention strategies with the highest likelihood of success, even down to the individual level.

Finally, through a combination of NLP and sentiment analysis technologies, AI/ML-enhanced analytics platforms can take unstructured, qualitative data (e.g., employee comments on an organization-wide satisfaction survey) and convert that data into quantitative datasets. These datasets can then be used to visualize employee sentiment, feed into predictive models, or used to assess effectiveness of employee engagement or satisfaction efforts.

As with all aspects of people data, whether AI-enhanced or not, privacy and security concerns are paramount when dealing with the collection and use of employee information. It is crucial to ensure that data is handled responsibly and in compliance with relevant regulations. Additionally, safeguards should be put in place to minimize bias (with the understanding that human bias is inherent in the data collection and interpretation, so it can never be wiped out completely). Finally, the temptation to view AI technologies as replacements for human effort must be constantly resisted, as all of these tools are merely augmentations to employee effort and will always require oversight, analysis, and implementation that can never be fully automated by a machine.



EMERGING HR TECHNOLOGY



4/5

SECTION

EMERGING HR TECHNOLOGY

Emerging technologies are in the early stages of development. Often these innovations first appear in the market as add-on tools, applications features, or even just talked-about ideas percolating in the industry.

Nevertheless, it's essential to monitor the progress and evolution of these innovative technologies, as many will have a significant impact on the future of HR applications and the transition to intelligent HR systems.

Innovation in the business landscape extends far beyond technological advancements, particularly in the realm of human resources. While emerging technologies play a role, the most significant future innovations in HR are likely to stem from advancements in human fields such as psychology, sociology, or behavioral science. These disciplines offer more potential for transformative HR practices than current technical skills. Although all new technologies mark milestones in business evolution, not all will prove to have lasting organizational value or widespread impact. However, this doesn't render them inconsequential. AI is one such example. **The adoption of AI and machine learning in HR increased from 12% in 2023 to 23% in 2024**, demonstrating steady growth. This trend suggests that while AI's prevalence in HR may not be as pervasive as some media portrayals suggest, it is far from being irrelevant, contrary to more pessimistic views.



Emerging Technology topics and categories we tracked in 2023 include:

Category	Adoption
Benchmarking	37%
Machine Learning	23%
Skills Management	20%
Predictive Analytics	15%
Chatbots	15%
Robotic Process (RPA)	10%
Virtual Reality	3%
Blockchain	2%



Data Capture Tools



Wellness Applications

Other topics that we tracked in 2024:



Earned Wage Access Solutions



ESG (Environmental, Social, Governance) Practices



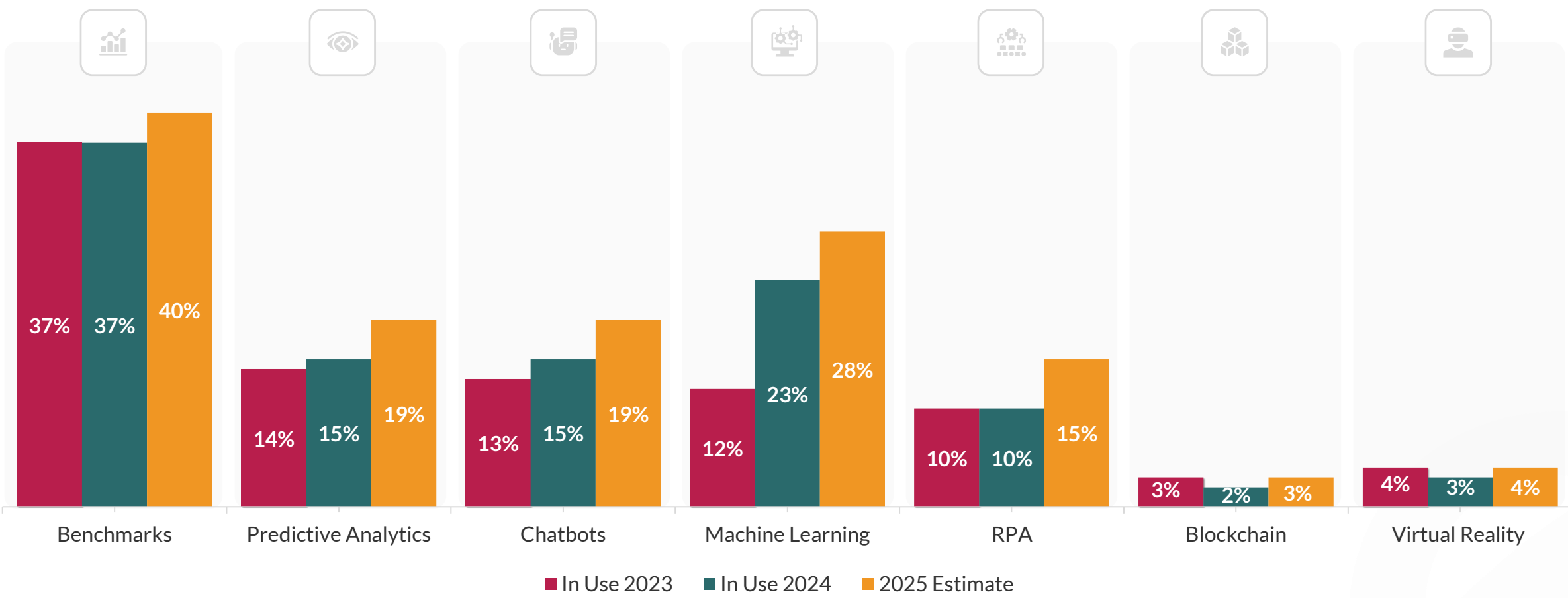
INTELLIGENT TOOLS

In this section, "intelligent tools" refers to the technologies that use artificial intelligence, large language models, machine learning, or any other set of processes that create a facsimile of a thinking "intelligent" machine. While the term "AI" is broadly used in media to refer to this category, intelligent tools is a more accurate way to describe this category, since each of these technology types has distinct and different designs and purposes.

EMERGING HR TECHNOLOGY ANALYST INSIGHTS

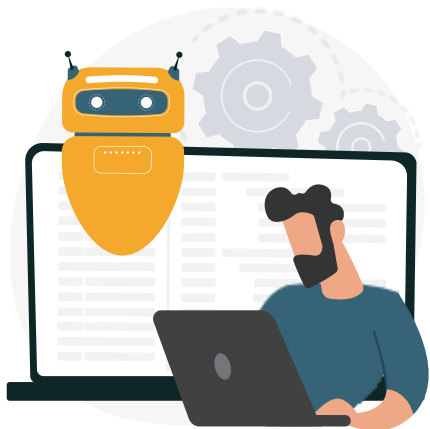
The most successful emerging technologies are those that address specific business needs, whether these are at the organizational or individual level. Any new technology that focuses more on what it "could" do rather than what it "can" do is often doomed to failure or at least quiet disregard. Generally, the applications that transition from being emerging to everyday use are those that were created to address a specific business problem and then consistently and easily solve that issue.

FIGURE 24: TWO-YEAR LOOK AT INTELLIGENT TOOL ADOPTION RATES AND PREDICTED GROWTH FOR 2025



MACHINE LEARNING APPLICATIONS

Artificial intelligence analyzes HR data to forecast trends such as attrition, recruitment demands, and even strategic workforce planning. In theory, this should result in streamlined HR operations. However, a significant challenge that continues to hinder AI is the presence of data biases, which is paradoxical given that addressing such biases is one of the technology's intended benefits.



Despite potential limitations, machine learning-style AI may be the emerging HR technology with the most significant impact on the HR field, given its immense potential to enhance HR capabilities and processes. **Figure 25 on the preceding page indicates a 92% year-over-year increase in machine learning adoption within HR, with an additional 22% growth predicted into 2025.** By automatically extracting insights from vast employee datasets, AI models can facilitate more predictive, real-time decision-making throughout the employee lifecycle. While AI is still finding its niche in HR, it can already streamline repetitive, high-volume tasks such as document processing, compensation management, and addressing employee inquiries. If ML is leveraged to reduce transactional burdens, HR professionals can shift their focus to more strategic initiatives, such as talent development, reskilling, and advanced analytics, while also reducing costs. Our survey also revealed that **61% of users were not paying additional fees for the AI platforms or applications currently in use.** Naturally, proper data and process governance frameworks must be established. But when implemented effectively, AI has the potential to augment rather than replace HR expertise.

FIGURE 25: WHAT ARE YOU USING MACHINE LEARNING PLATFORM(S) IN HR FOR?



AI-ENABLED APPLICATIONS

In 2024, there was no more hyped-up technology in HR than AI-powered solutions. While many companies are leveraging generative AI in the workplace, including in some groundbreaking ways such as employee coaching or self-guided career pathing, a significant 64% of organizations either lack clear ethical AI usage guidelines or are uncertain if such standards exist, which in effect is the same problem. More concerning is that this percentage remains unchanged from 2023, despite being highlighted as a critical issue in last year's report.

And despite a full year of media coverage (or perhaps because of it!) the prime obstacle to adopting new technologies like AI is insufficient knowledge about their capabilities and potential impact. Data protection and security concerns are perennial issues with any technology, and these are amplified when dealing with a highly sophisticated and technical innovation such as Artificial Intelligence. Of course, data governance remains a hot topic as it is fundamental to any truly useful AI-enabled application but also note that cost is seen as much less of an issue compared to the 30% who listed it as barrier in 2023.

FIGURE 26: WHAT IS YOUR ORGANIZATIONAL STRATEGY FOR USING AI ETHICALLY?

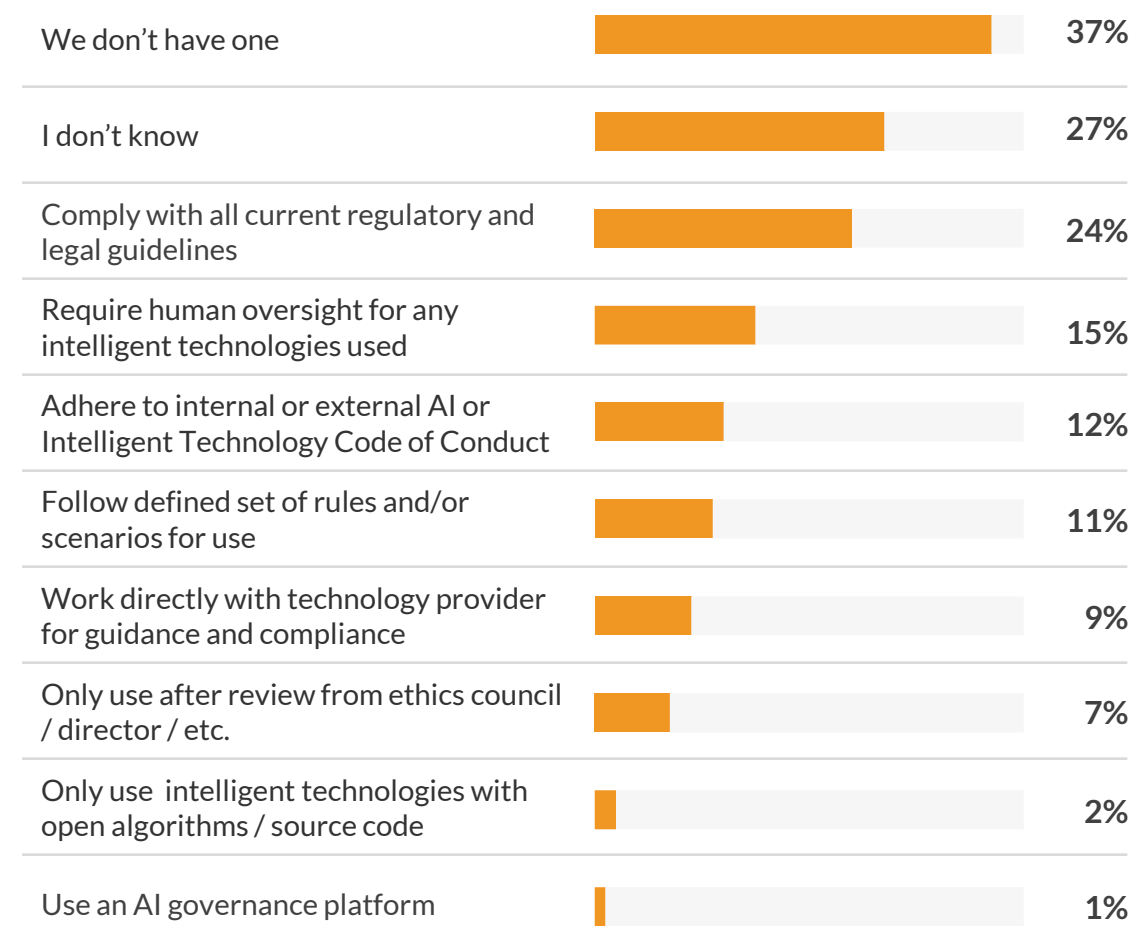
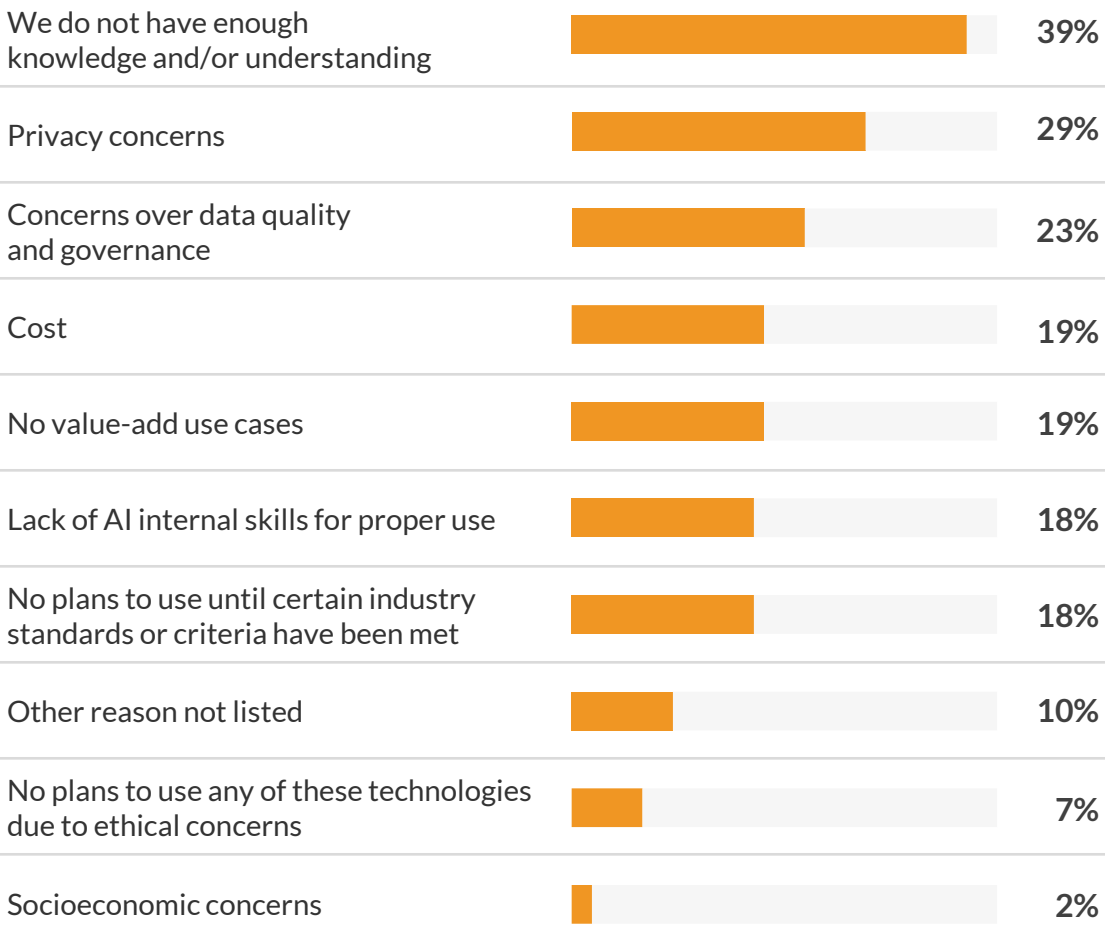


FIGURE 27: WHAT ARE THE BARRIERS TO USING AI/INTELLIGENT TECHNOLOGIES AT YOUR ORGANIZATION?

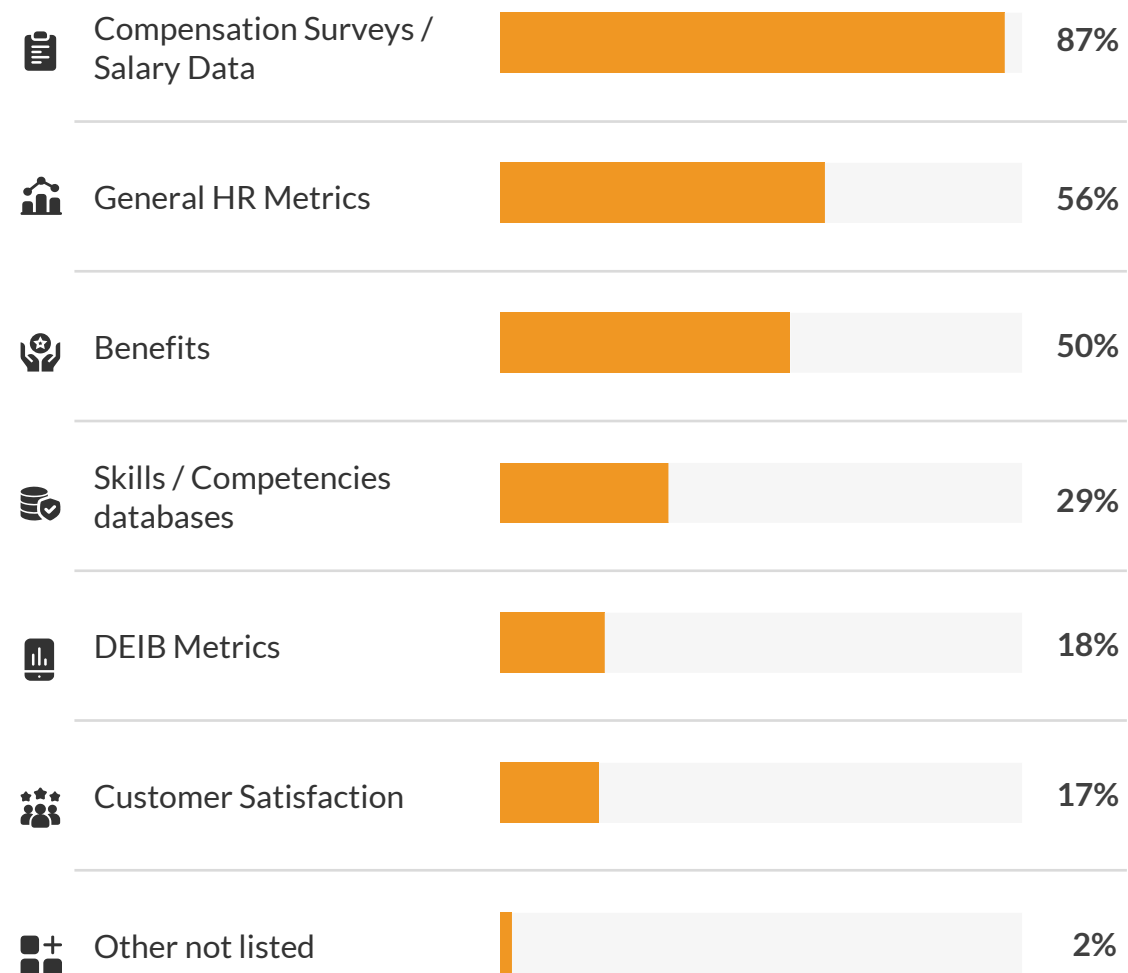


EMERGING HR TECHNOLOGY, FUTURE OF WORK

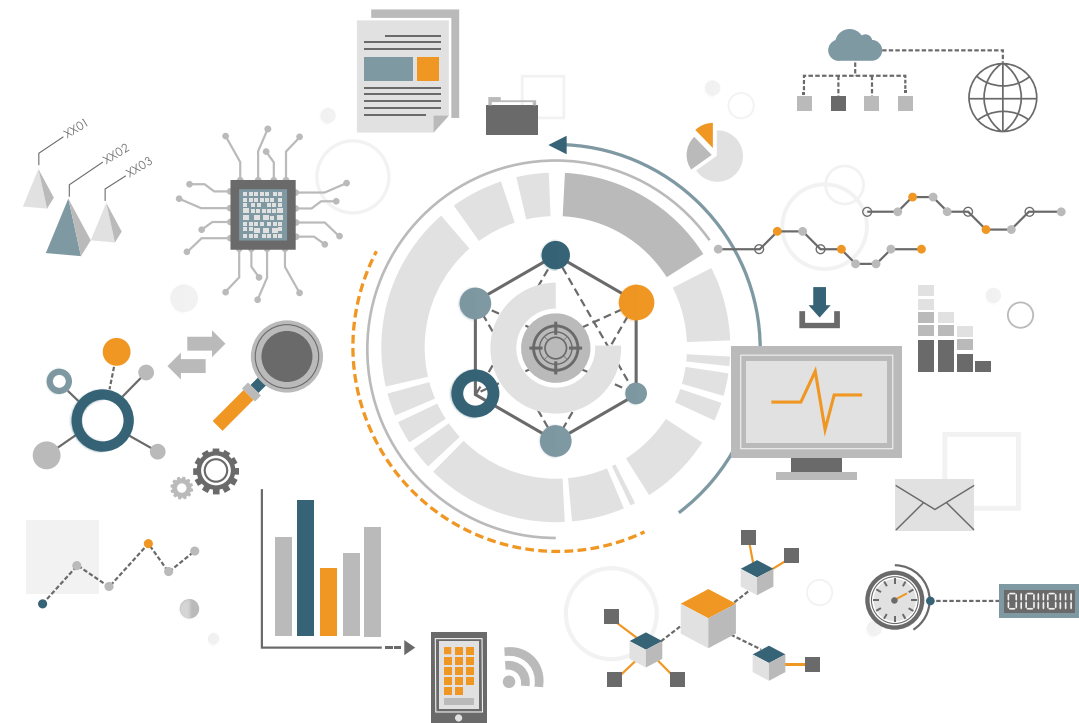
INTERNAL AND/OR EXTERNAL BENCHMARKING DATA

Benchmarking databases enables HR to compare company policies, practices, and metrics with those of competitors and industry standards. This helps set effective HR strategies. One important caveat to note is that by their very nature, benchmarks can be outdated, incomparable, or just incorrect.

FIGURE 28: MOST COMMONLY USED BENCHMARKING DATABASES



EMERGING HR TECHNOLOGY ANALYST INSIGHTS



Benchmarking data in HR provides a valuable tool for evaluating an organization's performance against industry standards. By comparing metrics such as employee turnover, compensation, and training costs, HR can identify areas where improvements are needed. This data can also be used to inform strategic decisions, like adjusting compensation packages or personalizing employee onboarding programs.

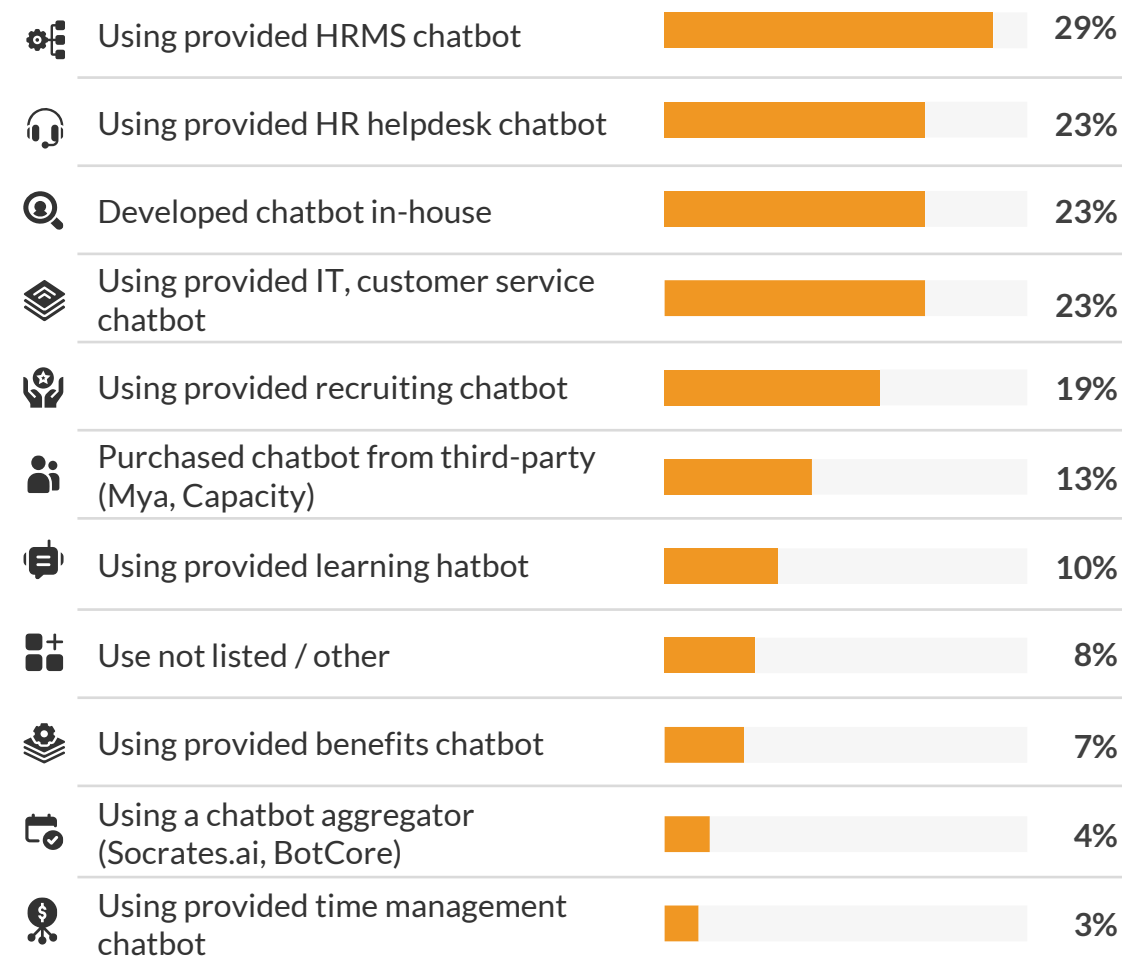
While benchmarking offers insights into industry trends, it's essential to consider factors like company size, industry sector, and geographic location when interpreting the data. Overreliance on benchmarking without considering the data in context can lead to unrealistic expectations or ineffective strategies. Ultimately, benchmarking can be a powerful asset for HR departments, helping them support the business in achieving its goals by identifying opportunities for optimization and continuous improvement.



HR CHATBOT SOLUTIONS

AI-powered HR assistants are among the earliest applications of AI in the HR space. The ability of these bots to streamline common employee queries regarding topics such as compensation packages, leave applications, and organizational guidelines at any time is an obvious use case. However, despite significant progress in conversational AI, it is not equivalent to genuine human interaction. While they are still used primarily for basic use cases, there have been process improvements in how humans can intervene and supplement their use.

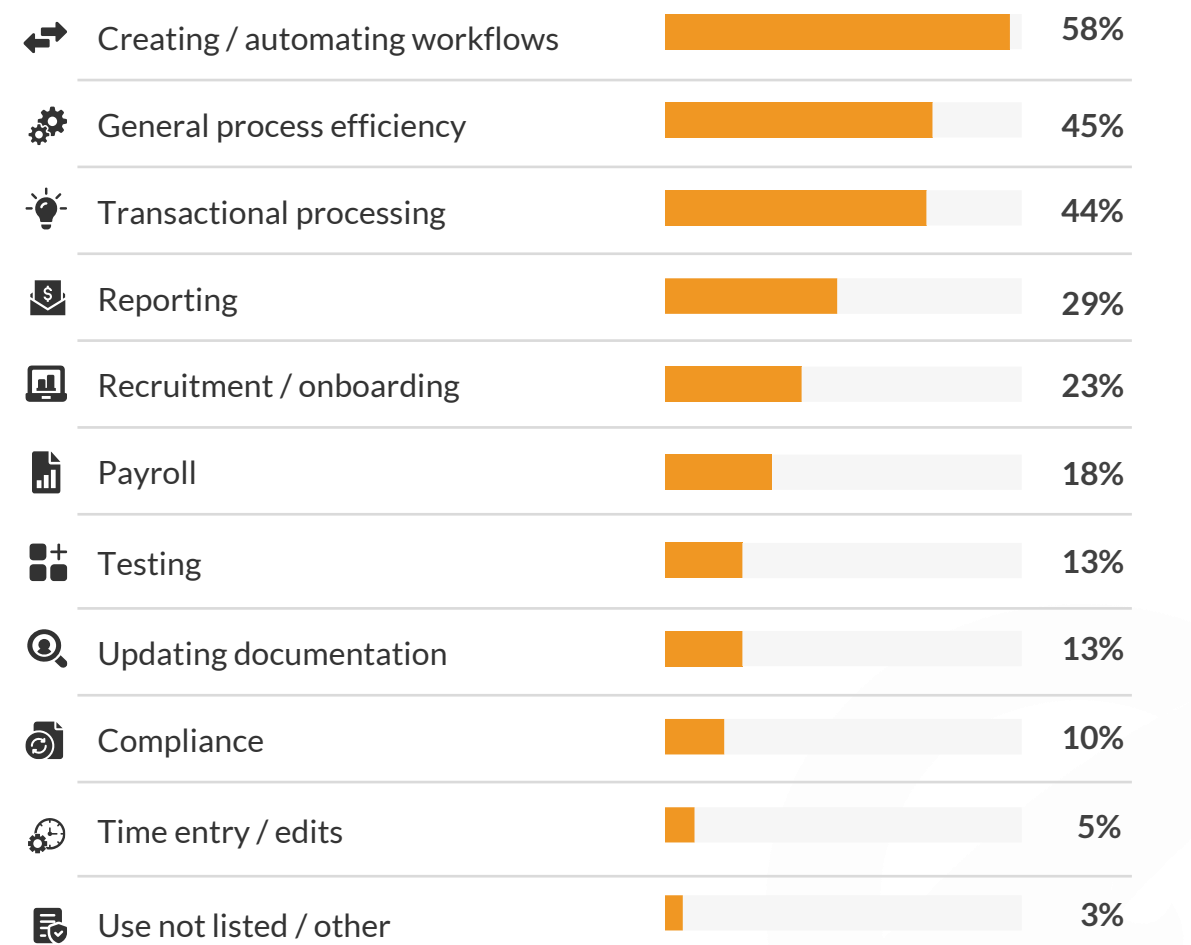
FIGURE 29: WHAT HR CHATBOTS ARE YOU USING?



ROBOTIC PROCESS AUTOMATION IN HR

RPA can be used to automate repetitive HR tasks such as employee information entry, reporting, and form submissions.. However, RPA has long been stagnant and has not progressed much beyond such tasks. But this year, for the first time, RPA is being used more for creating and automating workflows (58%) than it is for transaction processing (44%), as seen in Figure 30 Still, very few organizations (fewer than 25%) use RPA for anything with a high risk for error, such as payroll, recruiting, or compliance.

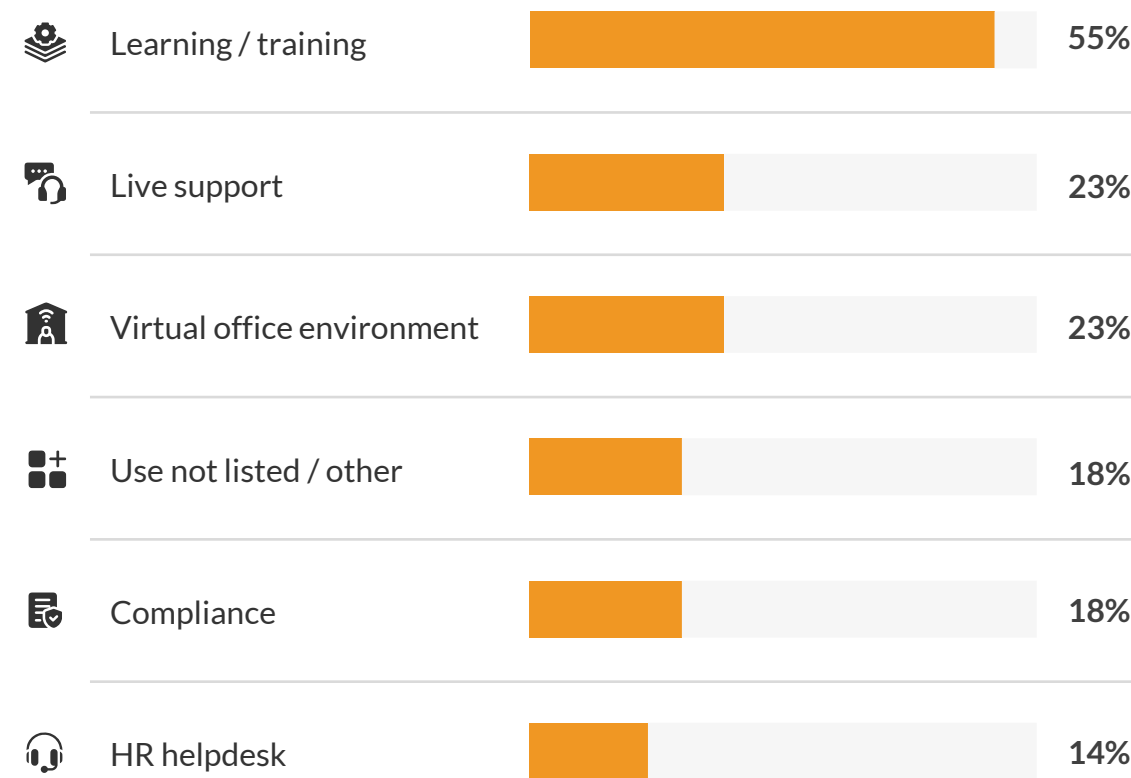
FIGURE 30: WHAT ARE YOU USING ROBOTIC PROCESS AUTOMATION (RPA) FOR IN HR?



VIRTUAL REALITY / METAVERSE SOLUTIONS

The metaverse, a virtual reality space where users can interact with one another and digital objects, has the potential to impact certain HR practices significantly. Current use cases demonstrate its potential for training and simulation in hazardous, highly emotional, or simply hard-to-recreate situations. The immersive environment has shown potential to even combat bias in some cases. However, costs are high, and with limited use cases outside those listed above, demand is also restricted. **Figure 31** clearly shows that **the application for VR/metaverse applications in HR is dominated by the Learning space (55%)**.

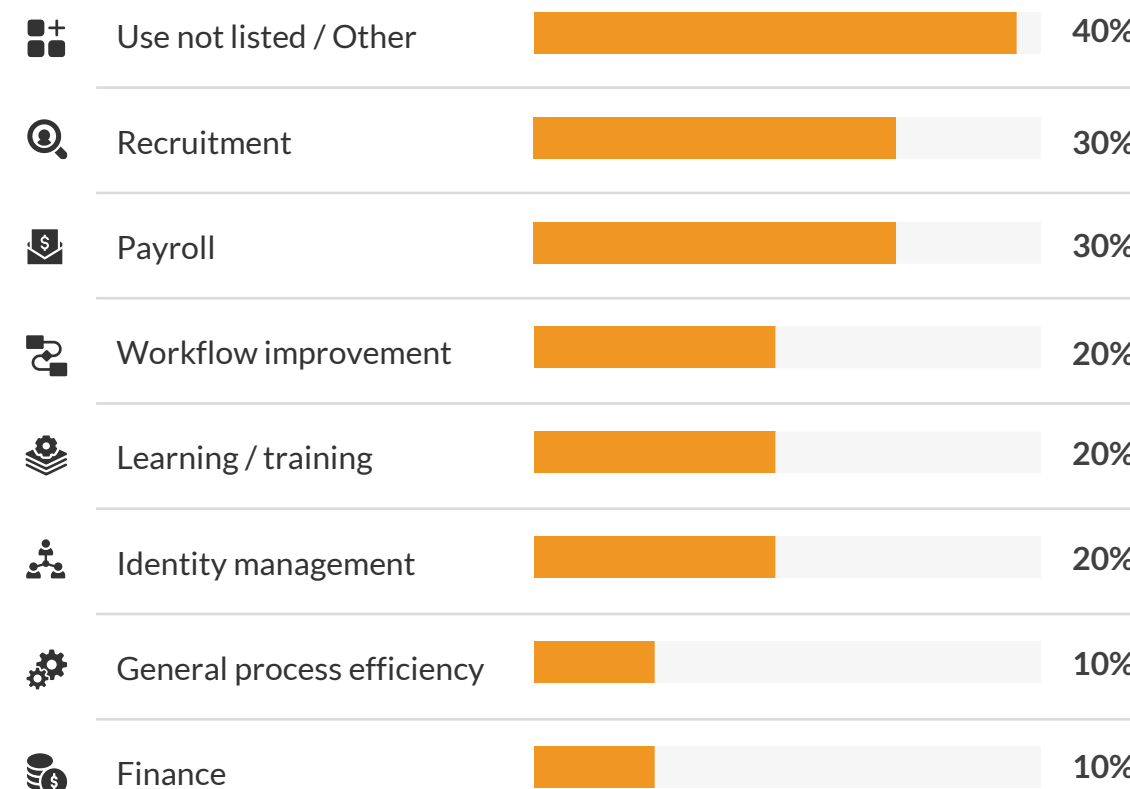
FIGURE 31: WHAT AREAS OF HR ARE YOU USING VIRTUAL REALITY / THE METAVERSE FOR?



BLOCKCHAIN TECHNOLOGY APPLICATIONS

Blockchain is a decentralized, distributed technology that records transactions (an audit trail) across multiple computers in a public-facing way, making it both secure and nearly impervious to security threats. Although it is primarily associated with cryptocurrency, HR professionals can utilize blockchain technologies to create safe, tamper-proof records of employee data, including certifications, performance reviews, and employment contracts. As seen in **Figure 32**, there is currently no clear use of blockchain technologies. Payroll and recruiting are the most frequently listed specific answers (30%), but the general “other” (40%) is at the top of the list.

FIGURE 32: WHERE IN HR ARE YOU USING BLOCKCHAIN TECHNOLOGIES?



RESEARCH METHODOLOGY AND DEMOGRAPHICS SECTION



5/5

SECTION

RESEARCH METHODOLOGY AND DEMOGRAPHICS



SURVEY AND RESEARCH HISTORY

The 2024-2025 HR Systems Survey Report, 27th Annual Edition, is the latest installment in a continuous research effort that began in 1997 by The Hunter Group.

While the sponsoring organization has changed several times since the inception of this initiative, the project continues to follow a rigorous research methodology overseen by well-known and trusted industry analysts. The Annual HR Systems Surveys and resulting published research continue to be invaluable resources that provide insights and guidance to business leaders around the world concerning their HR and finance technology decisions.

THE DEPTH AND BREADTH OF THE RESEARCH

Each year, thousands of HR professionals worldwide complete our systems survey, providing us with valuable data from companies of all sizes and industry segments. Well-known technology and service providers support a wide distribution of the survey. This outreach gives us a broad and varied audience for gathering data on tech adoption and usage while safeguarding against data bias toward any particular vendor or user community. The data is, therefore, representative of the overall HR tech community and its practices.

Participants answer in-depth enterprise systems questions that cover multiple topic areas, including:

- Enterprise outcomes and business financials
- HR technology selection, replacement, and deployment plans
- HR technology integration and implementation practices
- HR resourcing and system budgets
- HR functional processes and social responsibility behaviors
- Customer feedback and satisfaction drivers for major HR applications



Target survey participants are HR and IT practitioners and leaders at the center of HR technology decisions.

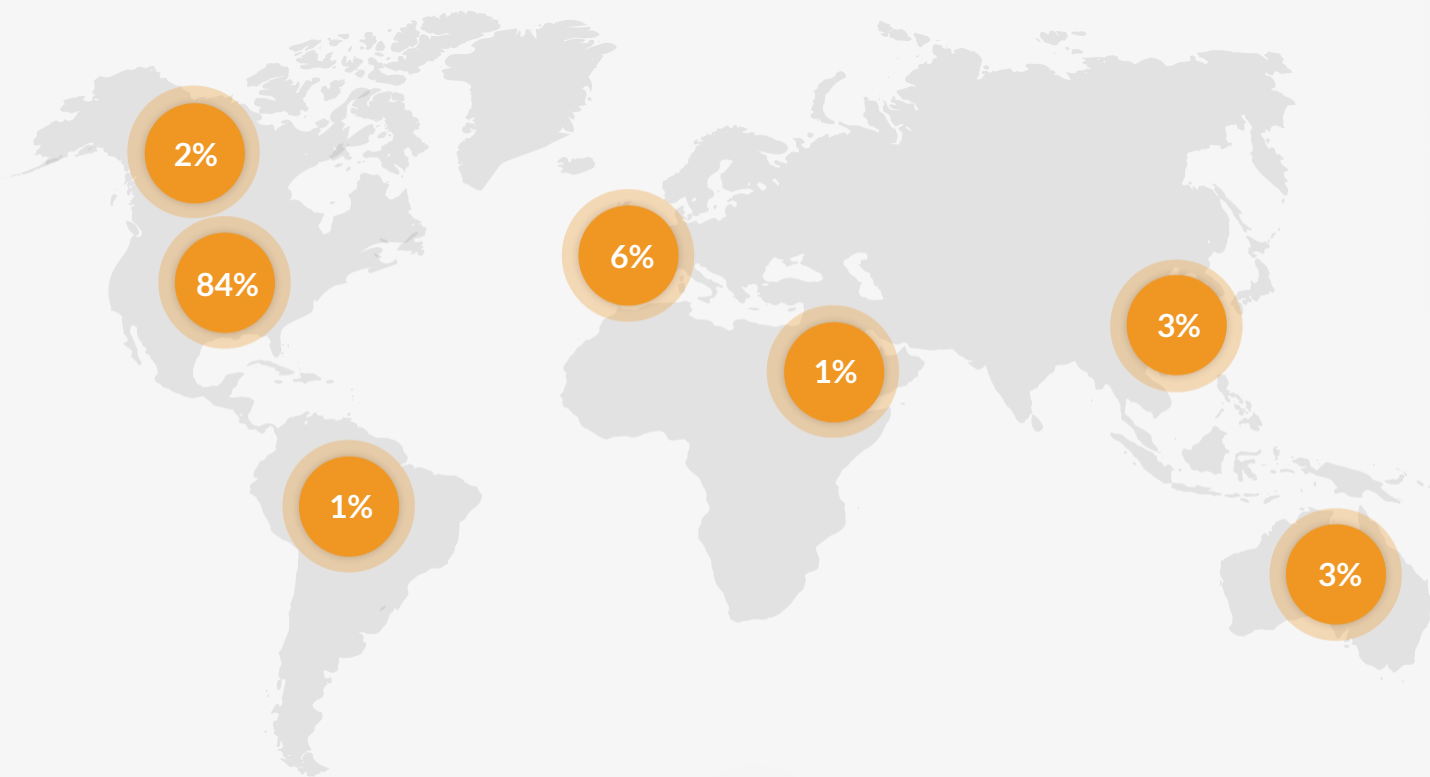
Target participants are HR, finance, IT, and shared services leaders and practitioners at the center of HR or workforce tech decisions, implementations, maintenance, and/or change management efforts. Each year, our annual reach provides a wealth of knowledge that we share within the HR and finance communities. Many executives and business leaders who focus on workforce and finance technology use these survey results to make better, more informed business decisions.



RESEARCH METHODOLOGY AND DEMOGRAPHICS

ORGANIZATIONAL DEMOGRAPHICS OF SURVEY RESPONSES

The 27th Annual HR Systems Survey was conducted from May 1–June 26, 2024. The survey had approximately 6,000 initial responses. Our research methodology includes an extensive cleansing process to remove duplicate organization details and responses with known inaccuracies based on a series of data validation steps. This year's report and research analysis are based on responses from **3,318 unique organizations** representing a total workforce of more than 25 million employees and contingent workers.



PARTICIPATION SKYROCKETED IN OUR 27TH YEAR!

Twenty-nine percent of respondents (644 organizations) have a workforce population in at least one additional country outside their headquarter locations. These global organizations have, on average, employees outside of headquarter locations in 18 countries. A total of **452 organizations (15% of respondents)** are headquartered outside the United States.

3318

Unique
Organizations

59

Countries

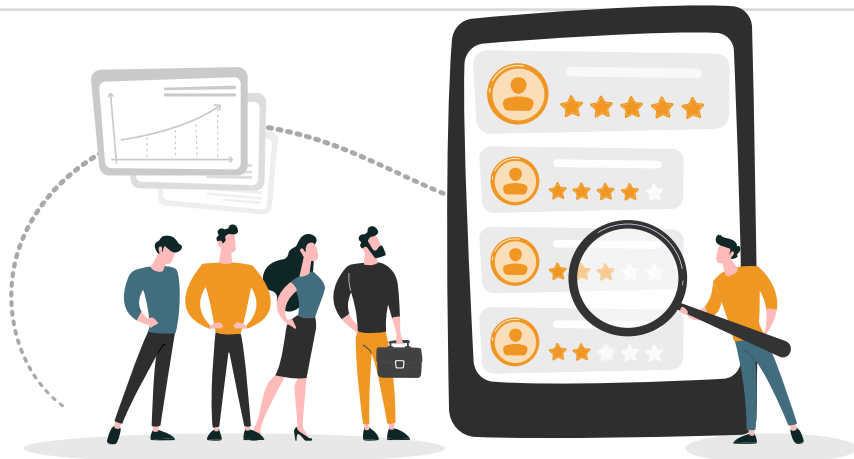
644

Global
Organizations

25M+

Total Number of Employees Represented

THANK YOU!
2024-2025 ANNUAL HR SYSTEMS SURVEY PARTICIPANTS



RESEARCH METHODOLOGY AND DEMOGRAPHICS

FIGURE 33: SIXTEEN INDUSTRY CATEGORIES

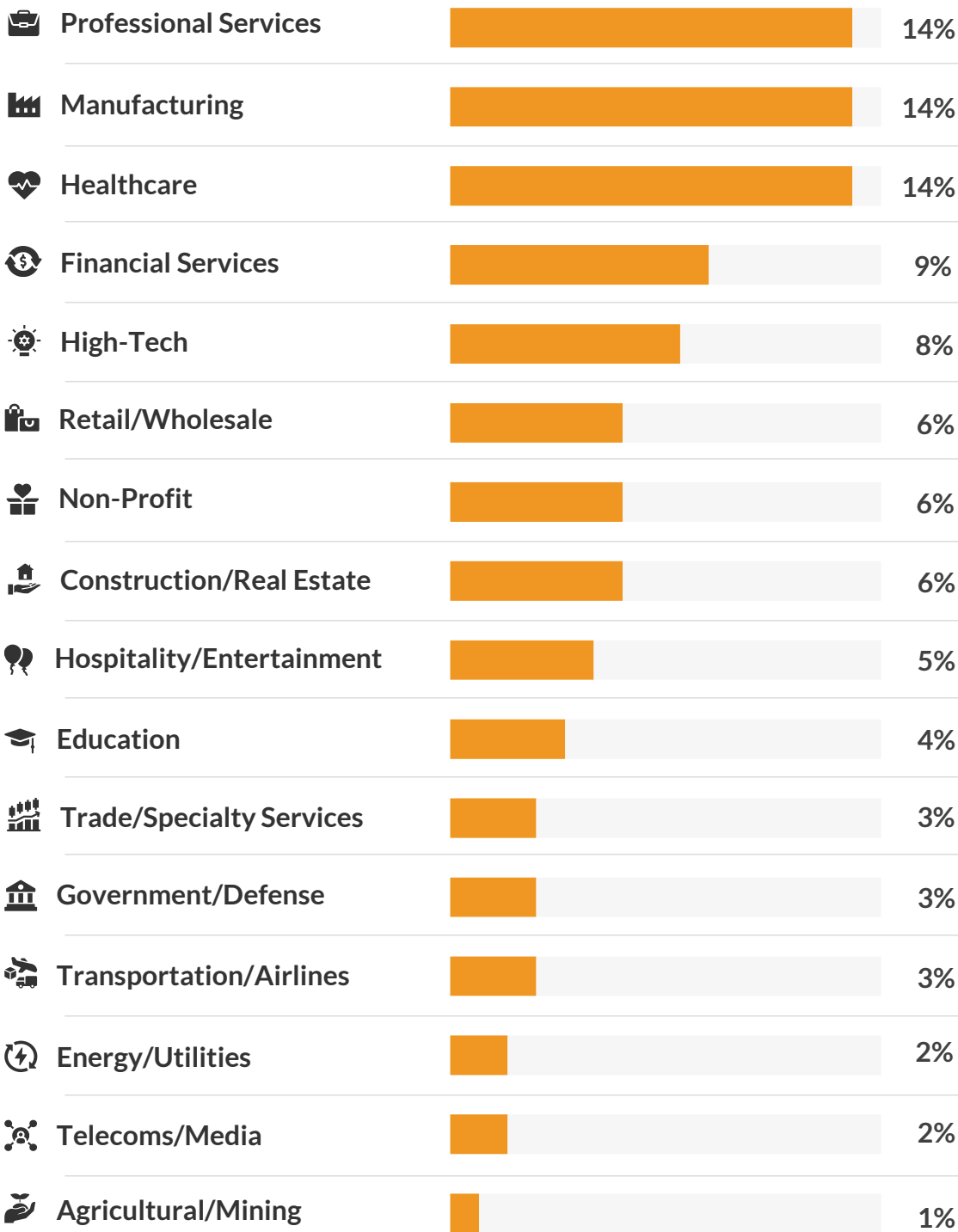
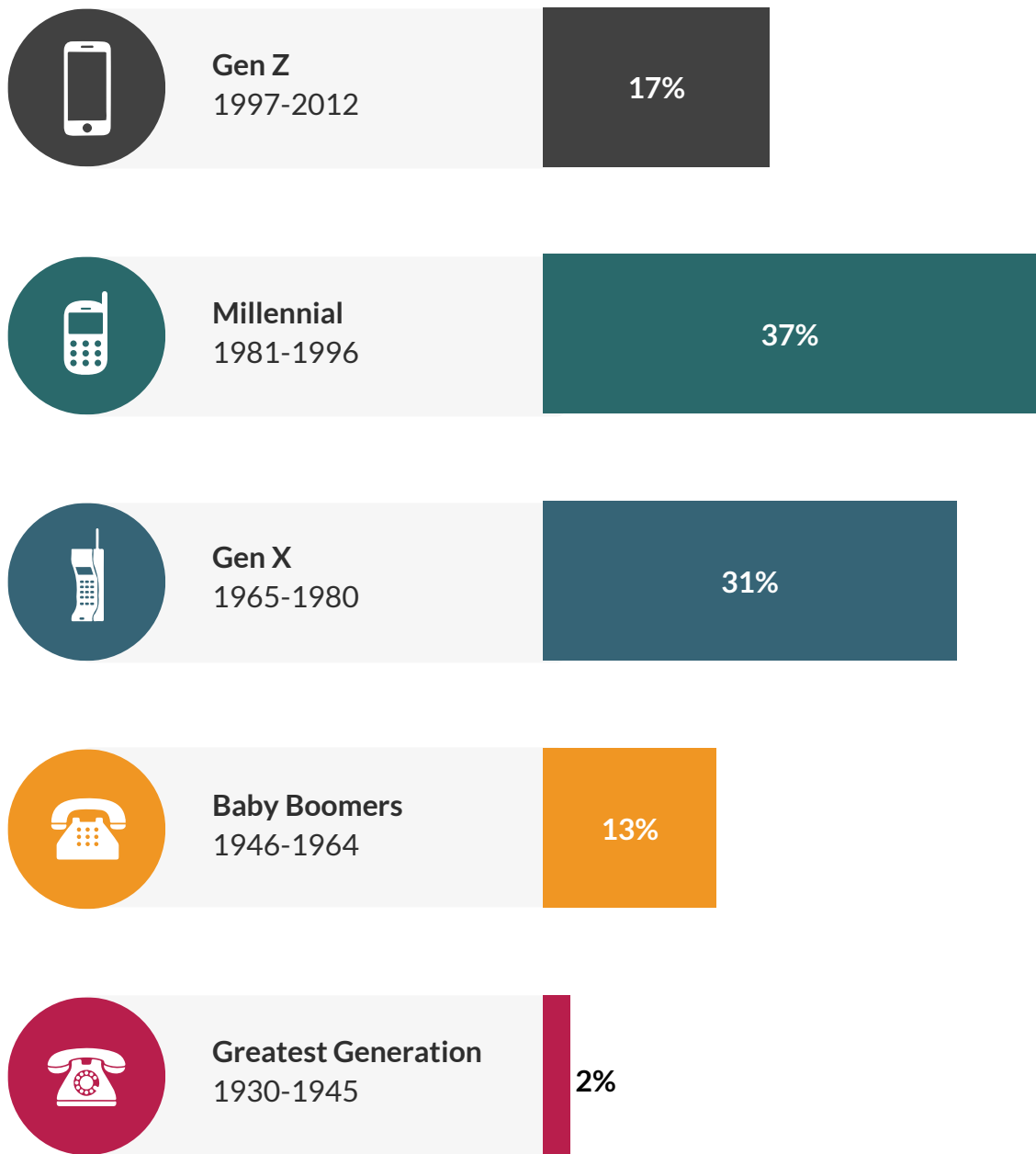


FIGURE 34: FIVE GENERATIONAL AVERAGES



RESEARCH METHODOLOGY AND DEMOGRAPHICS



The 2024–2025 data set includes organizations of all sizes across multiple industry segments. For purposes of this report, we categorize our data into:

- Seven aggregate regional areas
- Three organizational size categories
- Sixteen industry categories
- Five generational averages
- Six entity types

FIGURE 35: SEVEN AGGREGATE REGIONAL AREAS

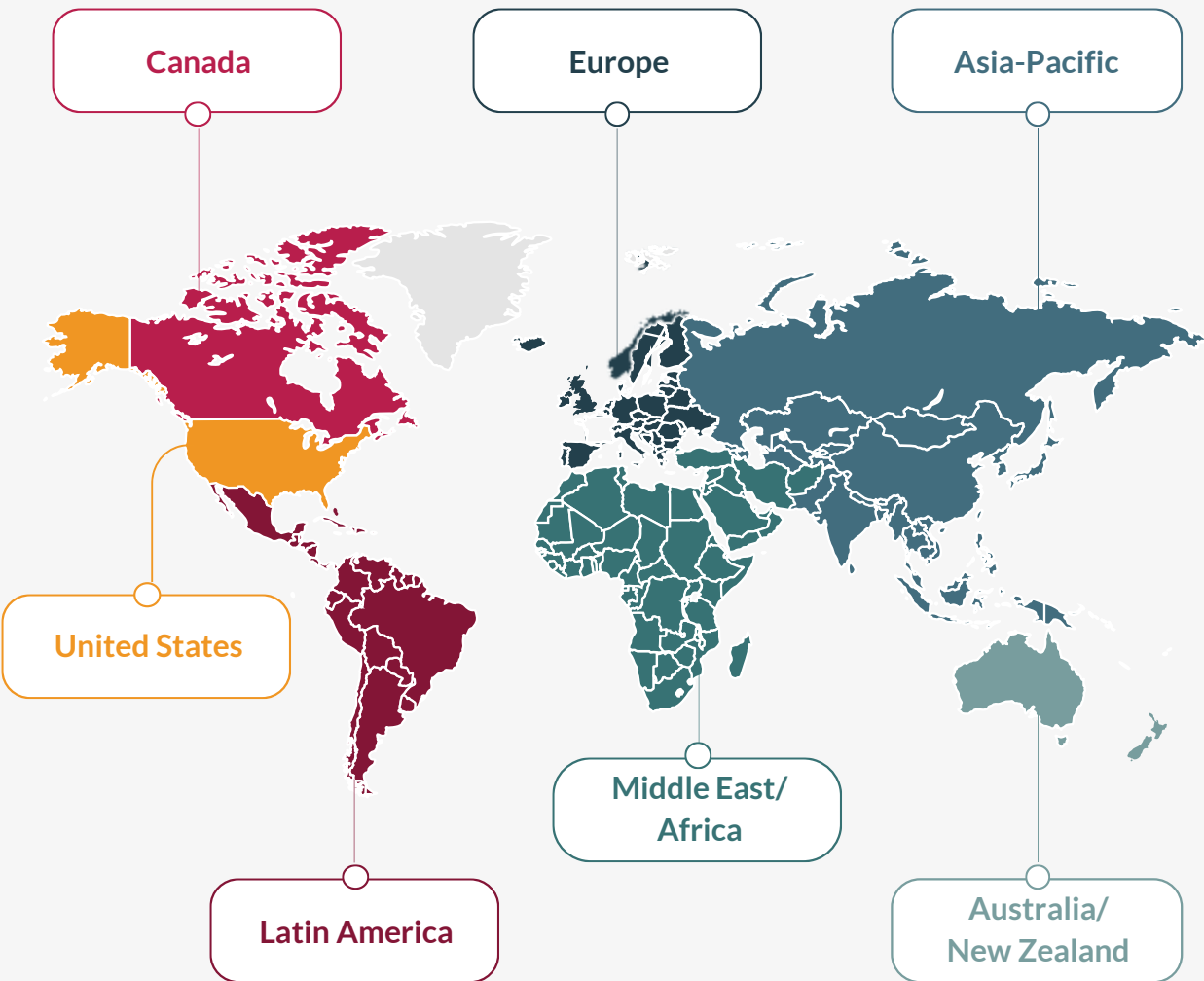
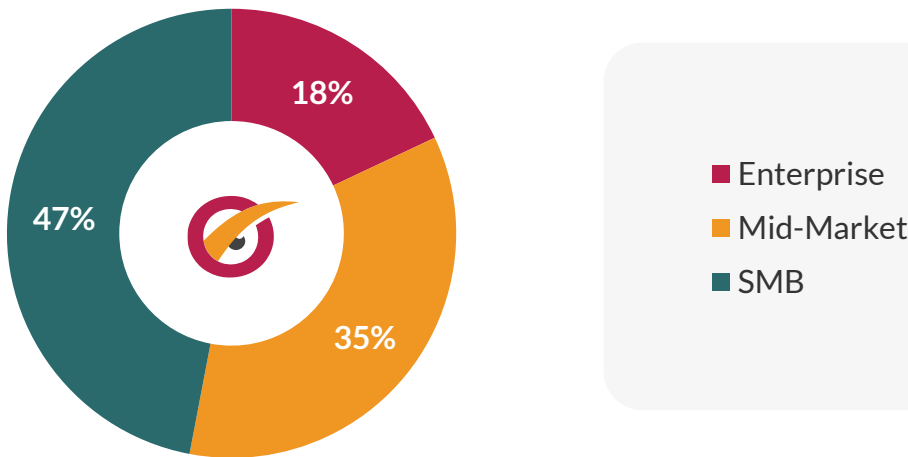


FIGURE 36: THREE ORGANIZATION SIZE CATEGORIES



Enterprise

≥5000 Employees



Mid-Market

500-4999 Employees

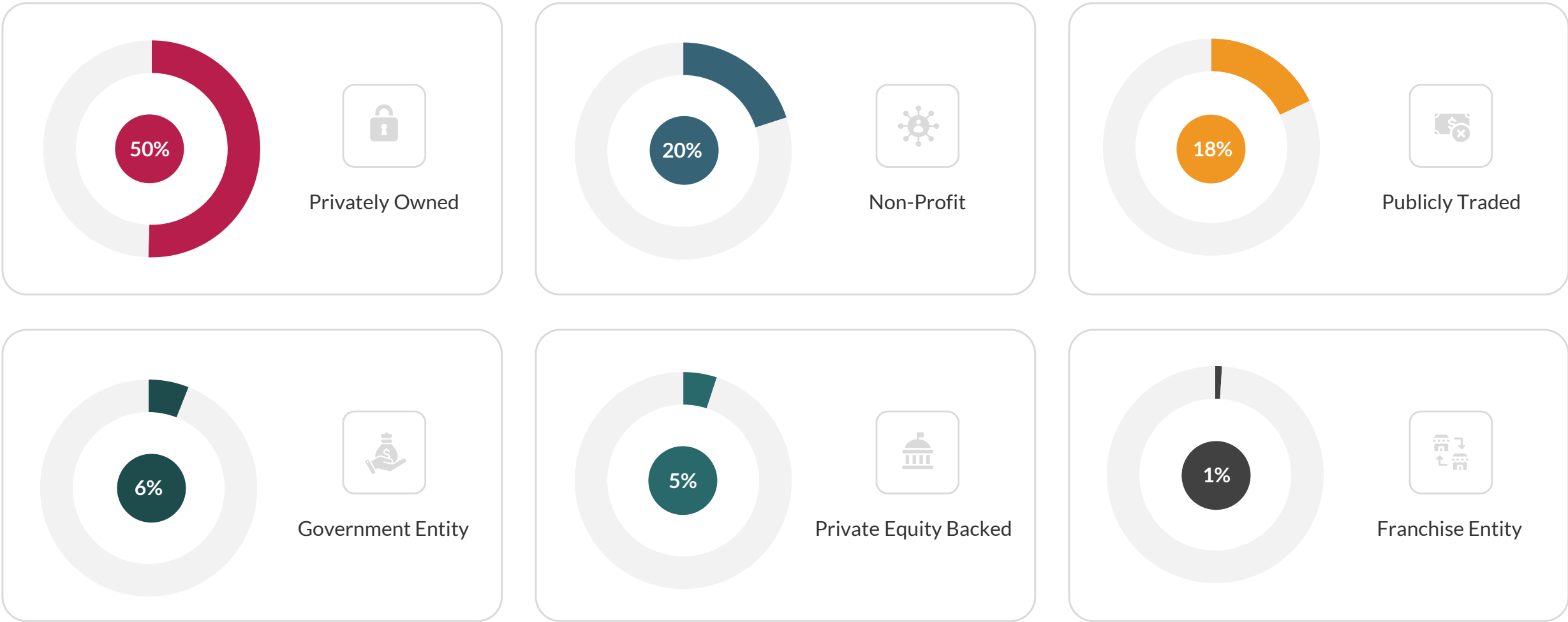


SMB

<500 Employees



FIGURE 38: SIX ENTITY TYPES



SAPIENT INSIGHTS GROUP

If you need data organized into a unique set of sizes, industry segments, or regions for benchmarking purposes, please contact us at Research@SapientInsights.com for information about our data services.



INDIVIDUAL PARTICIPANT DEMOGRAPHICS



DEMOGRAPHICS OF SURVEY RESPONDERS

Next, we take a look at the demographics of the individual professionals participating in this year’s survey. For additional context, we asked participants a series of questions that spanned:

- Job role
- Years in current role
- Certifications held
- Department / function
- Education level
- Generation identification

FIGURE 39: BY ROLE

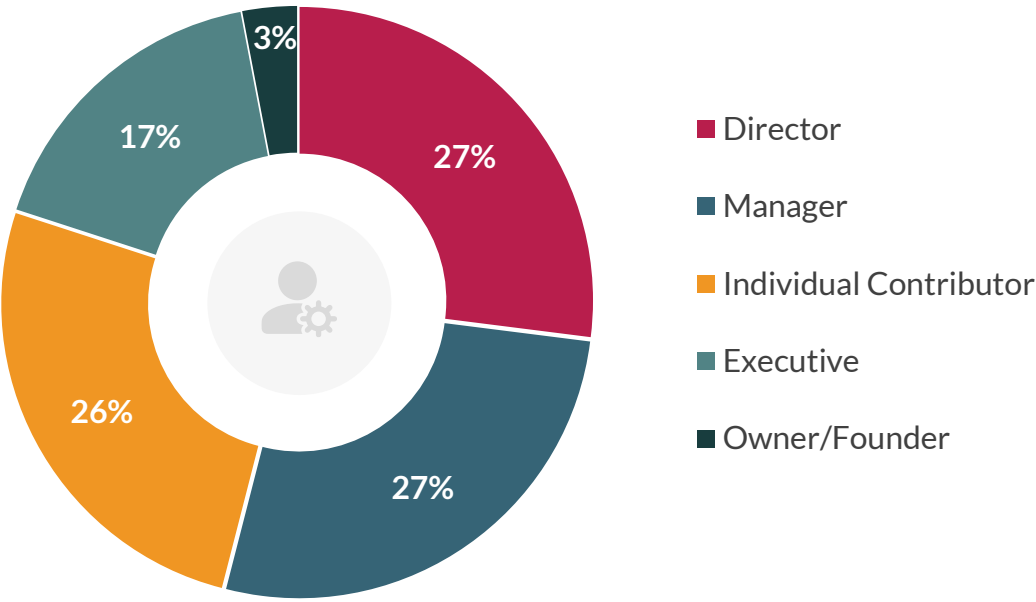
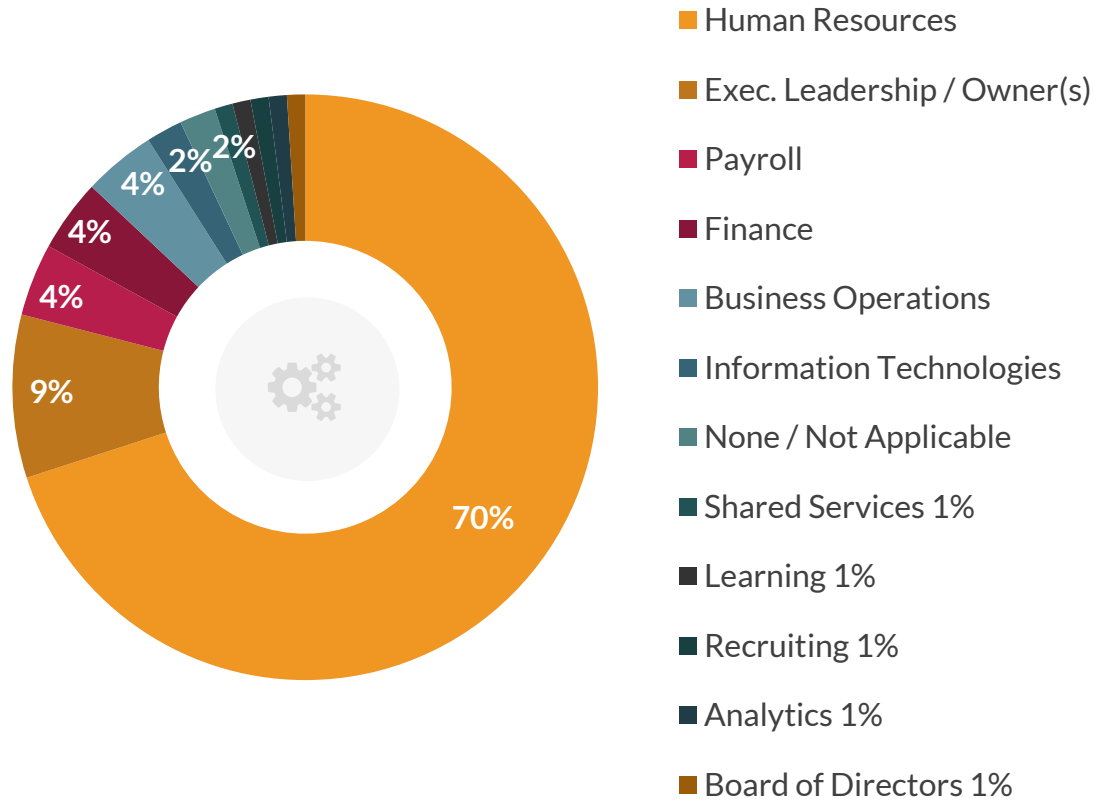


FIGURE 40: BY DEPARTMENT/FUNCTION



INDIVIDUAL PARTICIPANT DEMOGRAPHICS

FIGURE 41: YEARS IN CURRENT ROLE

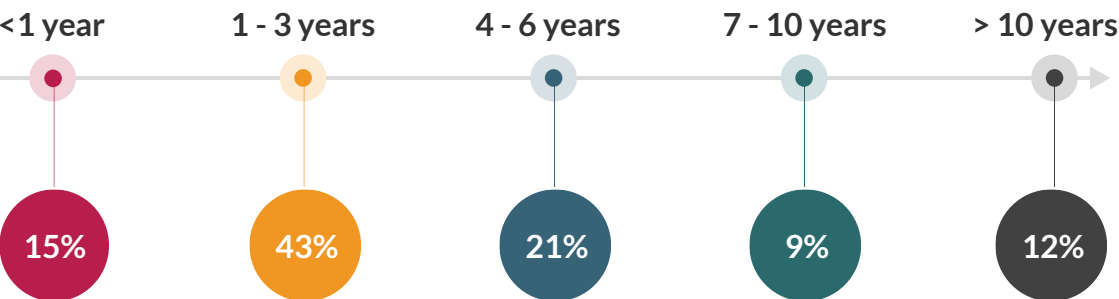


FIGURE 42: EDUCATION LEVEL

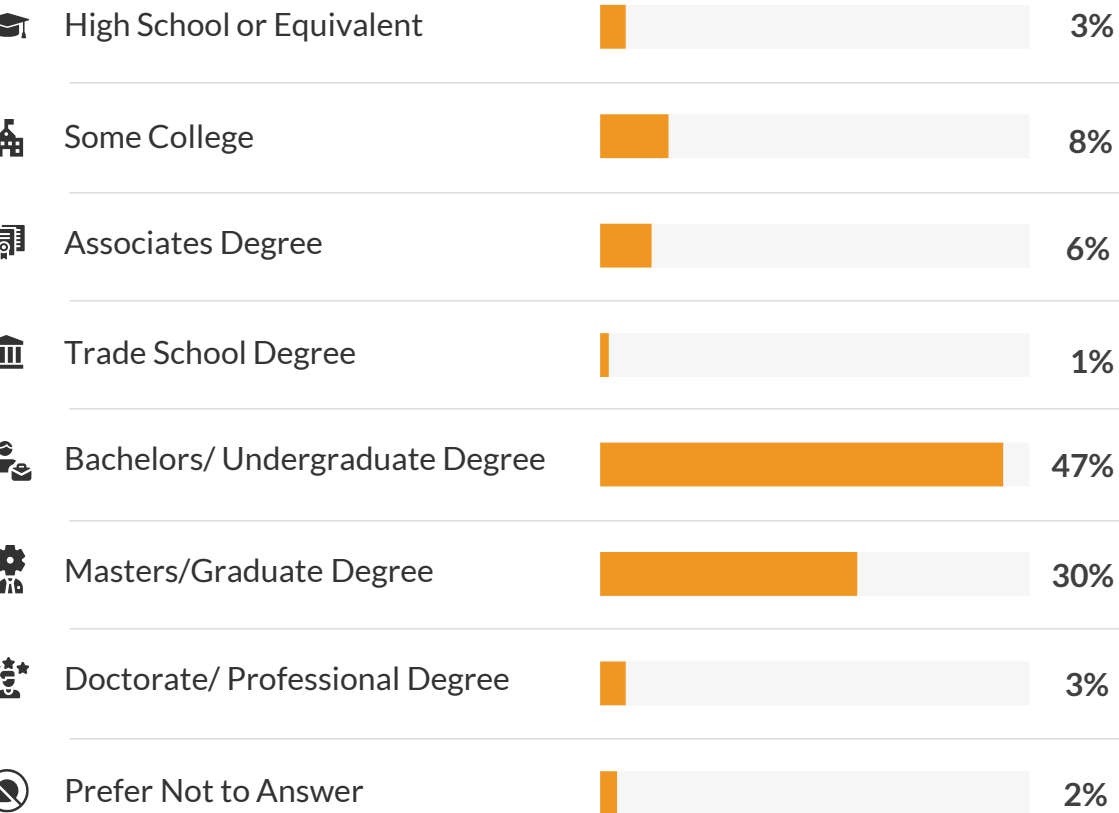
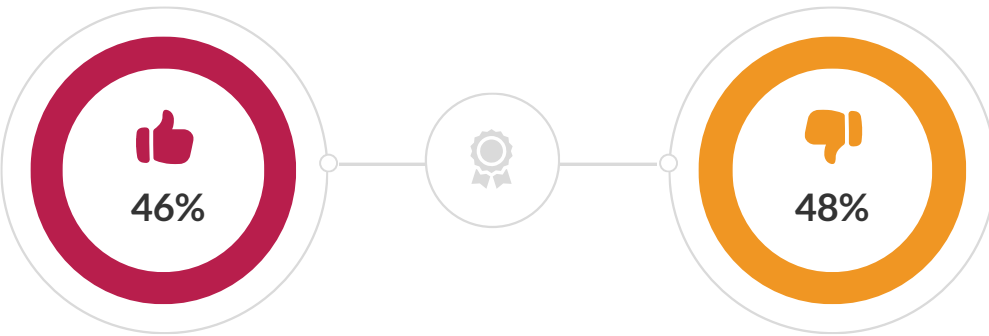
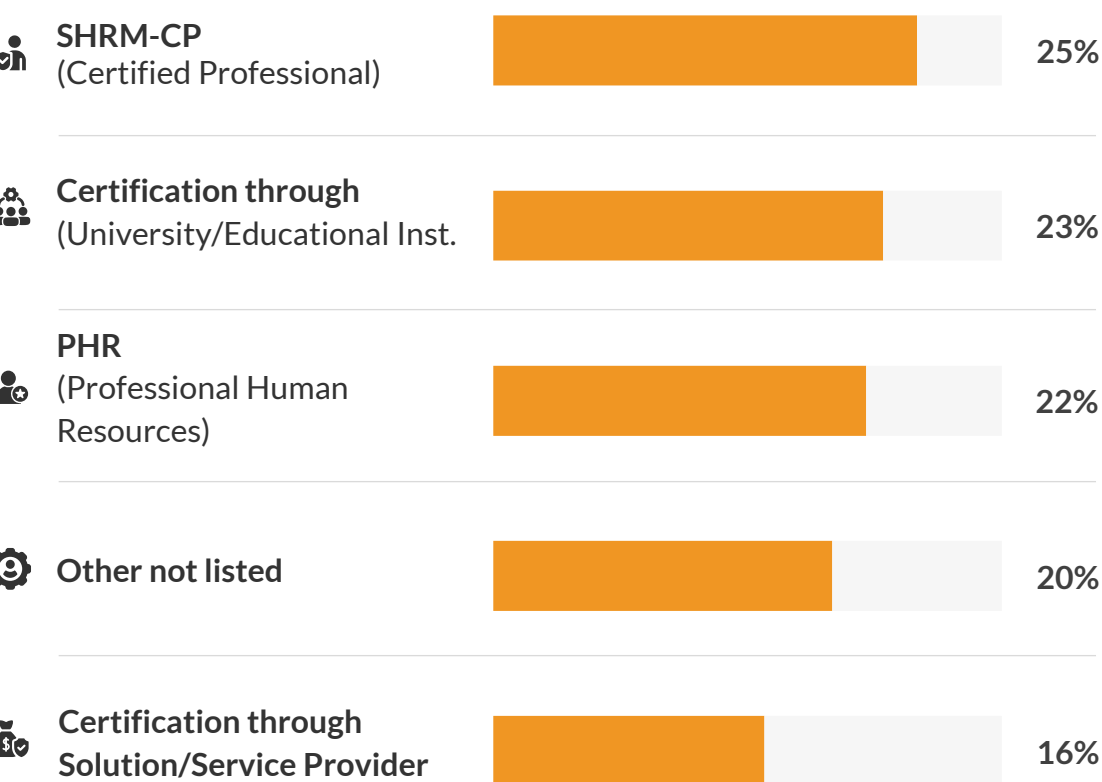


FIGURE 43: CERTIFICATIONS HELD



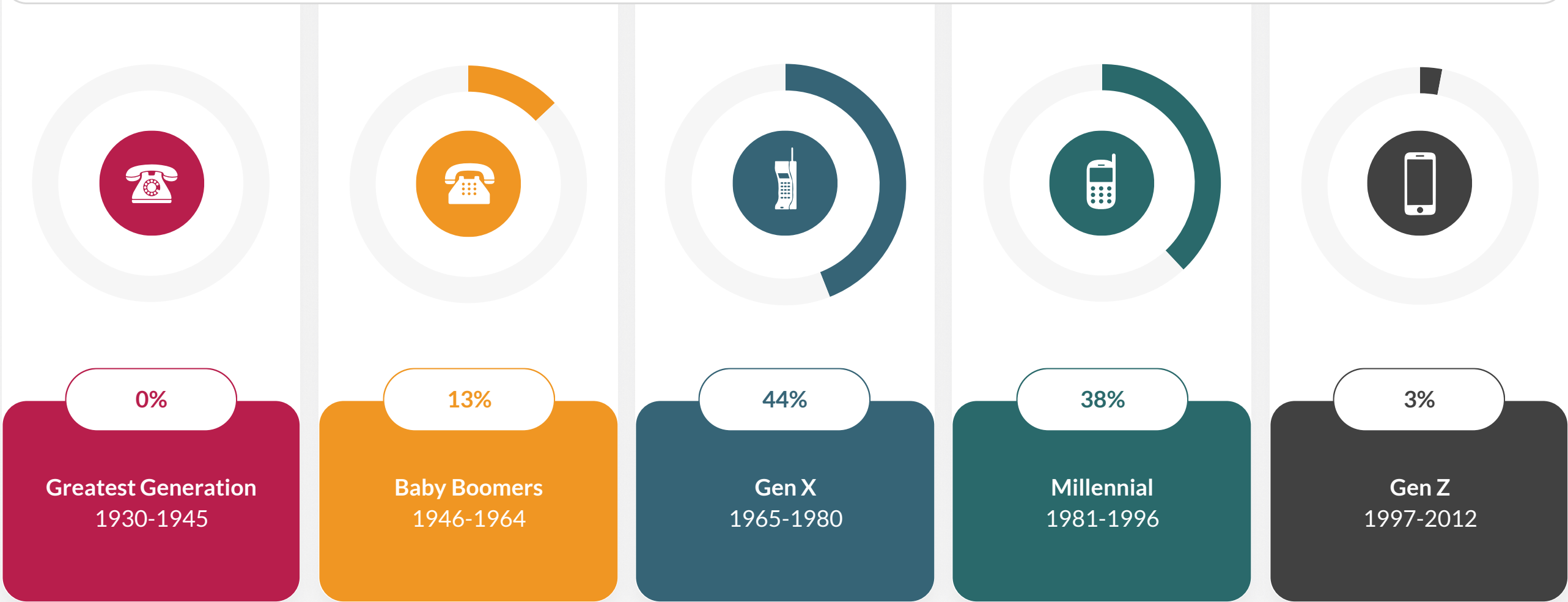
Prefer not to answer 6%

FIGURE 44: TOP 5 CERTIFICATIONS



INDIVIDUAL PARTICIPANT DEMOGRAPHICS

FIGURE 45: GENERATION IDENTIFICATION



2%

PREFER NOT TO ANSWER



CELEBRATING OUR RESEARCH COMMUNITY



All survey participants who complete the survey and provide a valid business email will receive a copy of their results and a full copy of the Annual HR Systems Survey Report. Ninety-six percent of participants request an individual snapshot comparing their responses with our aggregate data set for benchmarking purposes. We look forward to welcoming you to our rapidly growing HR community.

For more details on this year’s 2024-2025 Annual HR Systems Survey data set, please contact us at Research@SapientInsights.com



Join Sapient Insights’
Research Center



Learn More About
Sapient Insights Group



BE COUNTED in the
28th Annual Survey



LICENSED RESEARCH POLICY

Copyright © 2025 Sapiient Insights Group. All rights reserved. This publication may not be reproduced or distributed in any form without prior written consent from Sapiient Insights Group. This paper is licensed to Workday.

Sapiient Insights Group does not endorse any solution or vendor referenced in our research. This report consists of aggregate research data gathered from Sapiient Insights Group’s 2024-2025 HR Systems Survey, 27th Annual Edition, and insights from our analysts and consultants. The report, based on responses from around 6,000 respondents, is provided for informational purposes only.

Sapiient Insights Group is an independent research and advisory organization that focuses on providing primary research data gathered directly from the practitioner community to deliver a unique “Voice of the Customer” perspective. Our research approach is vendor-agnostic and open to all organizations for participation. This report was written entirely by humans; although AI assistance may have been used for research, nothing in this report was written using generative AI programs.

COPYRIGHT

Information contained in this survey analysis report is compiled and analyzed by Sapiient Insights Group as part of our commitment to provide thought leadership on human resources technologies and trends and the impact of their adoption on business outcomes.

This report cannot be uploaded to any servers, databases, or any other means for the purposes of having it be summarized, read, or in any way used by an AI program.

This report cannot be publicly posted in part or in its entirety without explicit written permission from Sapiient Insights Group. We do, however, encourage customers, media, partners, analysts, and other readers to quote from and share liberally the information found herein with appropriate credit provided to Sapiient Insights Group. Approval to share visuals or sections from the research can be licensed from Sapiient Insights Group.

On first reference, please credit all quotes and references from this publication as: Sapiient Insights 2024–2025 HR Systems Survey Research, 27th Annual Edition, Sapiient Insights Group. All subsequent references should read as: Sapiient Insights Group White Paper, 27th Edition.



SAPIIENT
INSIGHTS GROUP



To participate in next year’s research and receive an advanced copy of the Annual HR Systems Survey Report, please join our [Research Community](#).



To request a media interview, email us at Research@SapiientInsights.com.



More details on our research approach can be found on our website under [research methodology](#).



To learn more about additional research efforts conducted by Sapiient Insights Group, please visit [our website](#).



Our research is an annual community effort; key aggregate findings can be found [here](#).

