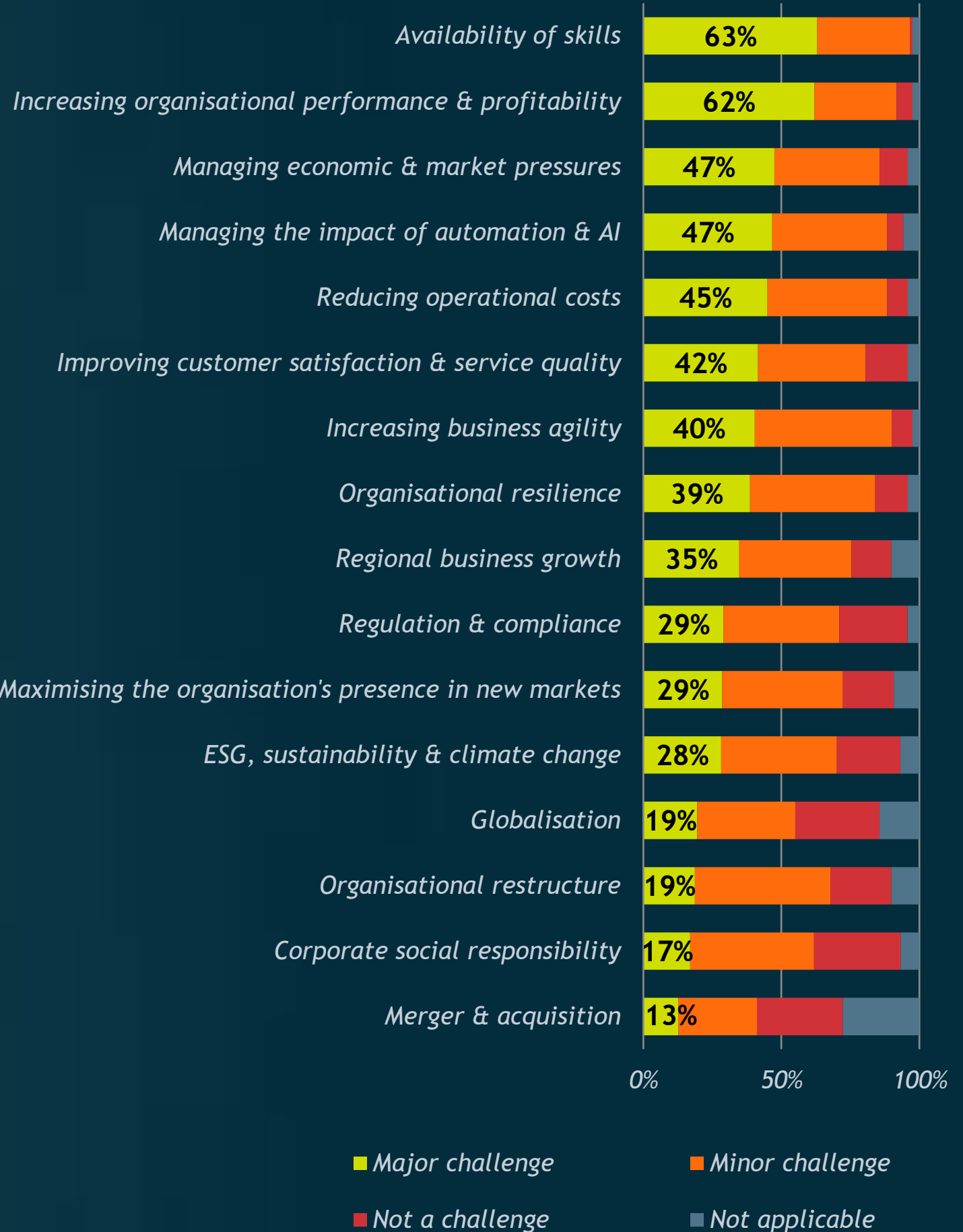


Performance and profitability come close to toppling the availability of skills from being the biggest business challenge

Over the past four years, from HR's perspective the availability of skills has held a significant lead over all the challenges organisations face. And whilst HR leaders still see the lack of skills as the biggest challenge for their organisation, this year 'performance and profitability' has edged even closer to toppling skills off the top spot than ever before. In the face of economic headwinds, delivering value is more at the forefront of HR thinking than it has been for the past decade. With economic pressures, automation and cost reduction all climbing up into the top five of the list of challenges, it's not hard to get a sense of the budgetary belt tightening that many have experienced generating a pragmatism in HR strategy and investment trends.

Currently, what are your organisation's most significant business challenges?



'Better HR leadership' rises to become the top priority for HR organisations alongside employee engagement and being a strategic business partner

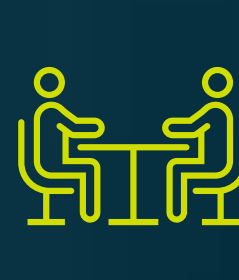
What are your top FIVE priorities as an HR organisation?



Better HR leadership and management



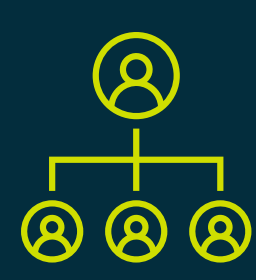
Improving employee engagement



Being a strategic business partner



HR upskilling and reskilling



Being a learning organisation

Enhancing the employee experience and quality analytics are seen as critical to the future success of HR operations

The things that underpin HR operations' success remain stubbornly consistent and this year show little significant change. At the core is the focus on the employee experience and quality data is central to success in a world where data is the foundation of personalisation and decision making. That closer integration between HR and business systems has nudged itself into 3rd place from 4th should be no surprise. Every function lives and dies by its ability to impact the bottom line and HR is increasingly under scrutiny to show its value-add.

How important are the following to the future success of your HR operation?

70%



Improve the employee experience

64%



High quality data and analytics

56%



Closer integration between HR and business systems

52%



Employer brand and values

47%

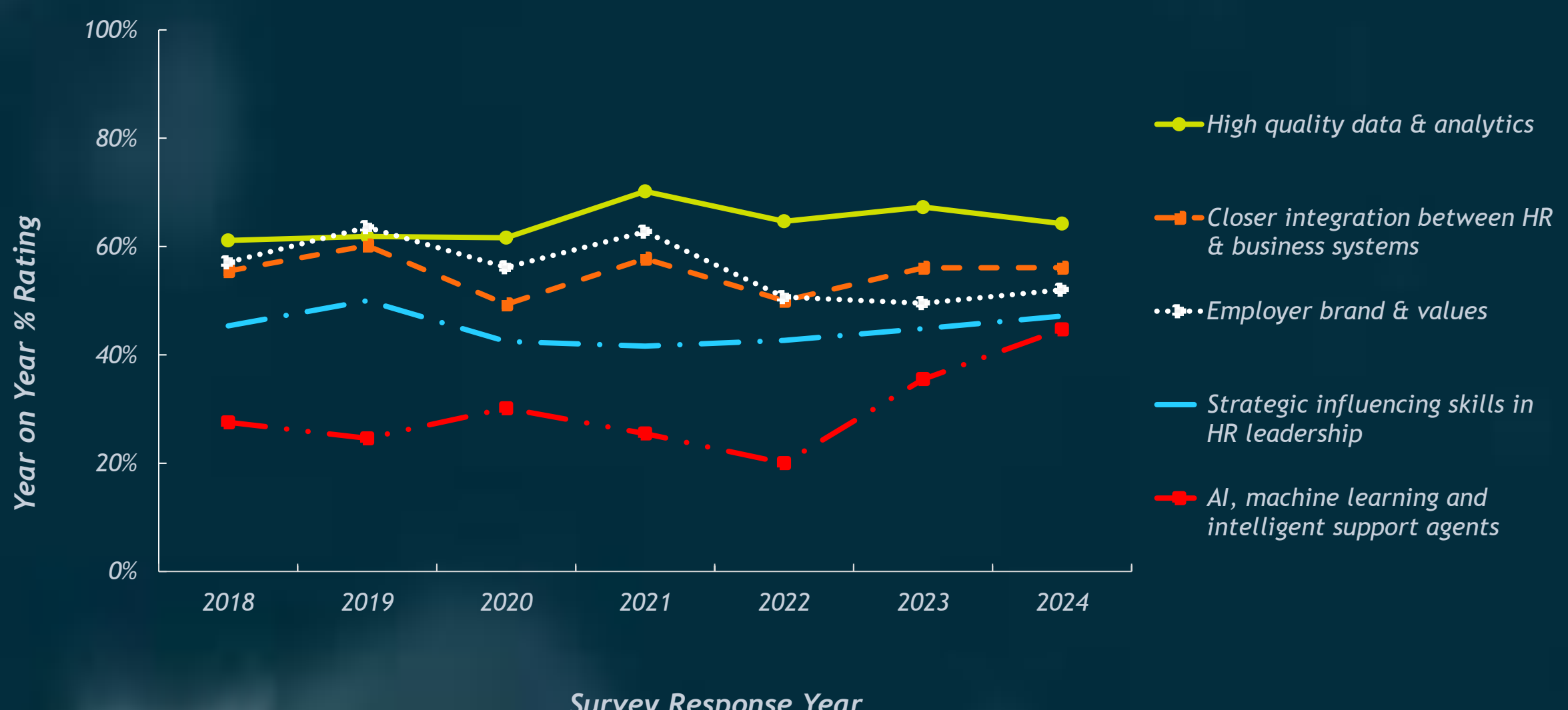


Strategic influencing skills in HR leadership

AI continues to rise in HR's thoughts about what powers its future success

AI continues to rise in HR's thoughts about its future. This year sees another leap in expectations about the role AI will inevitably play in redefining the employee experience and HR operations. AI, machine learning and intelligent agents have steadily grown in their perceived importance, from relative obscurity back in 2018, and particularly in the last two years AI has emerged at the forefront of HR's thinking about how it delivers success. Based on its current trajectory, it's easy to see AI eclipsing strategic influencing skills and employer brand as an enabler of a successful HR operation.

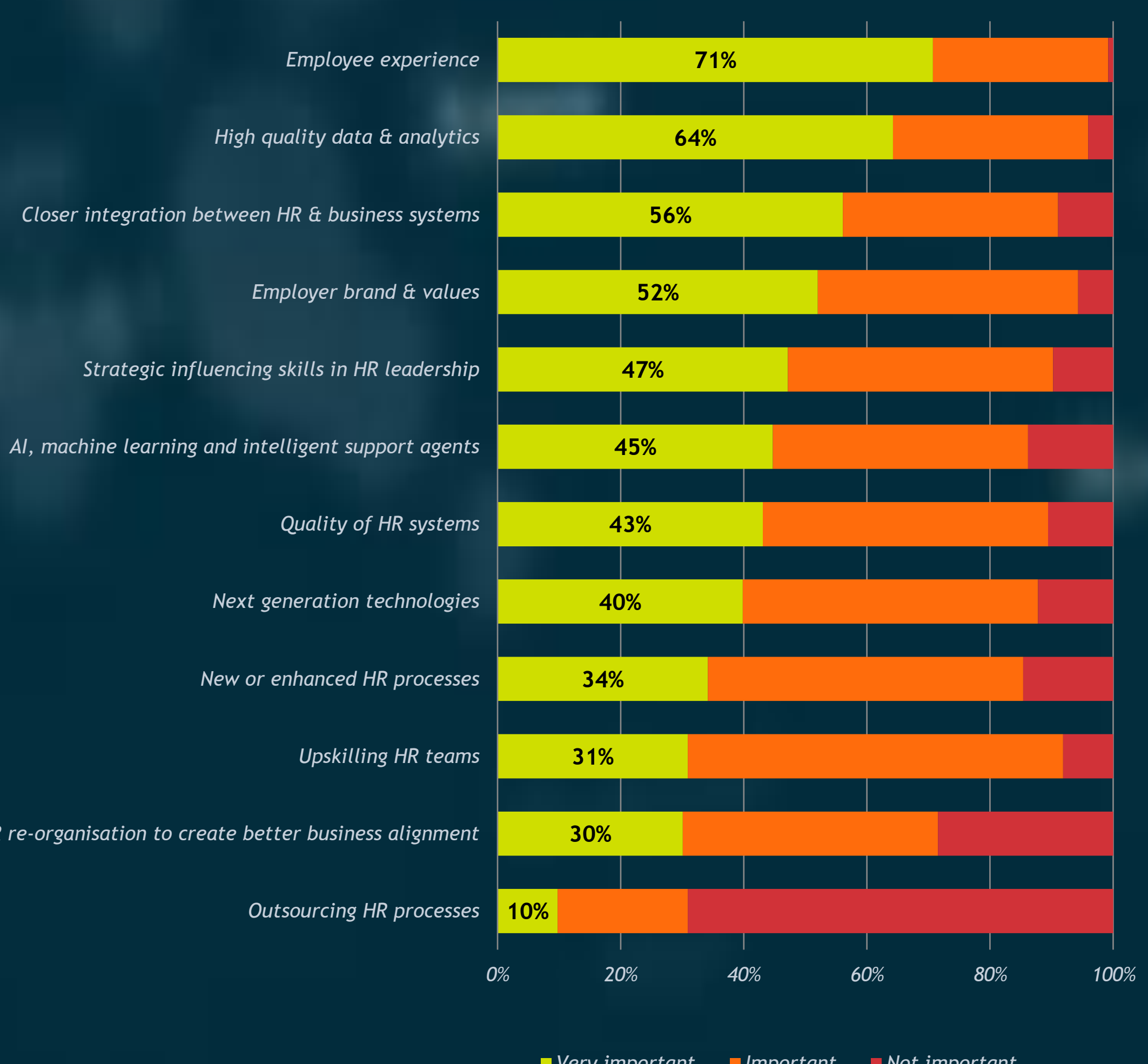
How important are the following to the future success of your HR operation?
Trend from 2018 to 2024



The employee experience continues to dominate HR's agenda for 2025 and beyond

The quality of the employee experience has been the defining element that HR sees as enabling the success of the HR operation - and consequentially this becomes a huge driver of HR systems change. Where once this was just a siloed view within each HR process, increasingly it's the interplay of people experiences and the connectedness of data across HR silos that is starting to take precedence in enabling a differentiated and high-quality employee experience. Look at skills, employee listening, performance coaching and career aspirations, strategic workforce planning insights - it's the whole picture that informs what were once siloed people experiences.

How important are these areas to the future success of your HR operations?



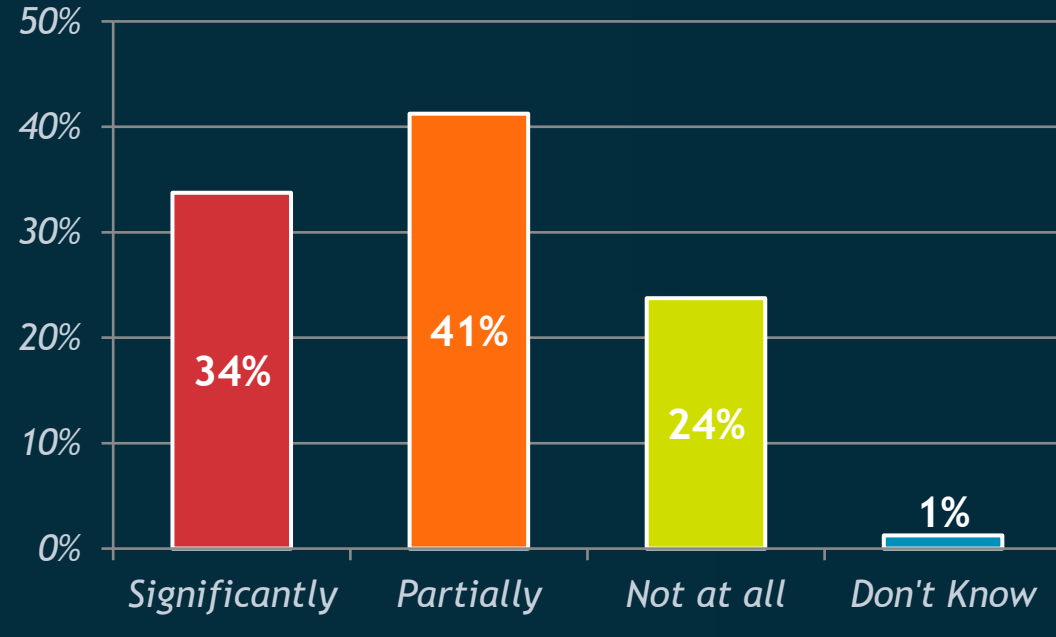
In association with



Economic pressures continue to bite into HR budgets

In an almost identical pattern to 2023, economic headwinds continue to bite with 75% of HR professionals reporting that the economy had put their HR budgets under pressure, and there seems to be little immediate prospect of that situation changing. The need to do more with less or the same appears to have become entrenched in today's HR team and that is sending out ripples of disruption.

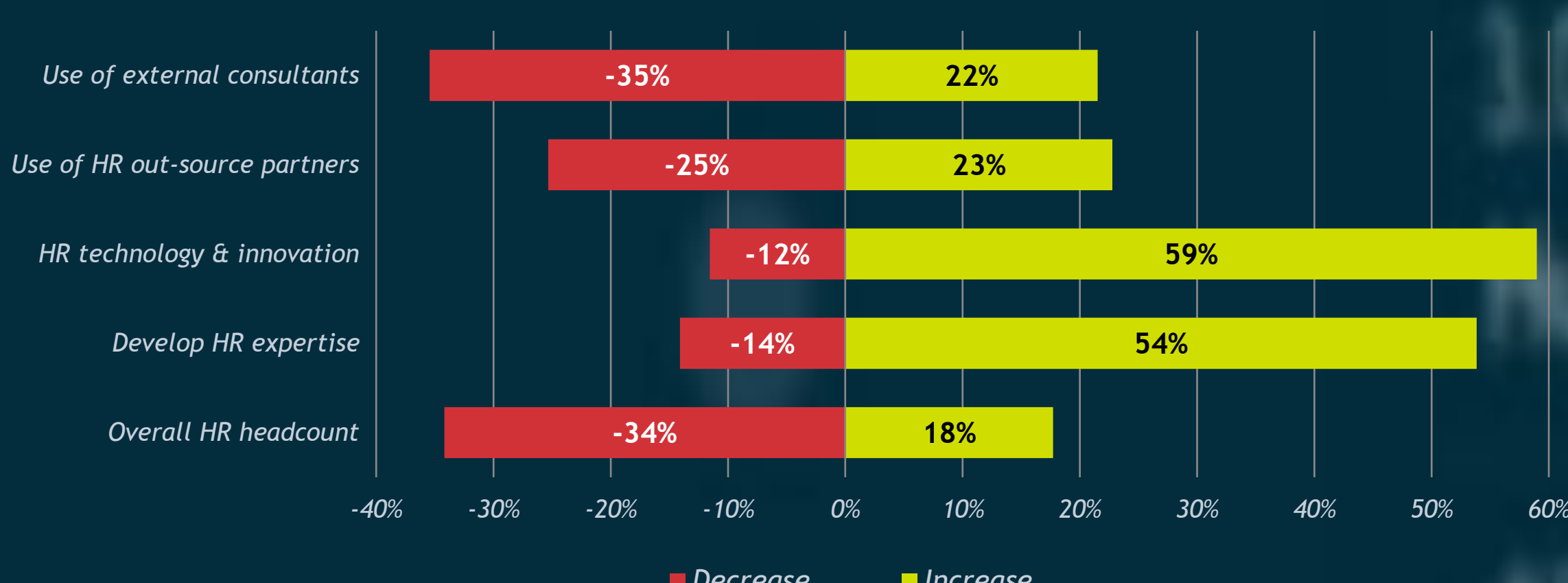
How significantly have economic pressures affected your HR budgets for the year ahead?



This year sees investment across all aspects of HR operations under more pressure than previous years

This year has seen the squeeze put on all parts of HR investment, even those which have been relatively resilient such as HR tech and innovation, and developing HR's expertise have seen a decrease in spend, compared to 2023. Particularly stark are the investment trends in HR headcount. In 2024 the momentum towards decreasing HR headcount grew significantly. HR teams are feeling the pinch.

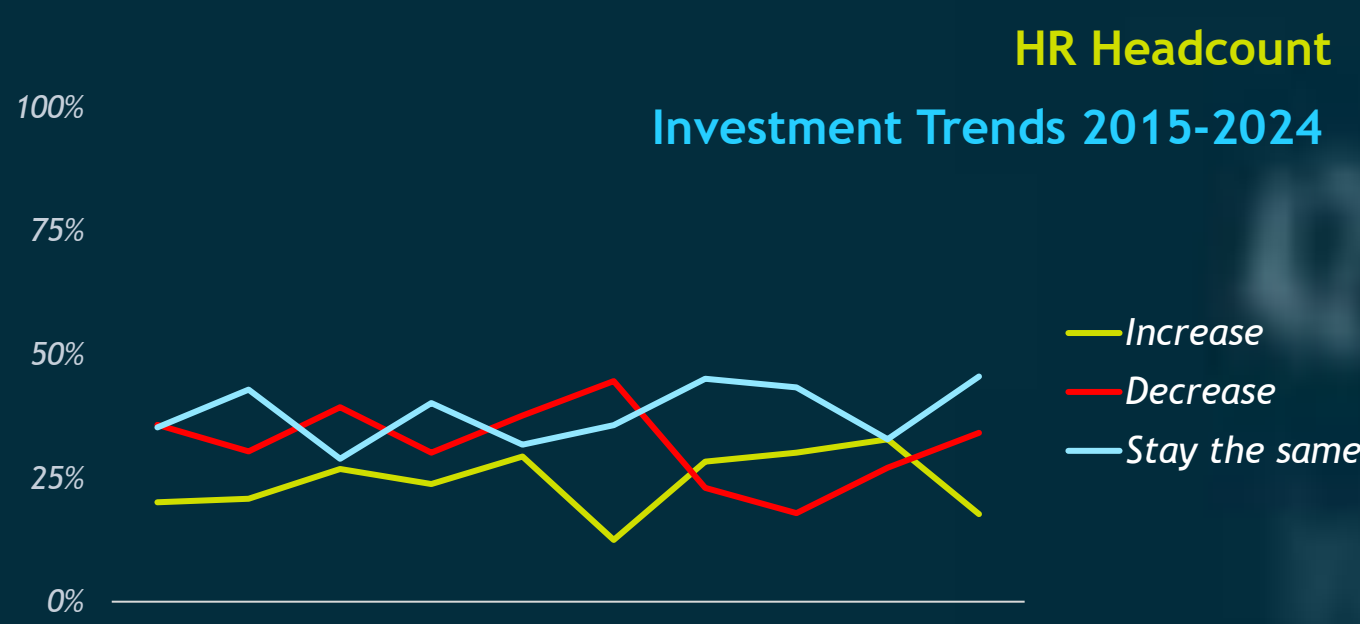
Do you expect your organisation's investment in the HR function to increase, decrease or stay the same over the year ahead?



Over the past NINE years, trends for HR expenditure have been relatively consistent, with technology and innovation being the leading focus for investment

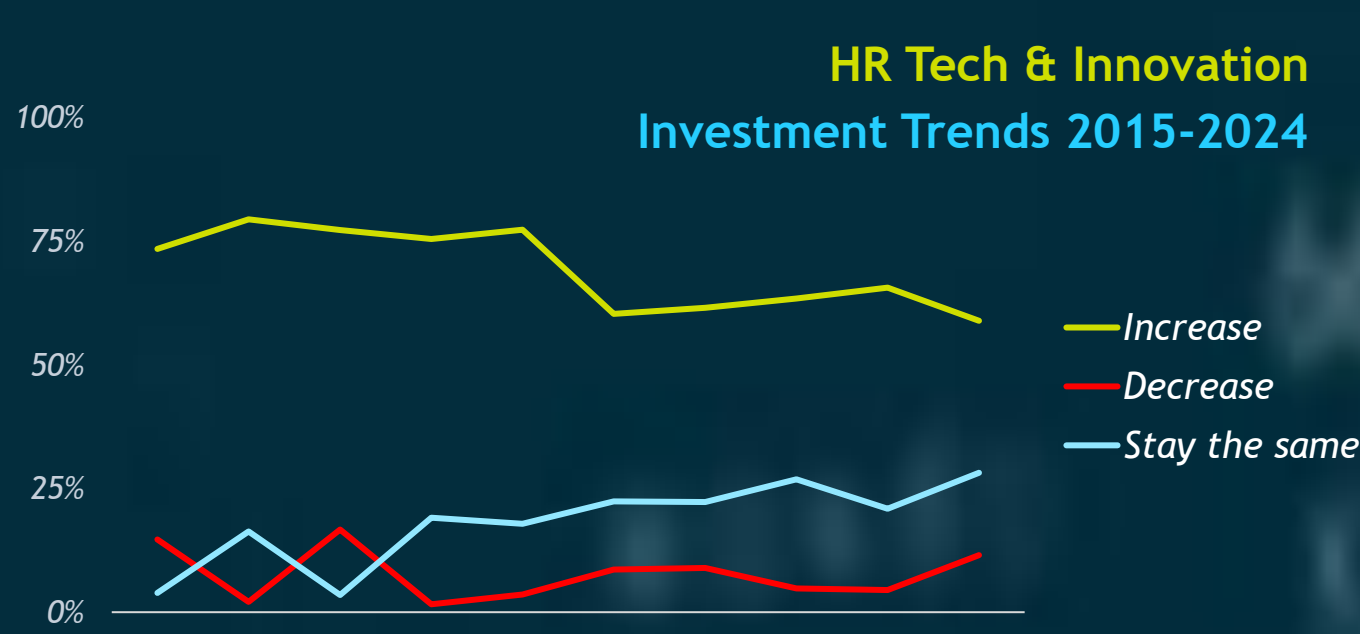
Investment Trends for HR Headcount

The days of increasing HR headcount are over. The ongoing pressure to flatline HR headcount to existing levels, or see it reduce, has grown this year, truly putting to bed the HR hiring activity that followed COVID-19. 2023 saw HR headcount squeezed and through 2024 this trend has continued. And whilst correcting overzealous HR headcount cuts that were made during the pandemic, the tide has well and truly turned. Whilst the majority of HR teams expect their HR headcount budgets to stay the same for 2025, the momentum to reduce budgets has kicked up a gear too.



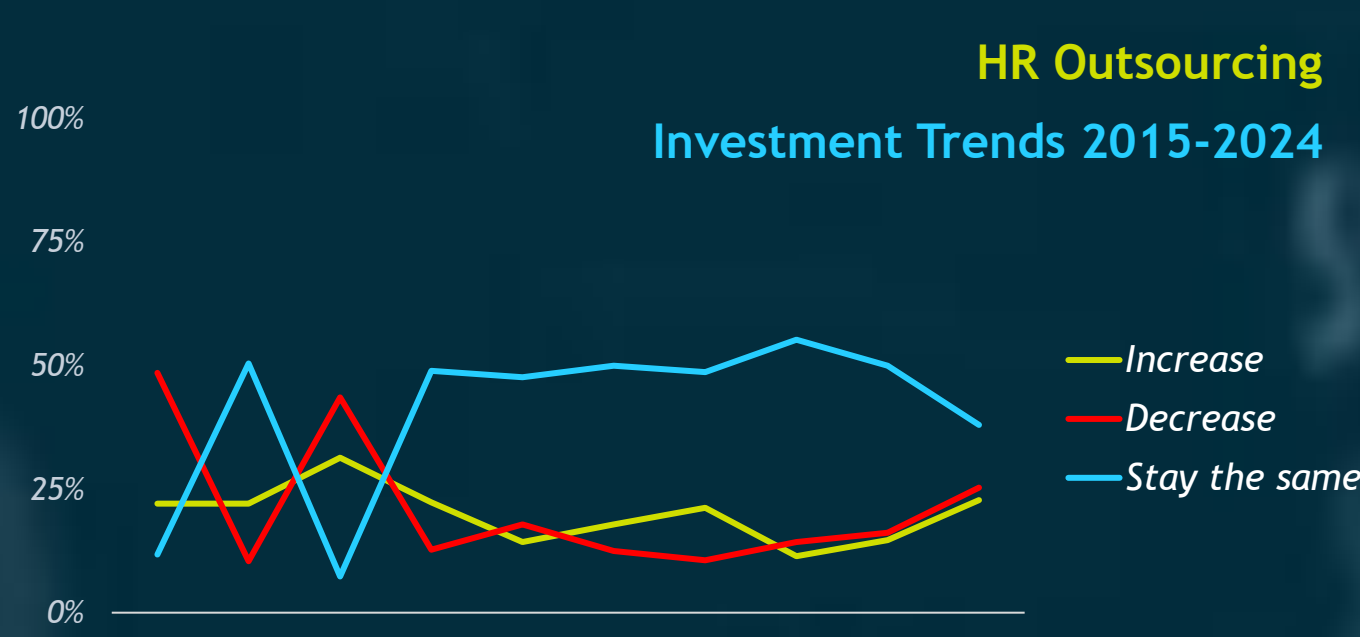
Investment Trends for HR Tech and Innovation

Economic headwinds are also biting into HR tech spend. Whilst HR technology has been by far and above the leading focus for increasing investment over the past nine years - those looking to expand their HR tech investment has declined this year. And those expecting their investment in HR tech to stay the same is up too. We have entered a more cost-conscious age, and vendors will need to be able to articulate tangible efficiency and effectiveness gains if they want to unleash more tech spend.



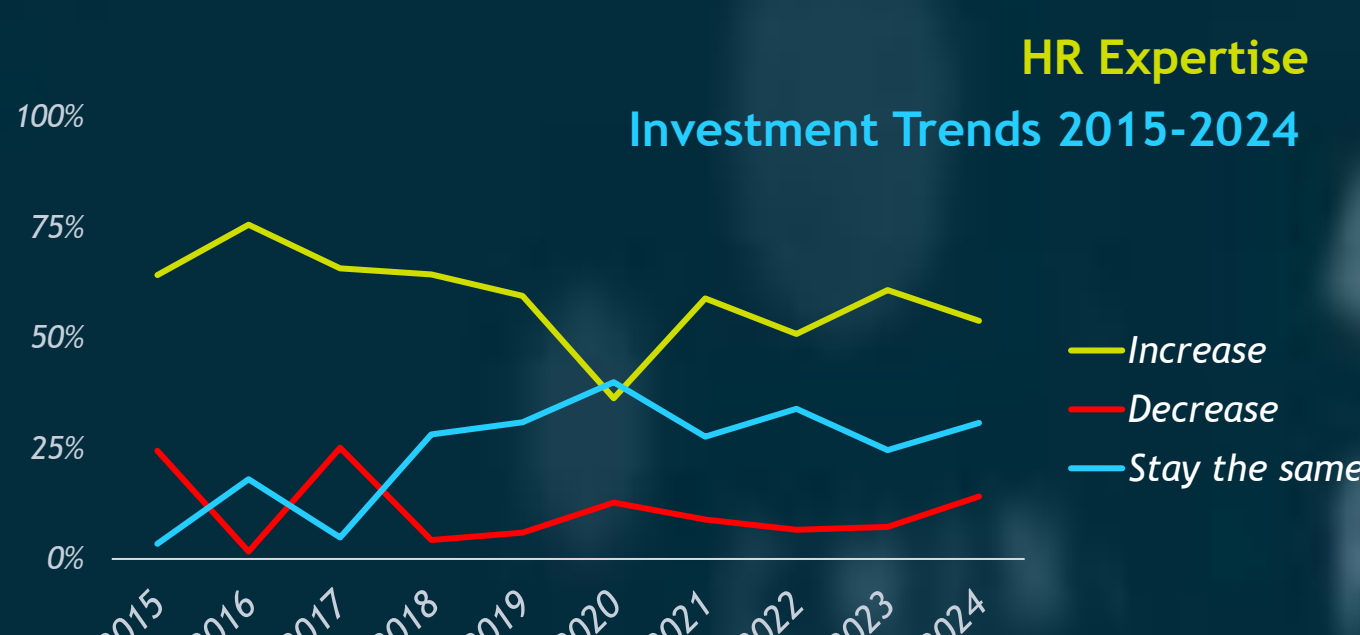
Investment Trends for HR Outsourcing

HR outsourcing has never been a popular choice for HR leaders. A combination of a lack of expertise in outsourcing and reticence in reshaping the HR team has been an issue for over nine years, but we appear to be entering a new era, where the status quo is less attractive.



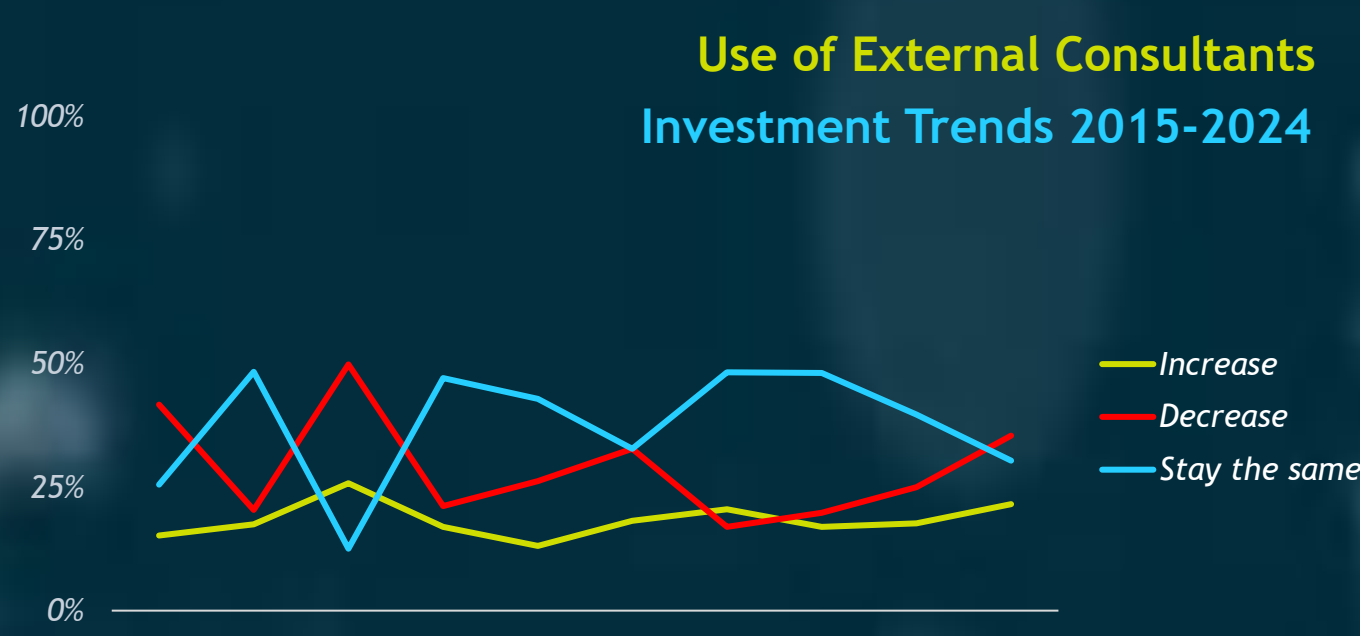
Investment Trends for HR Expertise

HR investing in their own expertise continues to be a core part of HR's strategy. But, despite this being a strong focus that only took a dip during the pandemic - economic headwinds are disrupting even this bastion of HR spend which felt the pinch like everything else in HR in 2024.



Investment Trends for External HR Consultants

The use of external consultants has always been an area of sensitivity for HR investment, but this year it's not been good news for them as spend on external support also felt a squeeze. Those decreasing their investment in external consultants have reached new recent highs, further outstripping those who expected their consultant spend to stay the same or increase.



Organisational agility and enabling strategic workforce planning leads HR's systems investment priorities

There isn't an area of HR technology that doesn't show some positive momentum, but some are trending more strongly than others.

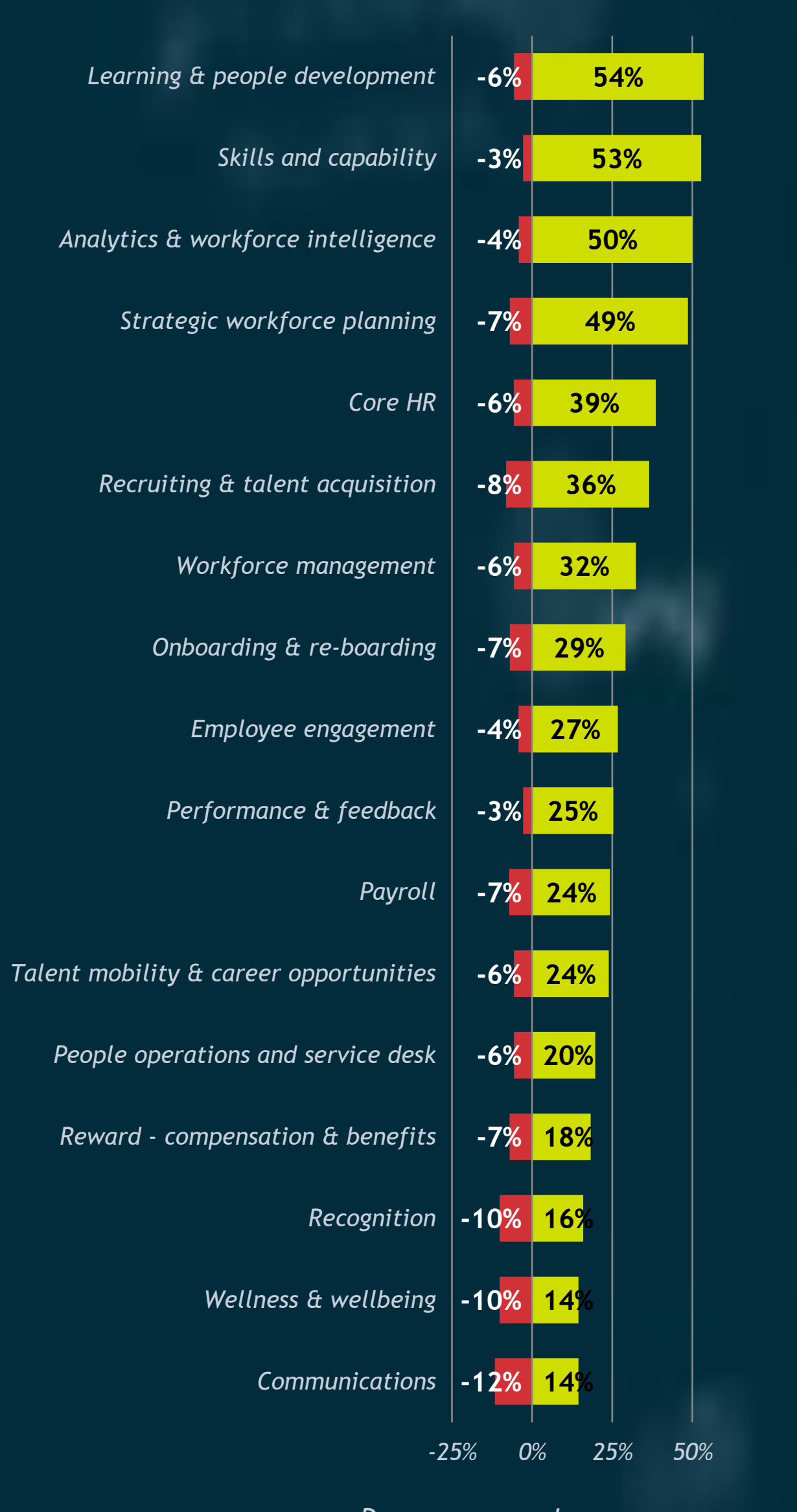
Learning, skills, strategic workforce planning, analytics and workforce intelligence are top of mind in HR teams' investment in 2025. Reading between the lines, there is clearly a fresh impetus behind enabling agile organisations, based on the people skills and capabilities that power success in the future. And these themes look like the growth areas of the HR systems market over 2025, enabled with AI.

Understanding where organisations are today with workforce intelligence through what sorts of skills and engagement underpin that, is a significant part of the story for HR in the coming years. It is not enough to operate on intuition and guess work. Data and strategic people intelligence is critical to helping guide organisations in an unpredictable and high change world.

So, it's important not to simply see them as separate functionalities, but a connected chain of decision making - which leverages data and market and people intelligence to help organisations and individuals to think about how they best execute future business strategies.

HR has long wanted a seat at the table, and it looks as though, with *intelligence-led people solution capabilities*, it is positioning itself to do just that.

How do you expect your investment in HR systems to change over the coming years?



In association with

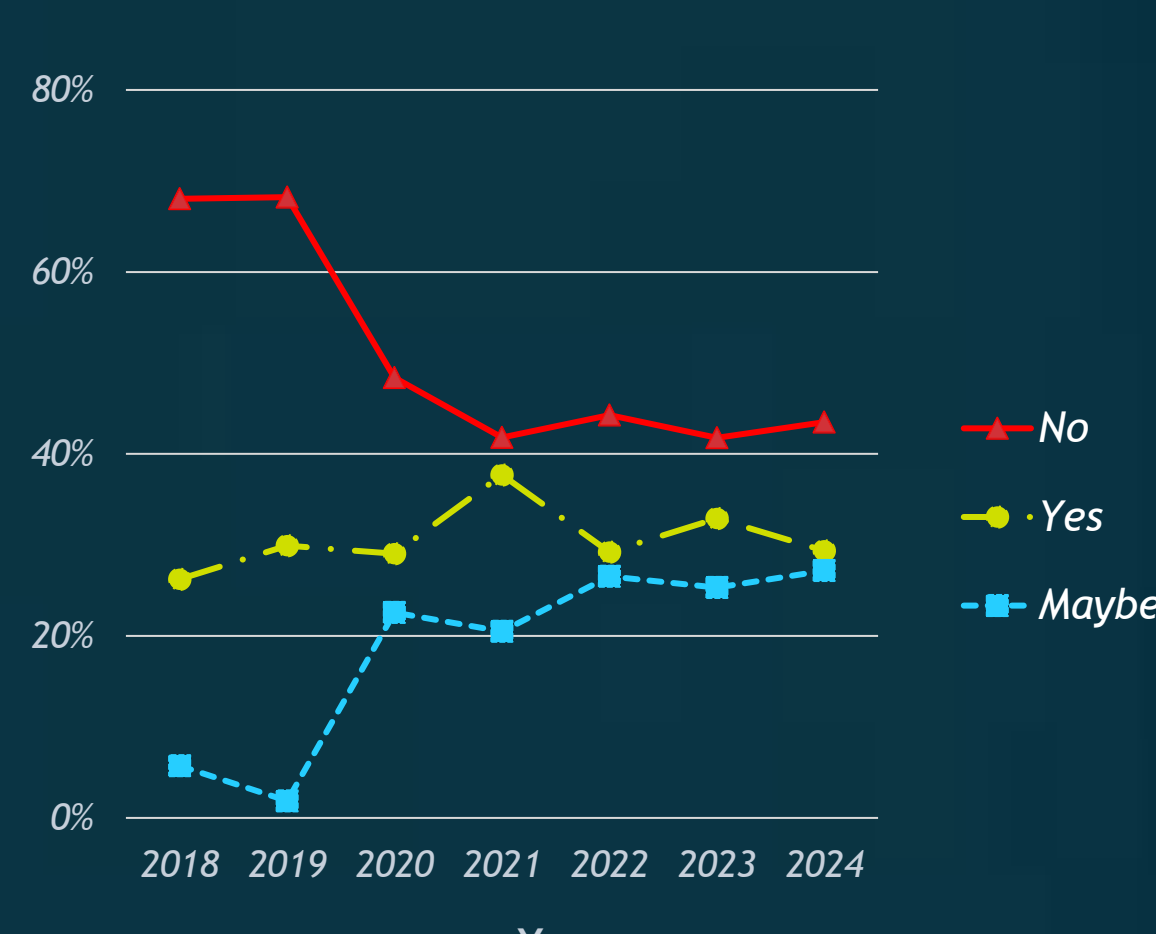


Today, only 29% of HR professionals think that their HR systems are fit for the modern workforce

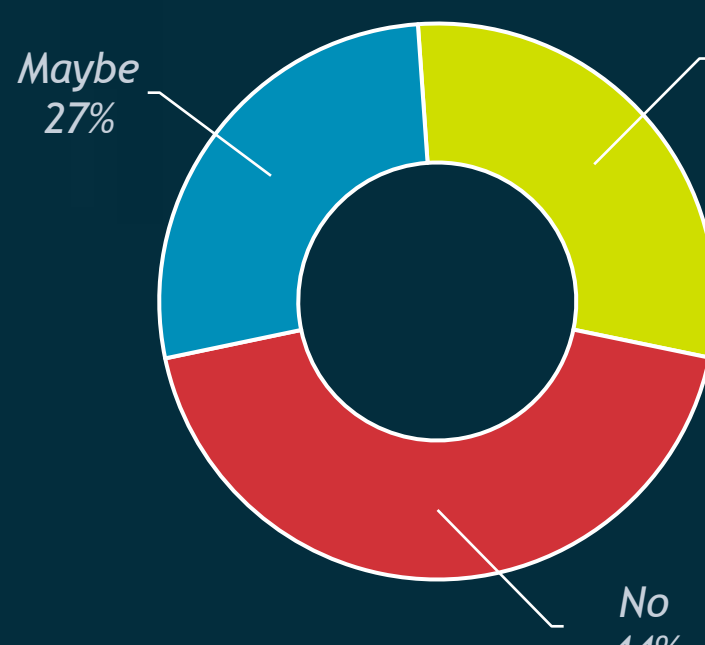
The majority (44%) of HR professionals do not believe their existing HR solutions are a good match to the needs of the modern workforce. With changing expectations for the employee experience from changing demographics and the quality of the experience, there continues to be a significant mismatch between what HR teams want and what their solutions can deliver. This is a slight decline in advocacy on 2023 and underlines what a deeply embedded problem this continues to be.

Do you think your HR systems are fit for the modern workforce?

Trend from 2018 to 2024



Do you think your HR systems are fit for the modern workforce?



HR's belief that their systems are fit for the modern workforce has remained intransigently low

Despite a significant weakening over the past seven years, the number of HR teams who think their HR systems are fit for the modern workforce remains stubbornly low. Fairly consistently, only around one in three believes their HR systems are matched to the needs of the modern workforce, and it's a trend that providers show little signs of resolving. If anything, uncertainty seems to be growing, and this leaves core HRIS platforms open to disruption from specialist providers who enable a differentiated HR experience. It's what we see with enterprises adopting niche solutions to raise their game in talent acquisition, learning, performance management and employee listening.

Core HR platforms dominate the HR technology stack as the most standardised HR systems

The HR tech stack continues to be fragmented across most HR processes. Even core HR platforms are only VERY standardised for 58% of organisations, meaning that there are considerable opportunities for platform rationalisation even within siloed processes.

One of the challenges of the HR stack being so fragmented is the barriers that can bring, in understanding the interrelationships of different HR processes and the continuity of experience for employees, managers, HR and IT.

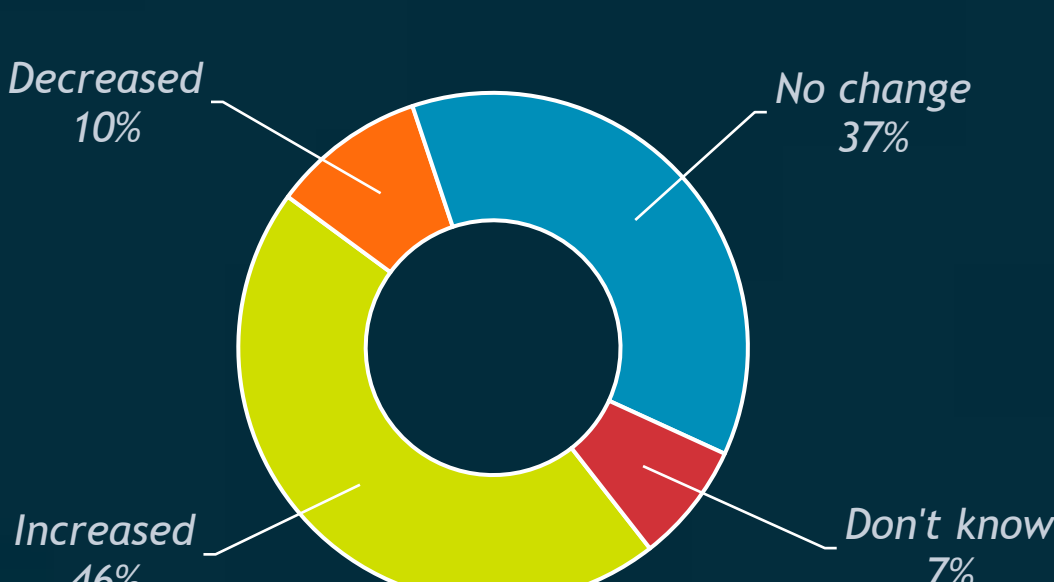
Whilst Fosway doesn't always advocate simply having a single suite solution, making sure that the user experience flows seamlessly between systems is an important consideration.

As a result, simplifying technology stacks and removing system duplication is an important step in creating an effective HR operation that is scalable and intelligence led, as well as cost optimised.

How standardised are the HR systems in your organisation?



How have the current economic pressures changed the importance of consolidating your HR systems into a single suite?



Nearly half of HR teams have felt increased economic pressure to consolidate their HR systems into a single suite

In a repeat of the numbers from 2023, this year has been characterised by increased pressure to consolidate HR platforms because of economic drivers to reduce costs. Efficiency and cost savings continue to be in vogue, and that pressure shows little sign of easing.

The drivers for changing systems are seldom led by cost. The quality of the user experience has leapt to the top of drivers this year

The quality of employee experience has nudged ahead of the usability of the user interface as the leading factor in the decision to change HR systems this year. Contrary to expectations, dissatisfaction with the current HR solution provider seldom serves as a pivotal reason for change. This year only 14% cited that as a critical driver. Similarly, the challenges associated with transitioning to a new HR system are not considered significant deterrents for only one in five. The challenges of switching HR platforms should not dissuade organisations from pursuing the benefits of an improved employee experience. But consolidation is nudging up the agenda. The need for platform consolidation broke into the top six drivers for the first time this year, marking a major change. But with consolidation often comes risk to the quality of the experience, so HR teams need to make sure that they don't compromise the quality of the employee experience in the pursuit of consolidation.

47%



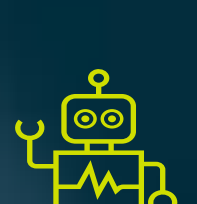
Quality employee experience

37%



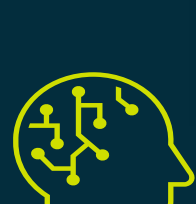
Usability / quality user interface

37%



Need for enhanced analytics

36%



Enhanced self-service tools

33%



Lack of business agility & flexibility

26%

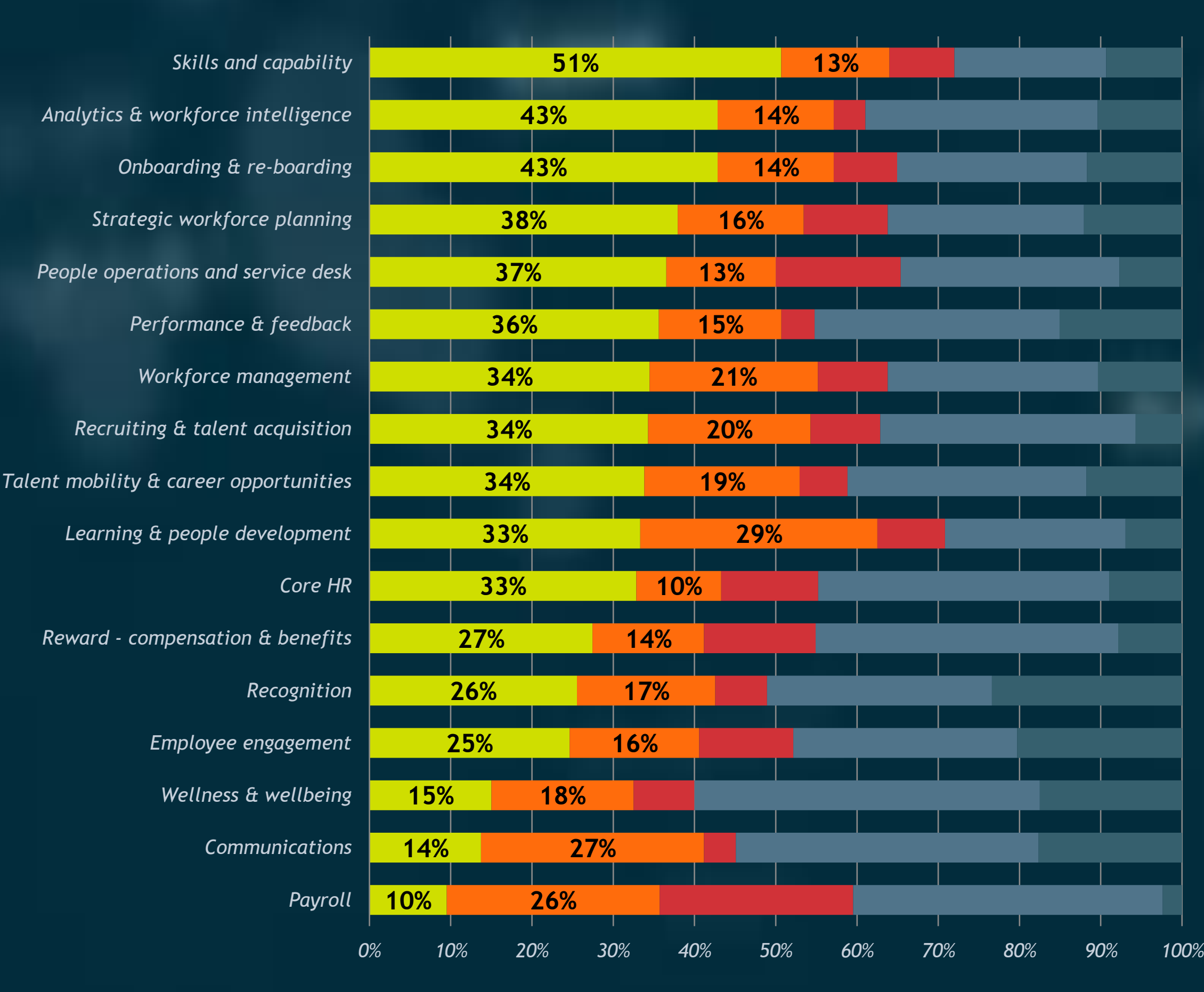


Need for platform consolidation

Lots of volatility is coming to HR with up to half of HR teams intending to change HR systems

With around half of HR systems up for change in the next two to three years, there is continued opportunity for volatility in the HR technology market, especially in the emerging themes of skills, analytics, onboarding, service desk, strategic workforce planning and learning. And whilst there is pressure to consolidate systems across HR processes, even standardising the ecosystems within a specific HR silo or process theme will be a priority for many.

When do you intend to change your HR systems in the future?



Less than half of HR think the employee experience they provide their employees is good

The vast majority of HR professionals in our survey do not believe their organisation differentiates itself through their employee experience (EX), with around half identifying the EX they deliver as being 'average' at best.

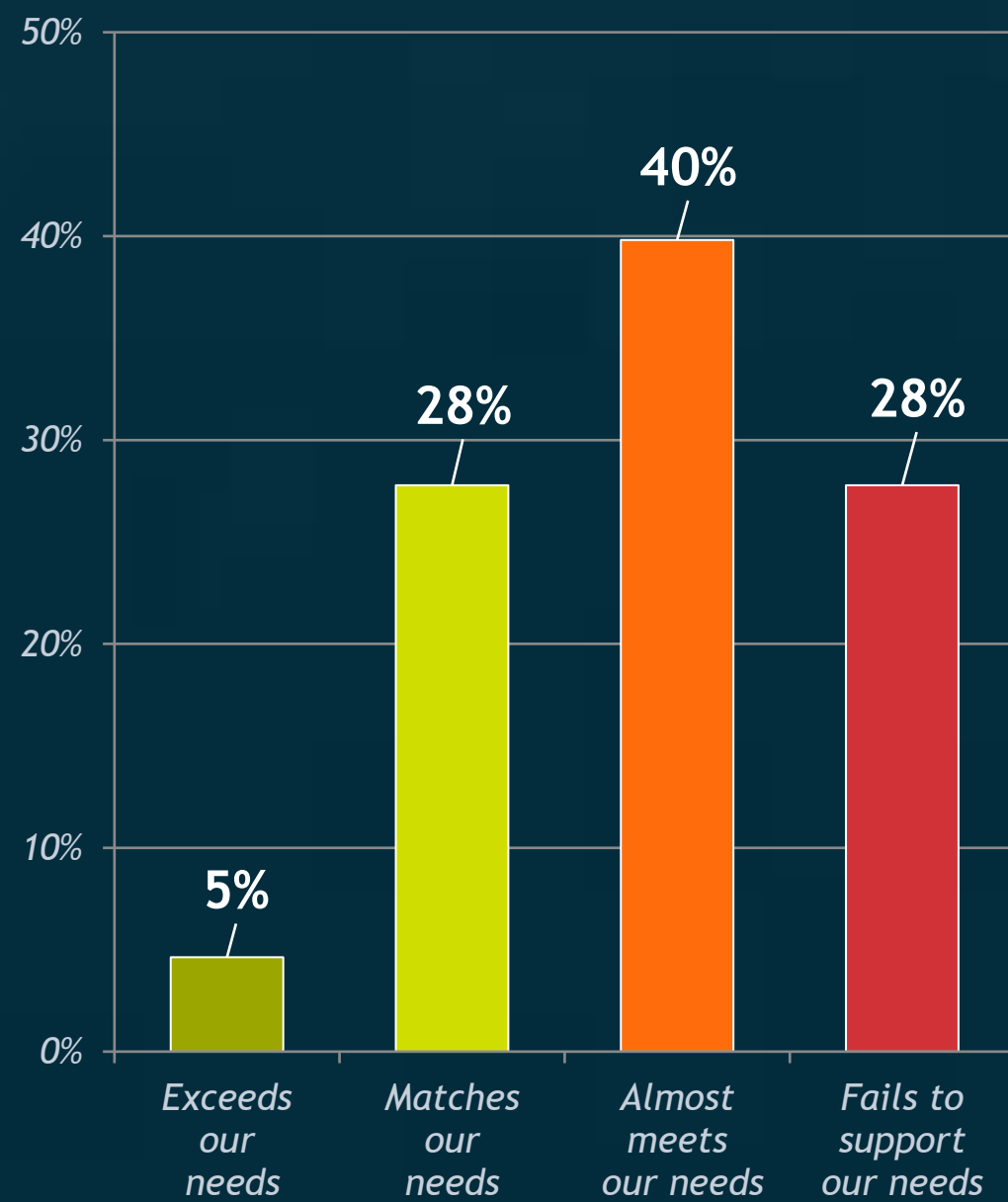
Despite the importance placed on the employee experience little has really changed in the quality of EX provided over the past three years

Industry wide, despite the importance that HR places on the quality of the employee experience it offers, actually advancing the quality of the employee experience is proving to be a hard task. There has been little real movement over the past three years. The only consistent movement appears to be a slow shift to mediocrity. For most, we are still far from creating the differentiating employee experience that would make our organisation truly an employer of choice. Even the number of those who believe their employee experience is excellent is slowly declining from a very small base. With growing expectations, and with a wider trend to return to the office, it will be interesting to see how this changes in 2025.

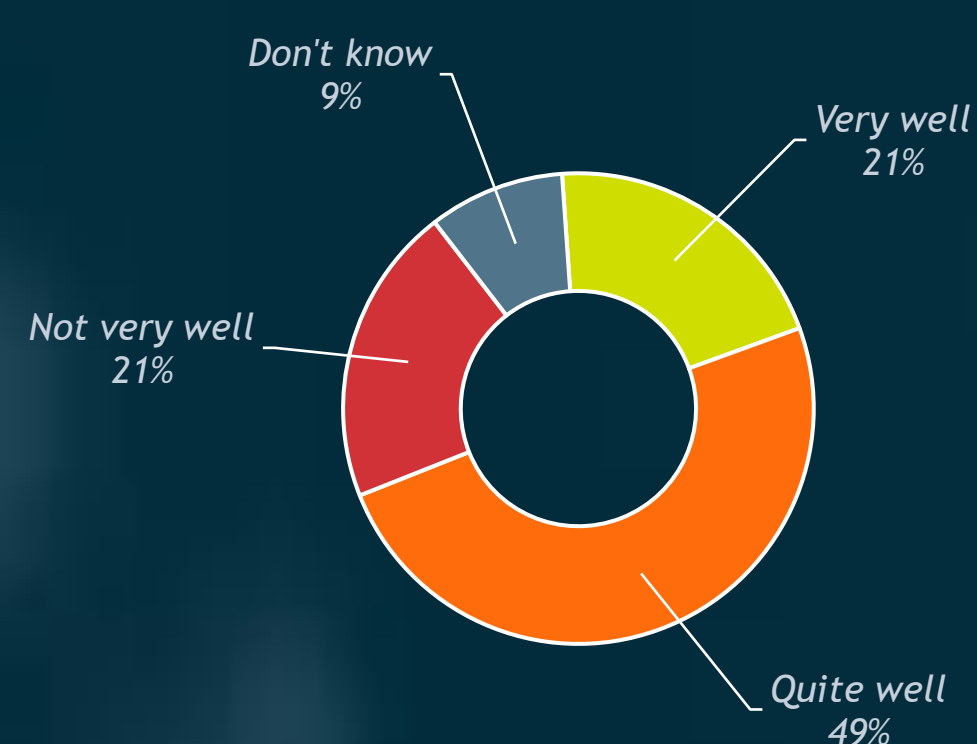
C-Suite commitment to improving the employee experience remains steady

Little has changed in C-Suite commitment with around 60% reporting significant or complete support for improving the employee experience. This puts HR solution providers under continued pressure to make sure their systems support the people processes HR demands for the modern workforce.

How would you rate the ability of your current HR solutions to support the EX your organisation wants to deliver?



How well do your HR systems provide a great user interface and ease of use?



Career progression and professional development initiatives take the lead as HR's focus for accelerating the employee experience in 2025

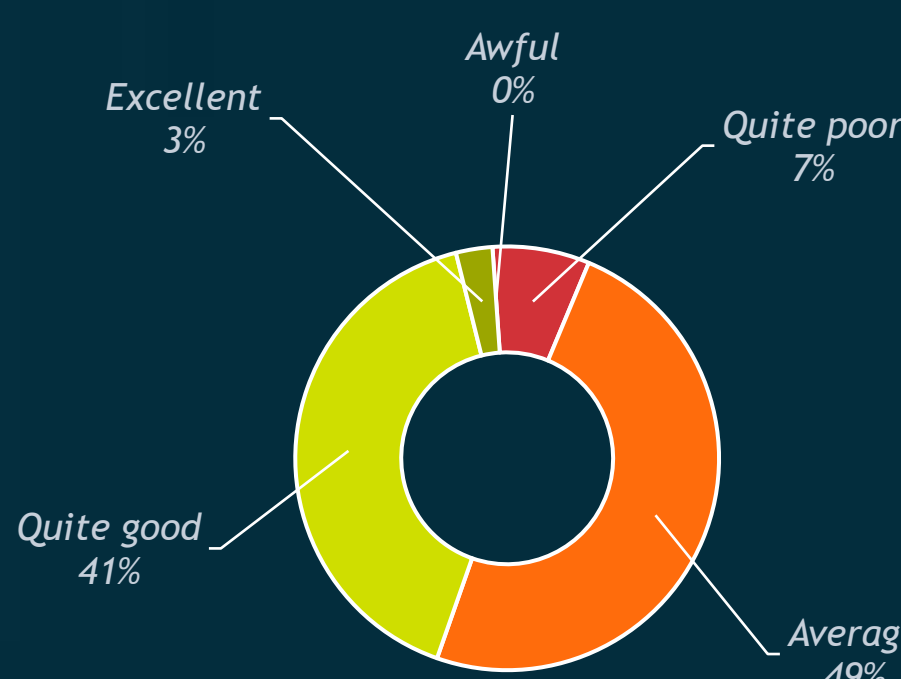
What changes to the employee experience are being accelerated for the year ahead?



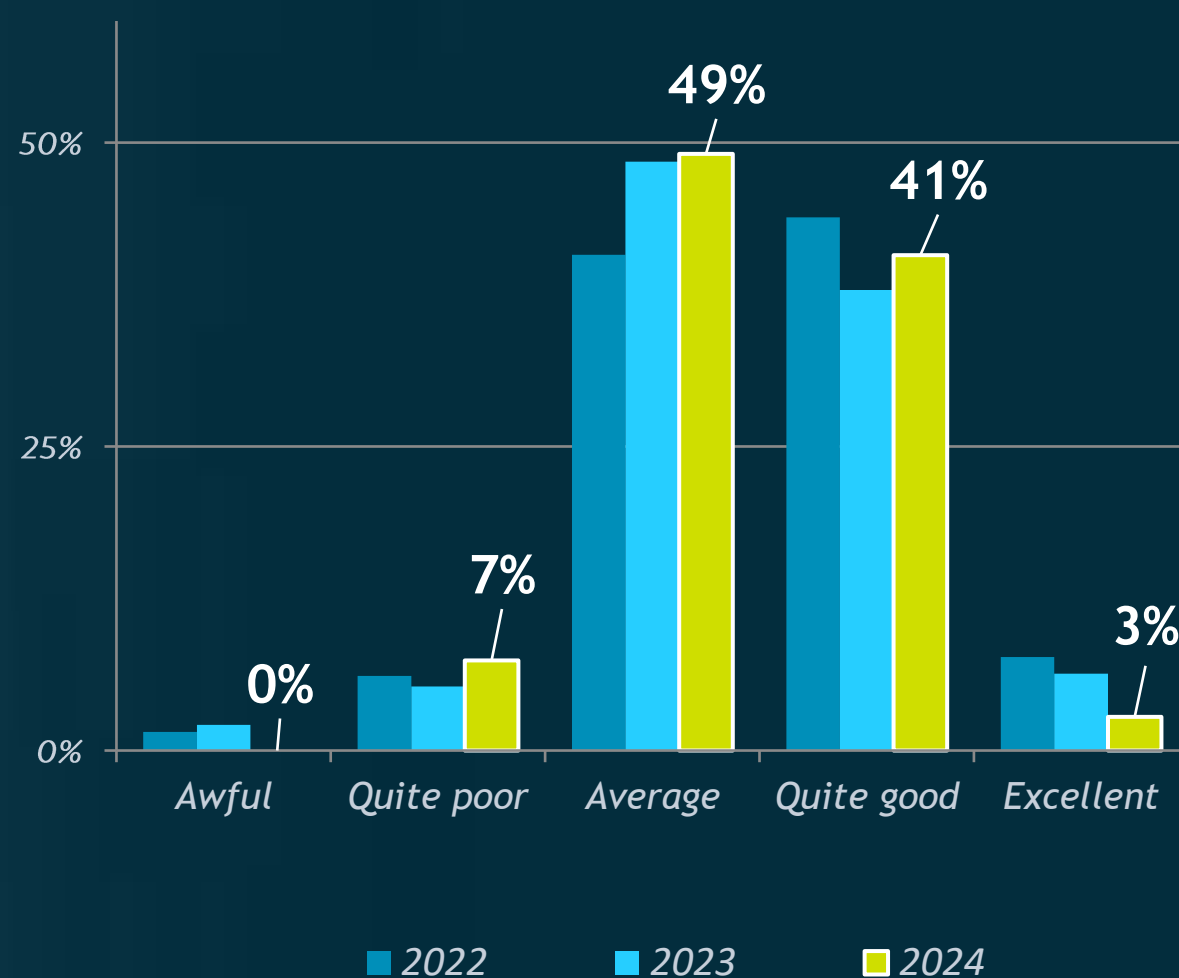
Work-life balance, flexible working, wellbeing, reputation for being a great place to work, CSR and sustainability tumble down HR's priorities

The employee-centred bubble which reached its peak during the pandemic seems to have burst, as the economic chill has bitten organisations. Flexible working is no longer seen as a differentiating part of the employee experience and returning to office policies are reshaping employee expectations of work with little evidence for the effectiveness of enforcing less flexible work patterns - but with lots of evidence for declining employee engagement and a rapid decline in employees' trust in their leadership team. But, it's not all negatives. With trends highlighting challenges with the availability of talent, and a stagnating talent market, and in the absence of employers competing on salary (which now features at the bottom of the rankings) it's career progression and people development initiatives that have accelerated up the agenda for 2025 - thereby creating the win-win of strengthening organisations' internal talent pools and raising employees' potential earning power by increasing their employability.

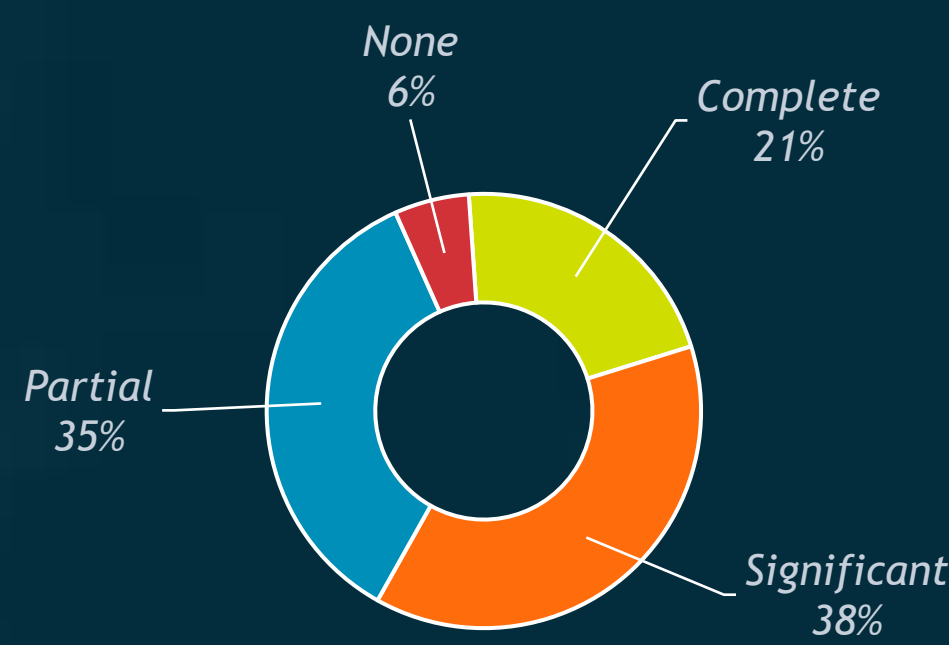
How would you rate the overall employee experience your organisation provides your employees today?



How would you rate the overall employee experience your organisation provides your employees today?



Executive team buy-in to improving the employee experience?



Only one in three believes their HR systems support the EX their organisation wants to deliver

The inability of HR systems to deliver the quality employee experience HR teams want to deliver should be a critical concern for all involved in HR technology. HR systems often set the tone of organisational culture and underpin the foundation of the manager and the employee's experience. This year a massive 68% of HR professionals don't think that their current solutions are able to support the quality of employee experience (EX) they are looking to achieve. We know that the quality of the experience is the main driver behind organisations changing HR systems.

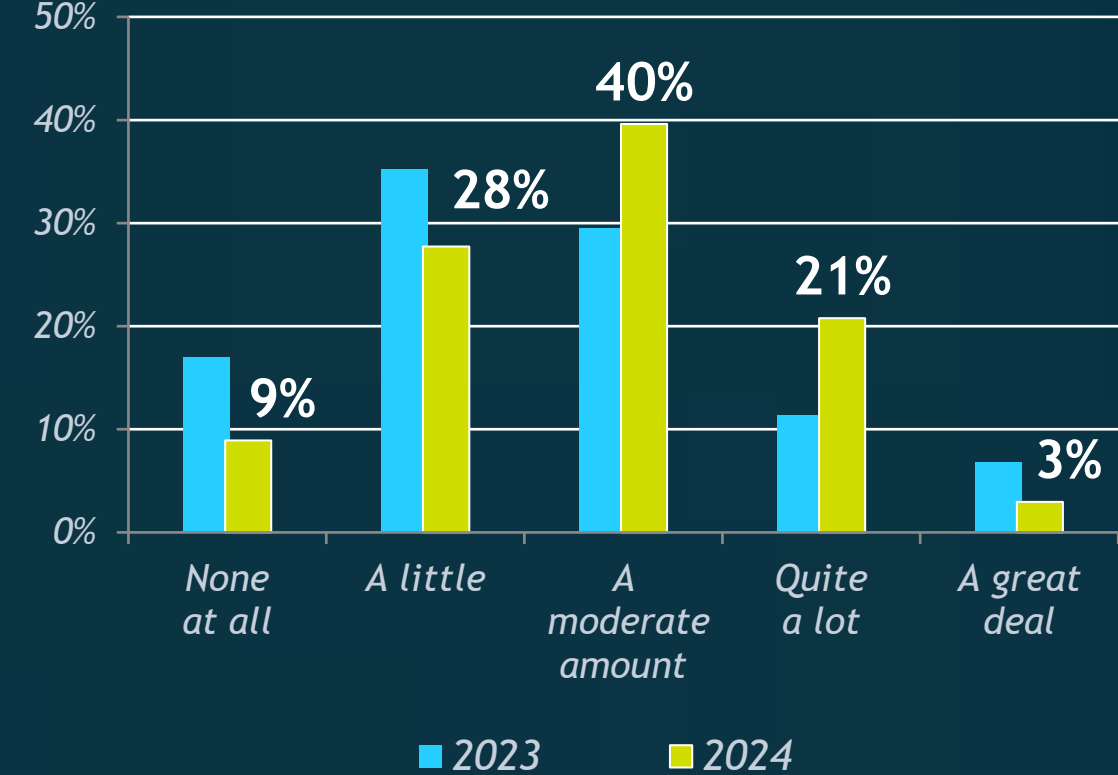
But actually, differentiating the quality of EX through quite homogenised Cloud HR solutions is tough. Most Cloud HR solutions act and look very similar. As a result, many buyers will continue to look for niche solutions in their HR tech stack to enrich specific experiences and create something special, when their core solutions appear to be failing.

For all the claims from vendors about creating a consumer experience, few buyers feel their HR systems deliver a great user interface and ease of use

HR professionals' expectations for the impact of AI in HR has grown significantly since 2023

The momentum behind AI is growing in HR. Whilst last year there was an even split between those who think AI in HR is overhyped and those who believe AI will live up to 'hyped expectations', this year belief in the hype around AI's impact on HR has grown by a third on 2023's results. It's a significant shift that has been fuelled by vendor roadmaps, and endless headlines. But, only 55% report they are using any AI-powered tools or systems in their HR processes. So, how much is AI underpinning HR's processes? Or is AI still sitting at the fringes of adoption?

How much is AI already impacting your HR function?



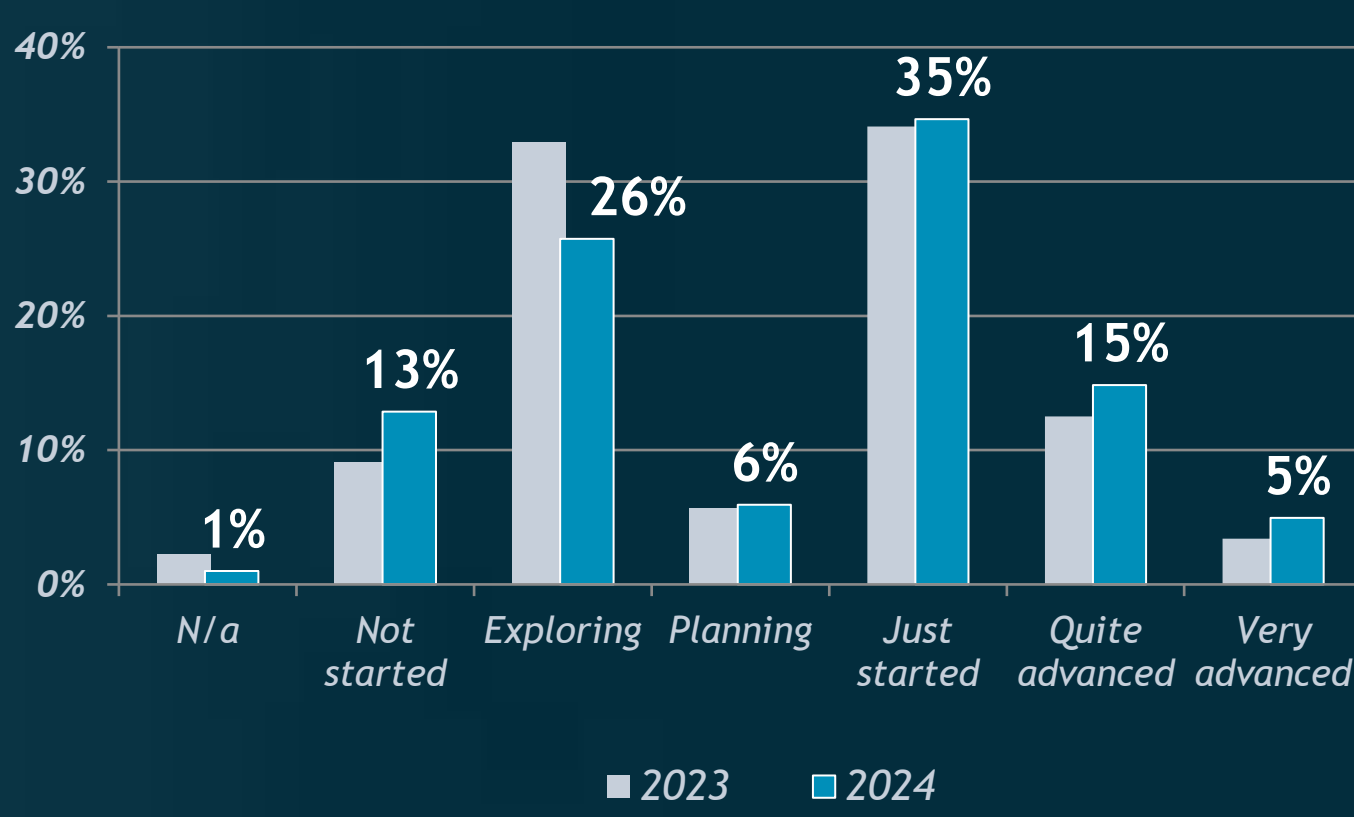
Only one in five HR teams considers their adoption of AI is advanced

Only 20% of our respondents believe their practices around AI adoption in HR are advanced - marginally up on last year. In a continuation of last year's findings, the adoption of AI is advanced typically only in niche HR processes and is far from being embraced uniformly across all HR processes today.

91% are experiencing some impact from AI on their HR function

Almost 64% have already experienced more than a moderate amount of impact from AI on their HR team. In the last year there has been a steady shift to increasing the adoption of AI-powered tools or systems to support their HR processes today, with the number of those reporting 'quite a lot' of impact doubling since 2023, and those experiencing no or limited impact declining by 20%. Everything points to a growing momentum behind AI in HR.

How advanced is your HR team in adopting AI within your people processes?



The top drivers for adopting AI in HR are productivity, speed of process, employee experience and quality

For those who are adopting AI in HR today, HR productivity is the major driver alongside delivering faster processes. The reduction of bias and increasing inclusion are the least significant drivers for adopting AI in HR. Up on last year's results are the expectations for operational efficiency, which were up by 13%.

88%



Enable greater operational efficiency and productivity

78%



Speed up processes

68%



Improve the employee experience

59%



Support more intelligent decision making

57%

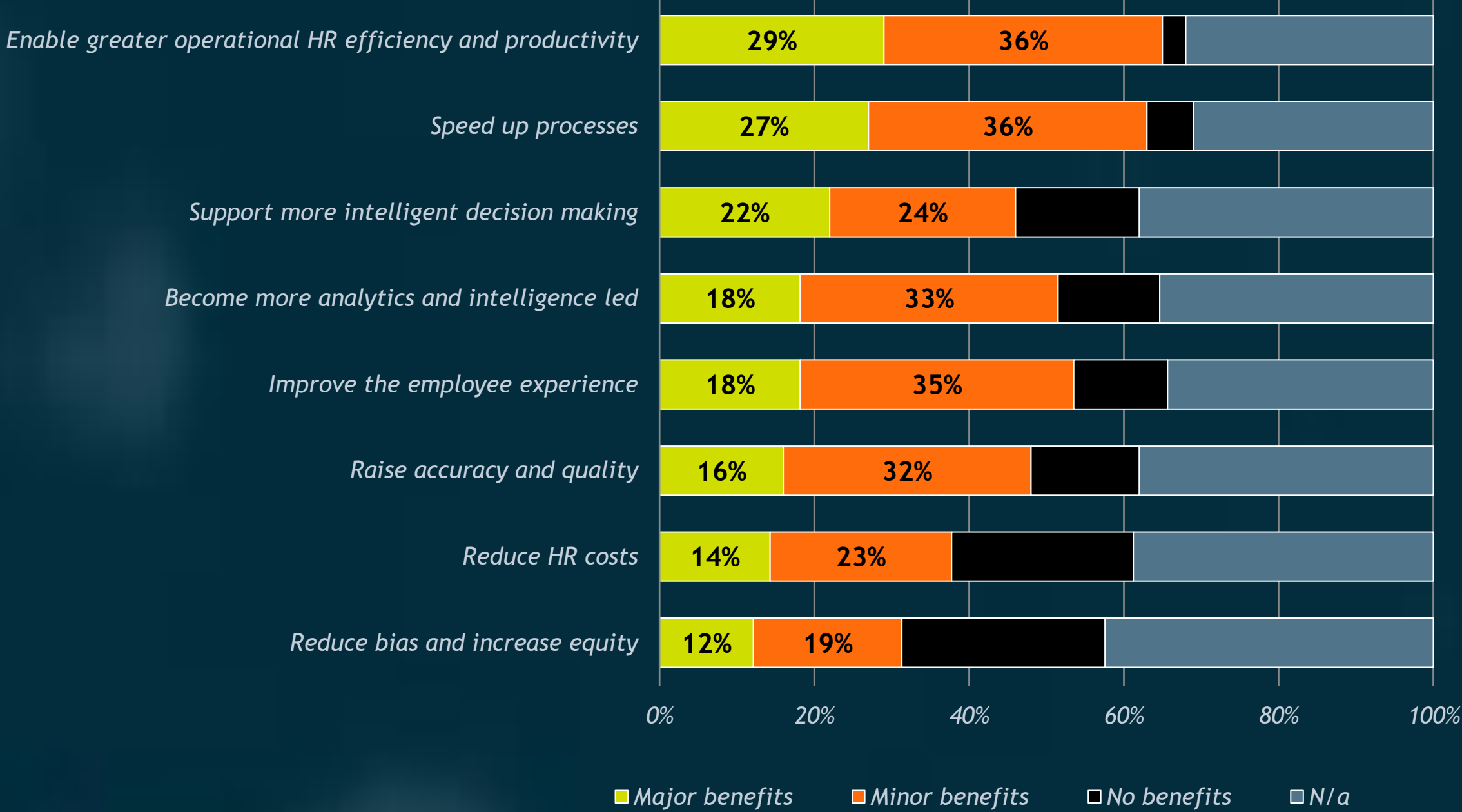


Raise accuracy and quality

Currently, the main AI benefits that HR reports are not explicitly about cost reduction, but efficiency and speeding up HR processes for stakeholders, workers and teams

Despite operational efficiency and productivity being rated as the top driver of AI adoption, it is not the main benefit HR teams report. Today the primary benefits HR is realising from AI are **speeding up processes, enabling better decisions and greater operational efficiency and effectiveness**. Notably, improving the employee experience and reducing costs are also not a primary benefit achieved through AI, yet. What's behind this? Anecdotally, just like last year what we have learned from our research conversations with organisations, is that HR adopting AI is 'symptomatic of HR teams with stretched headcount, limited budgets and the need to deliver against ever growing stakeholder and employee expectations with limited capacity.'

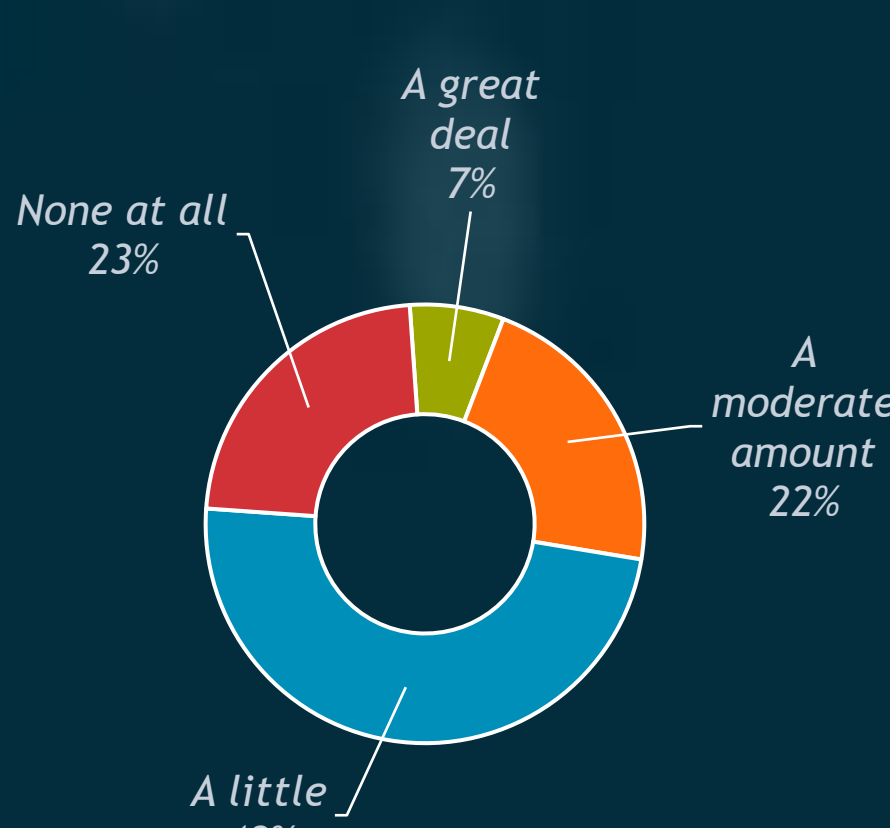
What benefits have you observed since adopting AI in your HR processes?



AI is not significantly changing the employee experience today

The implementation of AI is still yet to be fully felt by the employee in the experience offered by HR teams. Less than 10% say it's changing the employee experience a great deal. It's early days. And the most significant proportion (48%) would say AI is having only a little impact on the employee's experience.

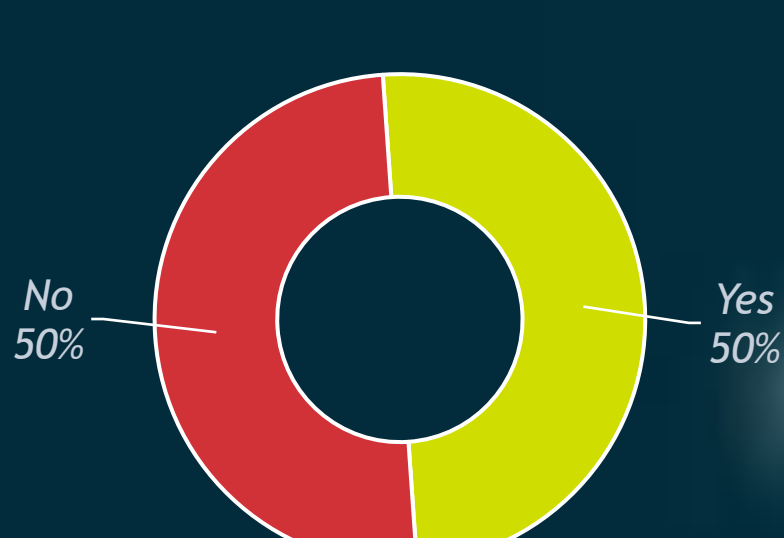
How much is AI in HR changing the employee experience in your organisation today?



When it comes to paying for AI only half expect it to be an additional cost

When it comes to HR professionals' expectations about whether they should pay extra for AI features with their existing HR solutions - it's a 50:50 split on whether AI should be seen as an additional cost - above what they are already paying. Given the scale of investment and processing power needed to run AI - vendors need to do more to burst that bubble. AI is most likely not a free addition to systems that never had AI features before.

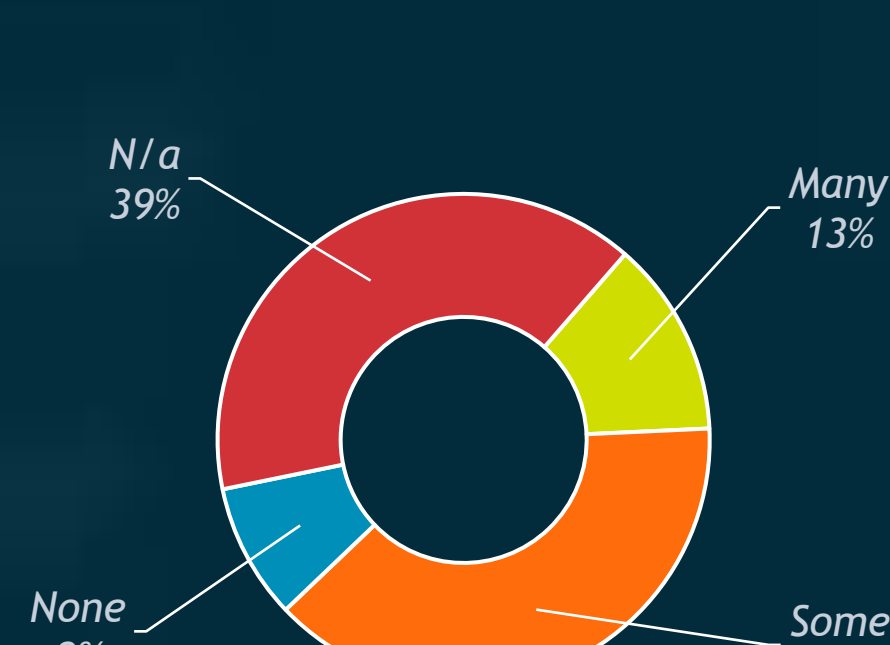
Do you expect to pay extra for AI modules and new AI features with your existing HR solution providers?



Even out of the box, buyers should not underestimate the challenges of implementing AI

Only 9% of HR teams say they haven't experienced any challenges in deploying AI in their HR processes. Whilst the principles of AI in HR are often simple to grasp, the knock-on effects of AI and the need to recalibrate expectations or people's role in the AI-HR process needs more focus than HR teams often imagine.

Have you experienced any challenges while implementing AI in your HR processes?



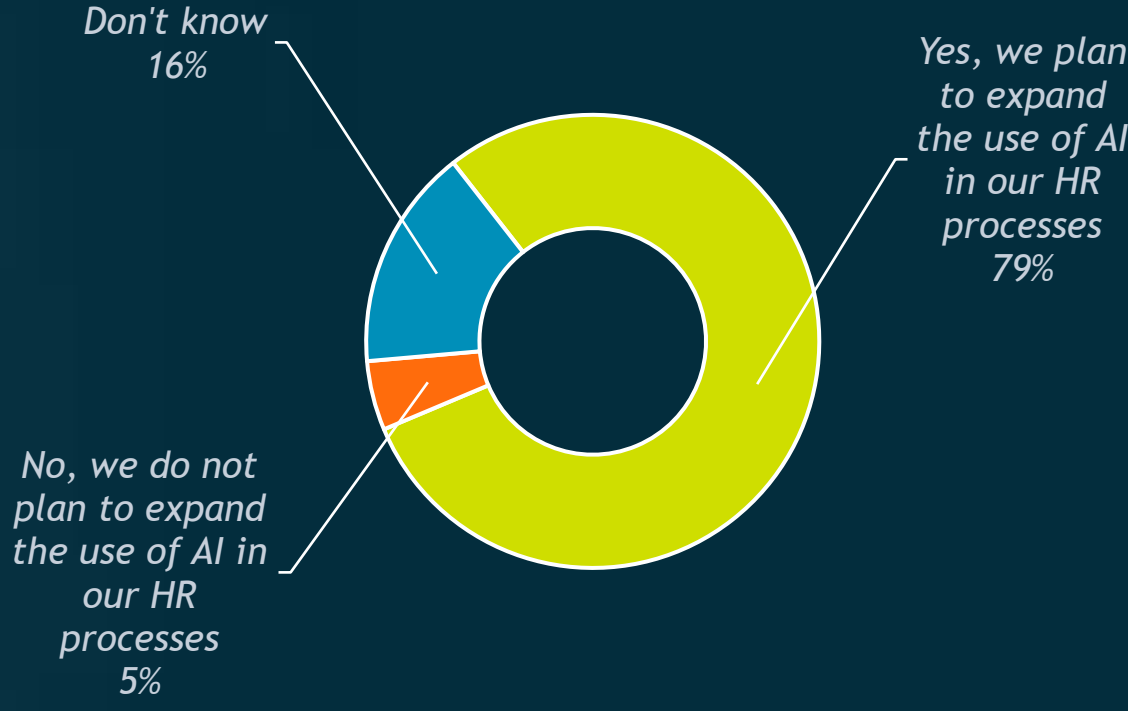
In association with



Are you planning to expand the use of AI in your HR processes in the future?

79% of HR professionals plan to expand the use of AI in HR processes

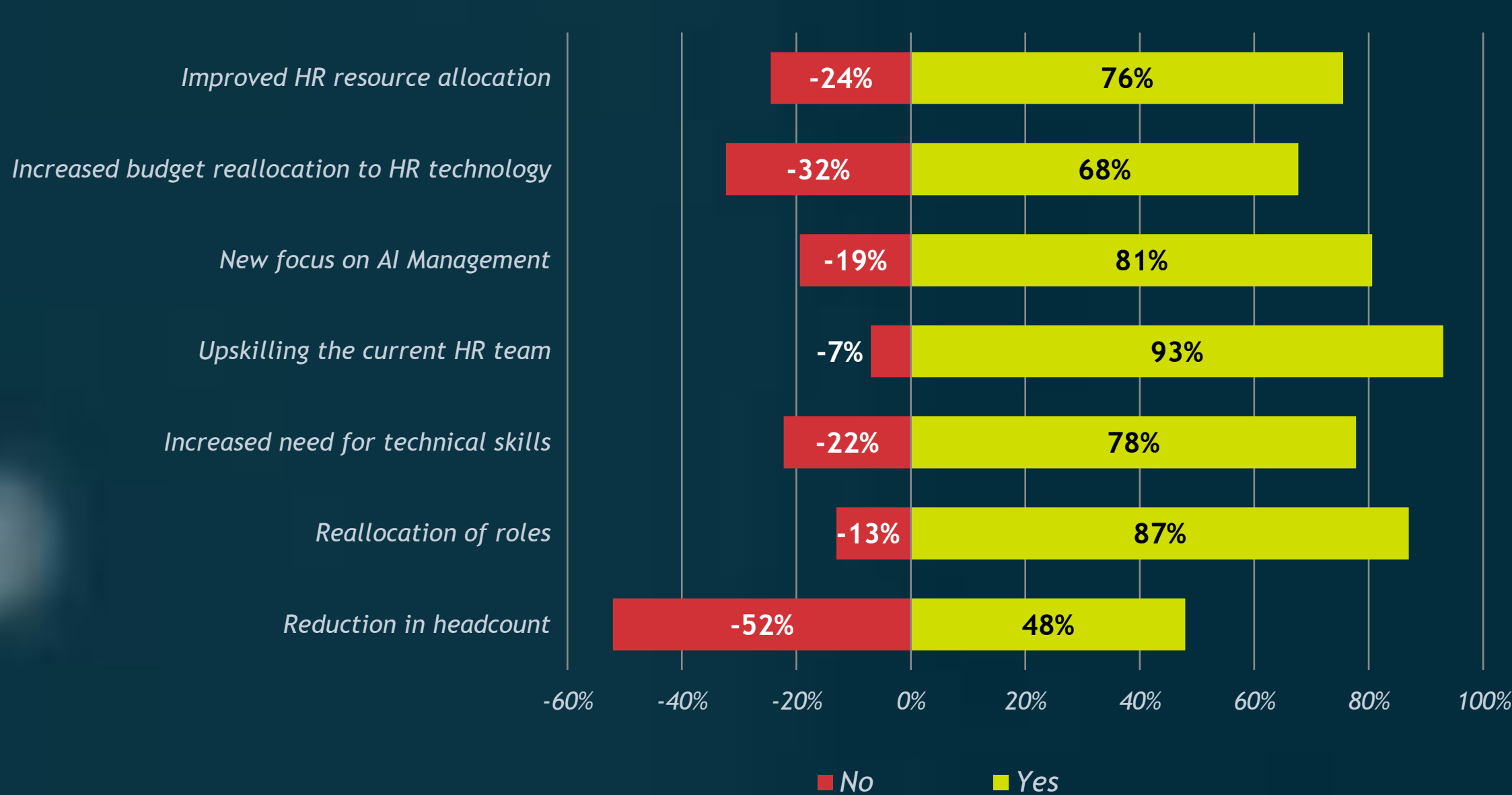
The adoption of AI in HR seems assured. Whilst almost 80% plan to expand their adoption of AI in HR, it is only a very, very small minority - 5% of HR leaders - who have no plans to expand the use of AI their HR processes. AI is coming to HR and with a host of knock-on effects across the employee experience and HR operations. But how will HR processes and operations change?



The most significant impact of AI on HR teams will be the upskilling and the reallocation of HR into new 'people intelligence' roles

HR leaders expect the impact of AI in HR to have a major impact on shaping the HR teams of the future. Not only is that seen as a driver of new skills for HR professionals across the HR team, but also in the roles HR teams focus on and the reallocation of HR resources into AI management and investment in HR technology. The role of HR is going to change. Already, thought leaders around the future of HR point at the growing role of strategic people intelligence and being a strategic people strategy advisor - particularly in the themes of workforce planning, people agility, releasing engagement and business plan execution.

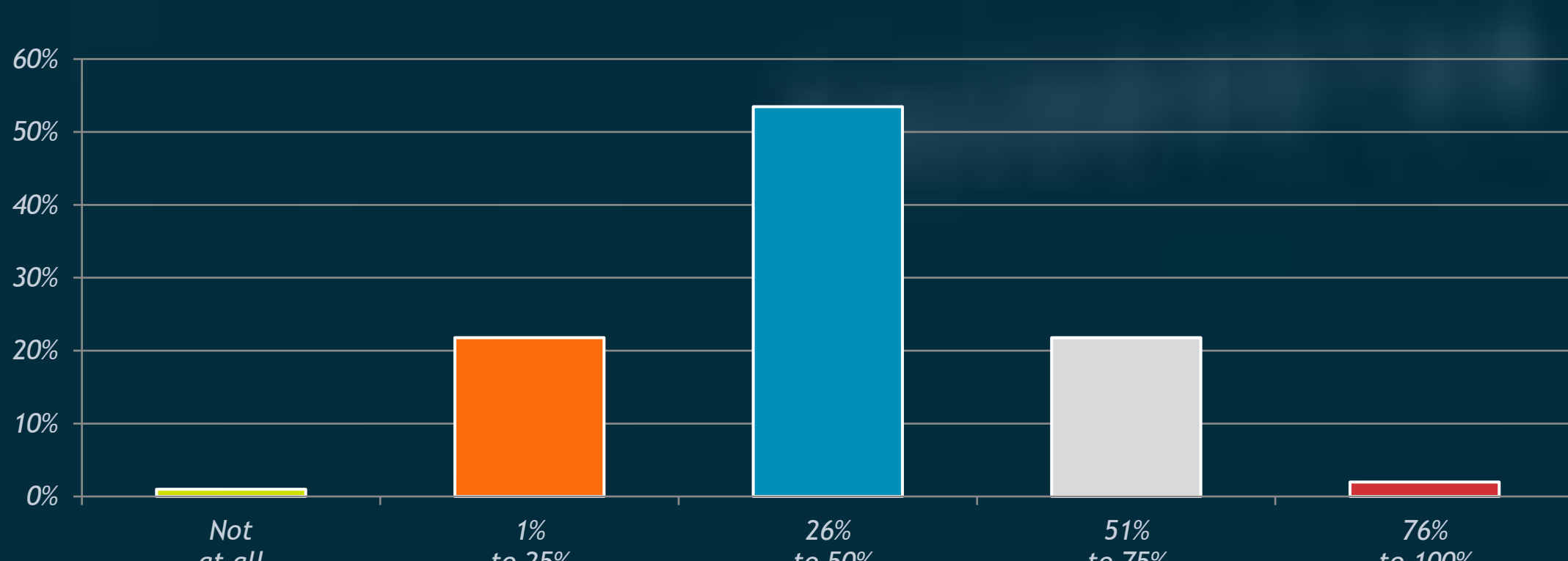
What impact do you think AI will have on your HR team in the next 2-5 years?



By 2030 half of HR professionals think that between 25% to 50% of HR's role could be automated by AI and still be effective

When we ask HR leaders to think about the potential depth of impact of AI on their HR operations by 2030, the expectations are profound, if not astonishing. Around one in four think that more than half of HR's role in the organisation could be automated or be made redundant through the adoption of AI - and, most importantly, still be as effective as today. Even those who are more moderate in their assumptions about the impact of AI in HR have relatively high expectations. Over half of those HR leaders in our survey believed that between 25% and 50% of HR's role could be automated with no detrimental impact on HR's effectiveness.

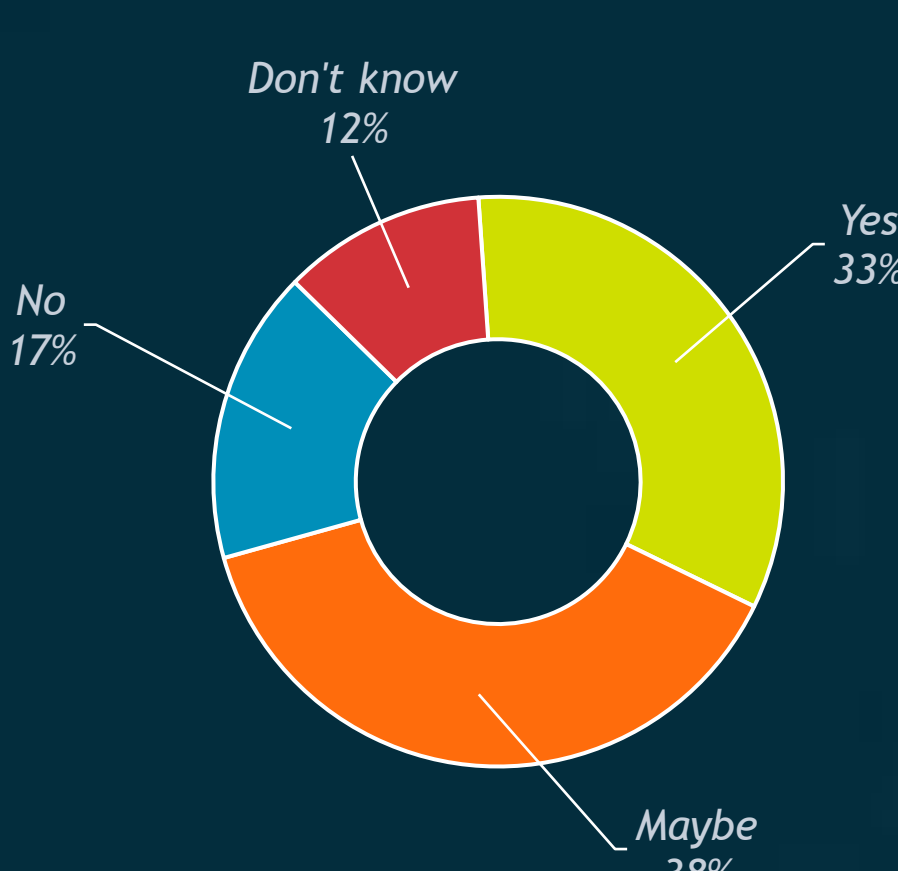
By 2030 how much of HR's role in organisations today do you believe will be automated or be made redundant by AI and still be effective?



Only one in three HR leaders thinks the adoption of AI in HR means a reduction in the cost of their HR operations

The full cost implications of adopting AI into HR systems and processes are not clear to HR professionals. Whilst one third see cost advantages to using AI in HR, there is significant uncertainty as to the financial implications of adopting AI on the overall costs of HR operations.

Do you expect the cost of HR operations to reduce because of the adoption of AI in HR systems and in supporting people processes?



There is an interesting conundrum at the heart of AI's promise. Whilst HR teams see the potential, what they are not able to do is articulate the operational value-add of adopting it.

The business case behind using AI in HR is one of efficiency and effectiveness, but few seem certain of what that means in reality. How much efficiency or additional effectiveness does AI deliver in different processes? Perhaps this vagueness is driven as much by HR tech vendors as by AI buyers. But the implications are significant.

At some point in the future, the comparative effectiveness and efficiency of different HR-AI options is going to be a critical factor in selecting one solution over another. That is to say, the realised efficiencies and effectiveness in terms of the AI solution and its impact on the costs of HR ops is going to be a real differentiator in understanding different solutions' total cost of ownership. Why would you choose an AI process that is twice as cost effective as your existing AI-free process when you can have an AI approach that is ten times more cost effective?

The future of HR lies in becoming a people and workforce intelligence function as much as the owner of people processes

AI's role in advancing and democratising HR processes is at the core of HR leaders thinking. Nowhere is this clearer than in the expected enablement of HR analytics and workforce intelligence. Whilst much focus has been placed and continued to be placed on HR productivity through AI, what is fascinating is the power of AI to also advance HR's influencing strategies to business leaders, managers and individuals by providing better intelligence and insights. These may yet be the most significant gains for HR, as the provider of people insights powers critical business execution decisions and strategic business influencing, in ways it could never imagine before.

What HR processes do you think will be most impacted by AI in the future?

