



isolved's Fifth-Annual HR Leaders Report



Elevating HR in the Age of AI

SWOT Analysis of
2,000 HR Departments

isolved[®]

A Half-Decade of HR Transformation

Disruption is the catalyst of change

Where, how and why we work was redefined five years ago by the COVID-19 pandemic. As a result, adoption of trends and technology that would have otherwise taken decades to unfold was accelerated, and businesses reimaged everything from their tech stacks to their employee experience (EX). At the same time, a new catalyst of change was evolving: artificial intelligence (AI).

Now, half a decade post-pandemic, business leaders and human resources (HR) decision-makers are transforming their organizations all over again. Finding better ways to recruit, retain and develop their people through processes that are more efficient and achieve better results.

In this year's HR leaders report, we surveyed more than 2,000 HR decision-makers to uncover the strengths, weaknesses, opportunities and threats for HR departments in the age of AI. While strengths indicate areas where an organization is doing well internally, weaknesses highlight areas where the organization is falling short. Similarly, opportunities indicate factors that are an external advantage, while threats are generally factors that could put the organization at risk.

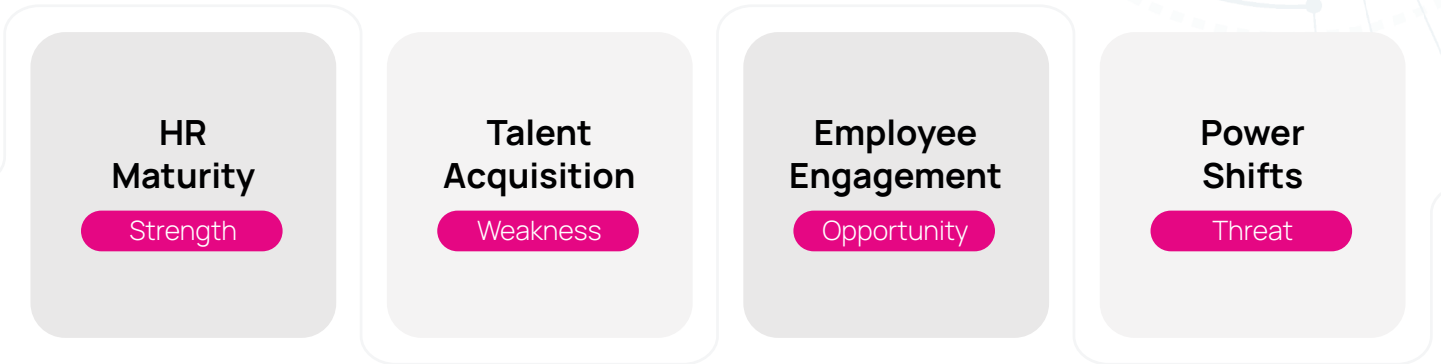
In addition to uncovering new insights from this year's survey, we're highlighting how far the industry has come by comparing data accumulated over the last five years of the [HR leaders report](#). These are the core areas we'll cover:

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Current HR Outlooks

Balancing Expectations and Experiences



HR leaders have done an exceptional job advancing their departments' HR maturity over the last five years—moving from an operational function to a strategic one. **In fact, 94% of decision-makers say their team is currently thought of as a strategic part of the business—making HR maturity a strength for most organizations.** This is higher than other industry studies, like [Sapient Insight Group's 27th Annual HR Systems Survey Report](#), which found 52% of HR functions are strategic. It does show, however, that progress is being made. Improving HR maturity, of course, is an ongoing process. Especially with the evolution of AI.

For the 5% of respondents who say their team is not considered strategic, the main reasons why are because their department doesn't contribute to organizational goals or it's looked at as a support function. HR being a predominantly female role can also be an influencing factor. [Studies show](#) women account for up to 71% of HR managers. This can lead to gender bias, contributing to the perception that HR is a support role rather than a strategic driver of business outcomes. As a result, some HR teams are left without a seat at the table when critical business decisions are being made—limiting their ability to influence organizational strategy and drive meaningful change. Competing against this perception is imperative, as modern HR teams not only contribute to organizational goals, but are also an important part of driving business success—especially considering that they are responsible for their organization's most important asset: its people.

Past Finding: In 2022, 70% of HR leaders said their department was looked at as strategic.

Current Fact: In 2025, 94% of HR leaders say their department is looked at as strategic.

Why isn't your HR team considered a strategic part of the business?

(Ranked in order)

- | | | | | | |
|---|-------------------------------------|---|---|---|---|
| 1 | We don't contribute to goals | 3 | HR is a mainly female role, triggering bias | 5 | Lack of buy-in from the C-suite or business leaders |
| 2 | We're considered a support function | 4 | Not enough overall resources | | |

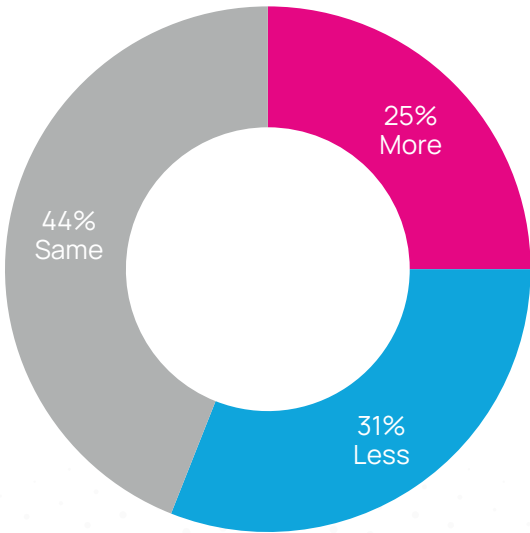
While HR maturity may be on the rise, the data throughout this report suggests that talent acquisition is currently a weakness, with teams falling short in hiring the talent needed for their organizations. We'll do a full SWOT analysis on talent acquisition later, but the survey responses show many HR departments are struggling to find qualified candidates to close open roles. In fact, 69% of HR decision-makers expect the recruitment landscape to be just as difficult or more difficult than it was in 2024. To turn this weakness into a strength, HR teams will have to rethink their recruitment processes—improving sourcing strategies, employer branding and optimizing the candidate experience to attract and hire better talent.



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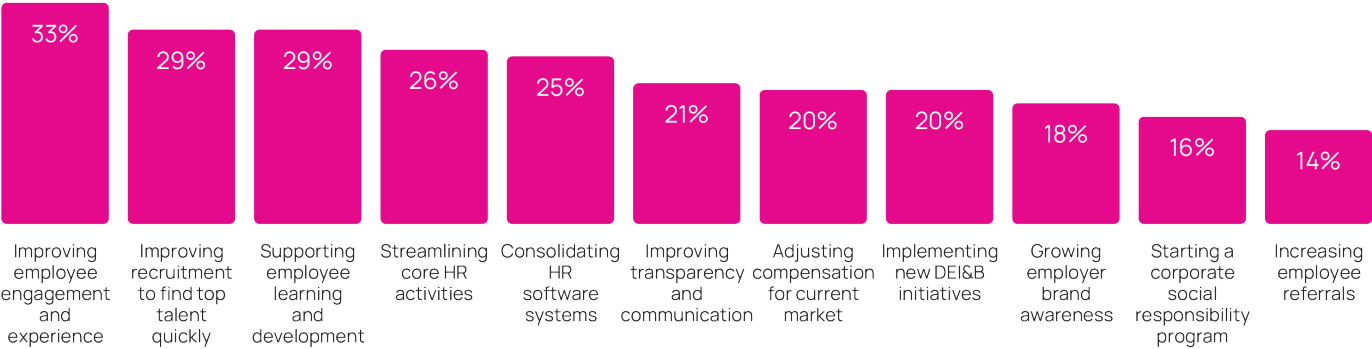
Reimagine recruitment processes with AI-powered tools for job ad writing, candidate matching and more.

Do you expect recruiting to be more or less difficult in 2025?



The candidate experience isn't the only HR experience that needs enhancement though. **Decision-makers say improving EX and engagement is their top HR opportunity this year.** EX and engagement have a ripple effect on many other areas—from internal aspects like productivity and retention to external aspects like reputation and recruitment. Positive experiences, after all, foster a sense of belonging, boost morale and encourage employees to perform at their best. In a competitive talent market, organizations with strong EX also have an advantage when it comes to attracting and retaining top talent.

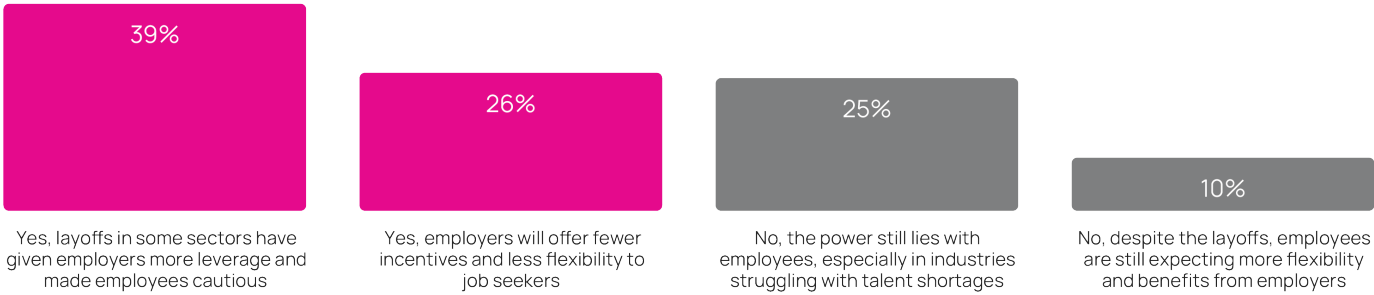
What are your company's biggest opportunities for HR this year?



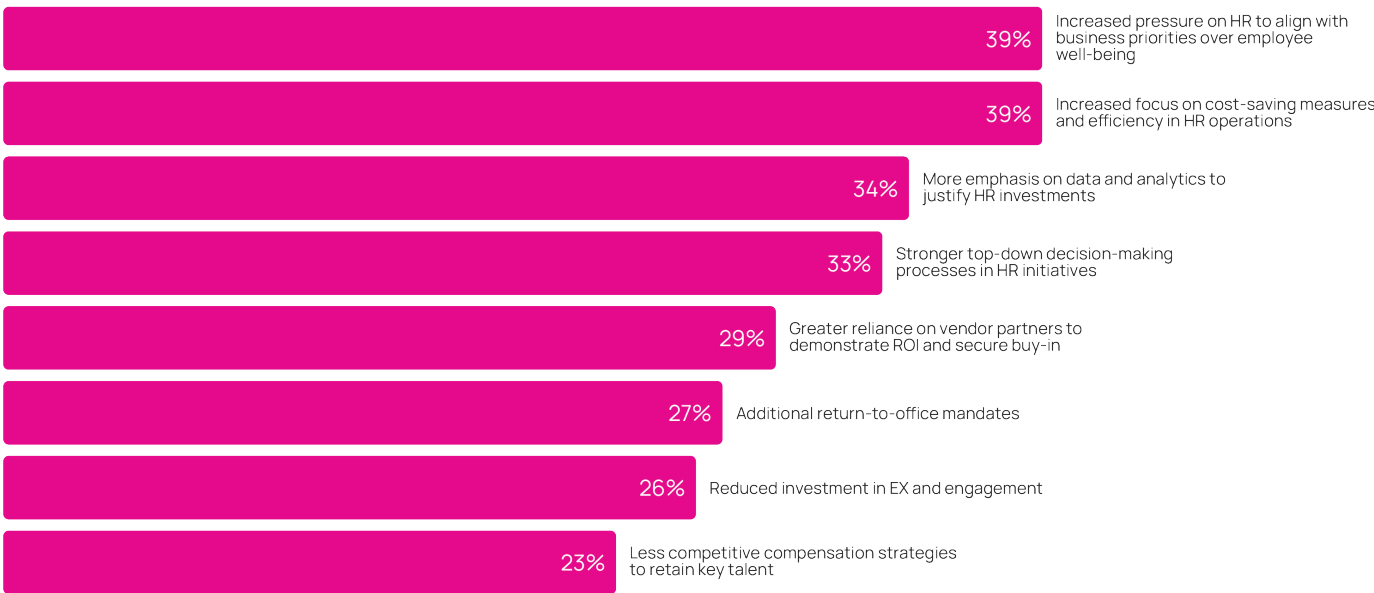
EX, however, is influenced by power shifts in the employer-employee relationship. HR leaders have spent the past five years navigating a constant push-and-pull, striving to maintain balance amid significant disruptions in this dynamic—from “The Great Resignation” and “quiet quitting” to return-to-office mandates and reductions in force. **These power shifts are a constant threat to HR teams responsible for delivering experiences that matter to every stakeholder.** This year, 65% of HR decision-makers believe the power is shifting back to the employer, so how will that impact HR departments? Most say it will result in an increased focus on cost-saving measures and efficiency. It will also put more pressure on HR teams to prioritize the business over workforce well-being.

With pressure to prioritize the business over the workforce, there is a concern that EX will be negatively impacted—influencing external reputation, as well as retention and recruitment in the process. As such, it's essential that HR is proactive in steering the relationship between employers and employees in a positive direction—and that relationship starts during recruitment.

Do you believe the balance of power is shifting back to employers?

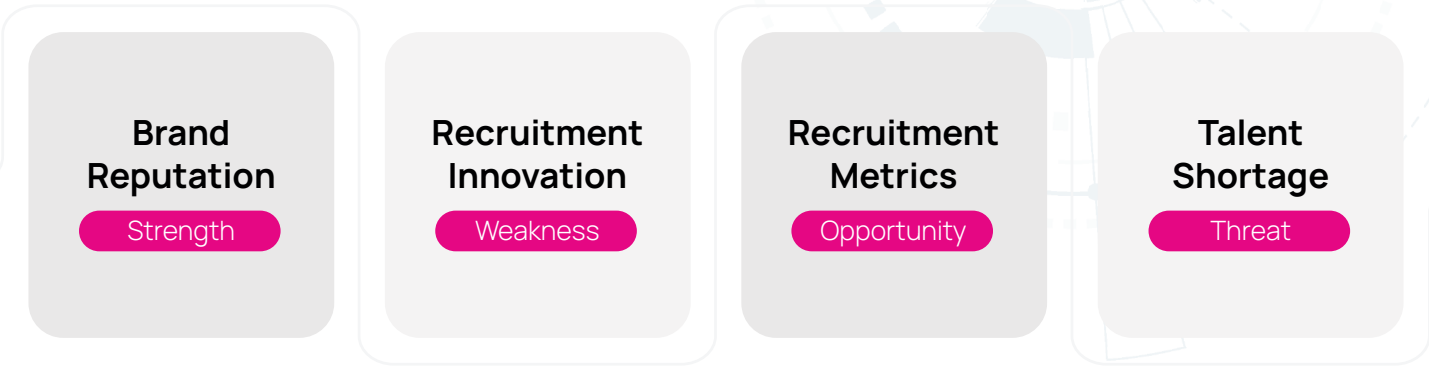


How do you foresee this shift impacting HR practices the most?



Talent Acquisition

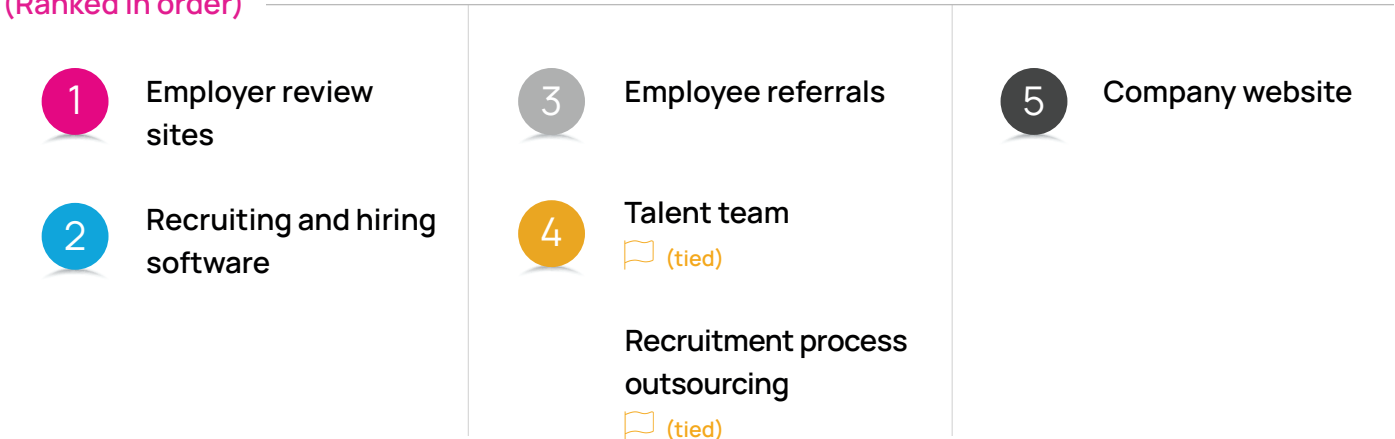
Assembling a Skilled Workforce



Eighty-five percent of HR decision-makers say their organization’s reputation accurately reflects the reality of working at their company, which makes it a strength within the talent acquisition function, as HR teams benefit from an increase in trust for their organization’s authentic culture.

What is your organization’s most valuable recruiting tool?

(Ranked in order)



For the 15% who say their organization’s reputation doesn’t accurately reflect reality, the top reasons why have to do with branding—either overly optimistic branding or job seekers basing their perceptions on an external understanding of the brand. Optimistic branding is typically the result of an idealized version of culture or values that is used to attract top talent. And, despite former employees being ranked last when it comes to valuable recruiting tools, 89% of HR decision-makers say they believe their former employees would give a positive recommendation to future candidates—indicating this is an underutilized referral source that should be explored in 2025.

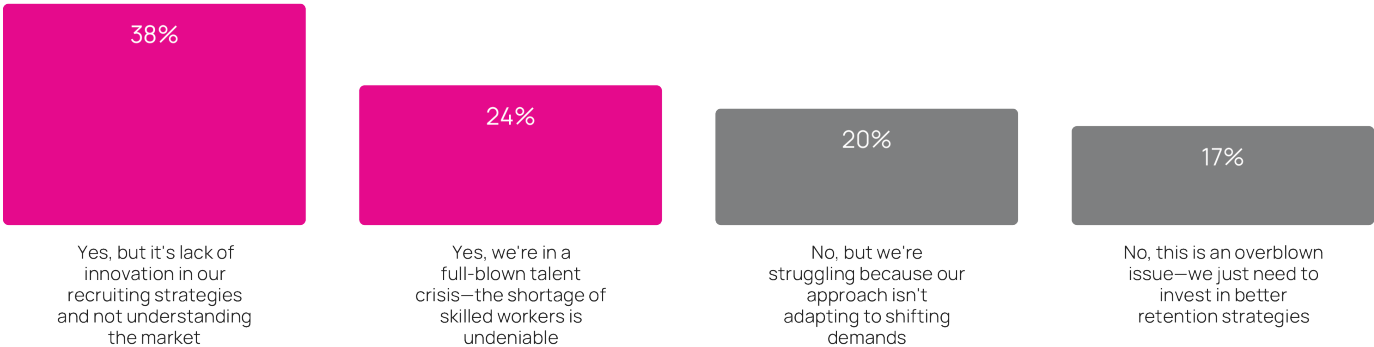
Exploring the data further, we see that **current recruitment strategies are a weakness for some HR leaders**. Thirty-eight percent of decision-makers say their organization is facing a talent crisis because they are having a tough time with innovative recruitment tactics in response to the market, which is likely why 37% are actively trying to solve for the talent crisis through innovation.



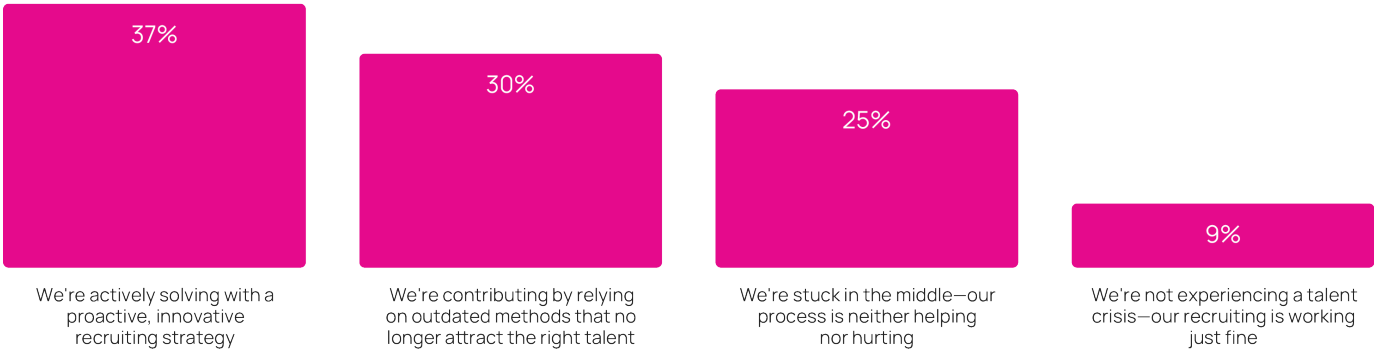
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Test new recruitment strategies like employee advocacy and referral programs, or alumni hiring initiatives to bring back high-performers.

Do you believe there is a talent crisis in your industry, and if so, is it a self-inflicted problem?



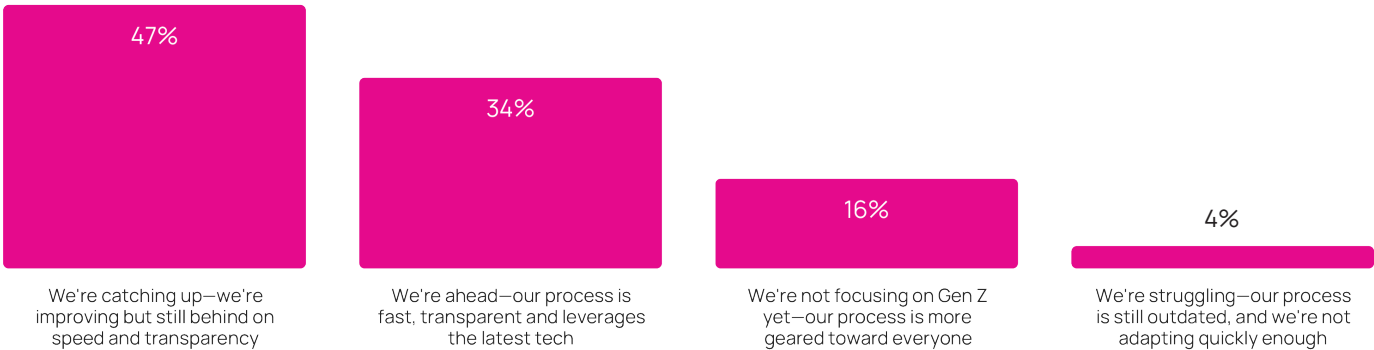
Do you believe your recruiting process is contributing to your company's talent crisis or helping to solve it?



One way to improve recruitment efforts is through the candidate experience, and organizations should be moving toward a process that meets the demands of the workforce's youngest generation: Gen Z. This generation, which was born between 1997 and 2012, is more likely to expect a digital-first, seamless way to apply to open roles because they have been accustomed to fast, intuitive experiences their entire life—

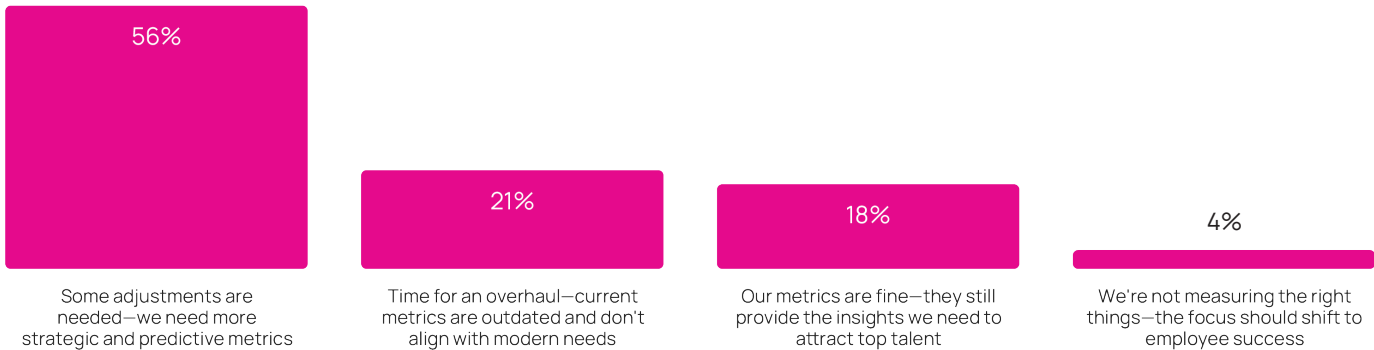
from social media to online shopping. While 34% of HR leaders say they are meeting those expectations, 20% say they are either not focused on Gen Z or struggling to meet expectations.

How well do you think your candidate experience is evolving to meet the demands of Gen Z?



It's not just the candidate experience that needs updating though. **Recruitment metrics are an opportunity, with a new approach to measuring success having the potential to help HR teams improve talent acquisition.** Twenty-one percent of HR decision-makers say their recruiting metrics need an overhaul and 56% say they need to incorporate more strategic and predictive metrics to stay competitive. This could lead to a shift—from organizations prioritizing efficiency metrics, like time-to-fill, to quality metrics, like first-year retention rate or hiring manager satisfaction rate.

Do you believe your recruiting metrics are still relevant, or is it time for a radical overhaul?



What is the top threat facing talent acquisition at your company?

(Ranked in order)

1

Shortage of qualified candidates

2

Remote work expectations

3

Bandwidth to process and respond to applications

4

Not enough professional development opportunities

5

Lack of employee referrals

 (tied)

Unable to pay market value

 (tied)

The top threat facing talent acquisition, however, is a shortage of qualified candidates. In fact, 62% of respondents say their industry is dealing with a talent crisis. Modernizing recruitment strategies with technology can make a big difference, but some HR leaders are also turning to full recruitment process outsourcing. This type of service takes on end-to-end hiring—helping organizations find qualified candidates for even the most difficult of open positions.

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Take recruitment off HR's to-do list and source candidates for difficult-to-fill positions with recruitment process outsourcing.

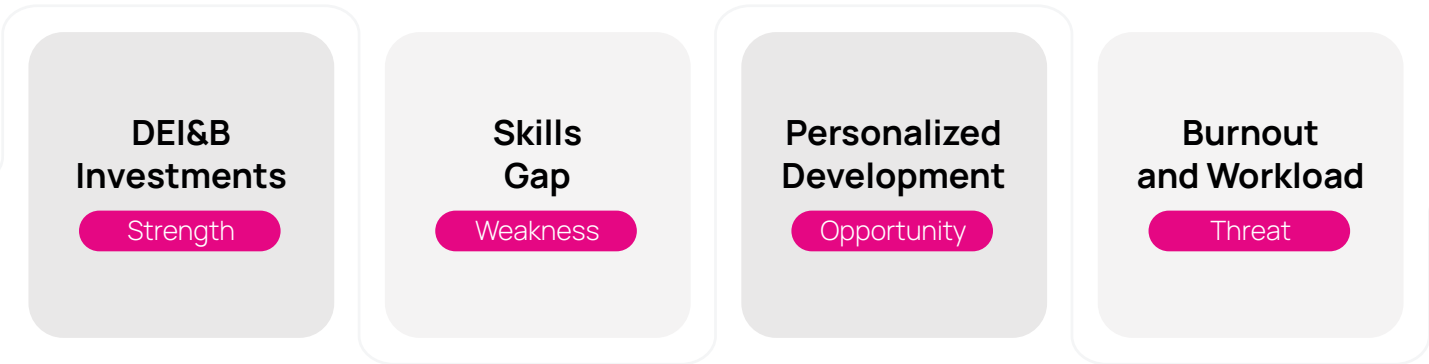
A shortage of qualified candidates was named the top talent acquisition threat by HR leaders in 23 of the 25 industries surveyed, with the personal services and utilities industries identifying remote work expectations as their top threat. Many roles in these sectors require in-person labor, which makes it challenging to recruit from a candidate pool that is prioritizing flexibility and work-life balance. Each industry has its own unique set of challenges when it comes to assembling a skilled workforce, but the talent acquisition efforts are only worth it if the retention efforts match.

Past Finding: In 2021, HR leaders said remote-work environments were the top talent acquisition threat.

Current Fact: In 2025, HR leaders say a shortage of qualified candidates is the top talent acquisition threat.

Workforce Retention

Delivering a Sense of Belonging



Looking at the top organizational concerns for decision-makers across industries highlights just how many priorities HR teams have on their plate (see full chart on page 12). Retention and EX, however, are the biggest overall concerns—and it’s easy to see how one influences the other. After all, employees are more likely to pursue other opportunities when they feel like they aren’t valued or engaged at work.

What is the top concern for your organization?

(Ranked in order)

1 Retaining top talent (tied)	3 How AI impacts our workforce	5 Addressing burnout or workload
Improving EX (tied)	4 Competing for top talent (tied)	
2 Reducing HR or payroll errors	Employee relations concerns (tied)	

Top Organizational Concern by Industry

Competing for top talent	Entertainment Staffing Services
Retaining top talent	Education Government and Public Sector Manufacturing Non-Profit Real Estate and Property Management Restaurants Retail Travel and Lodging Utilities
Staying compliant	Agriculture
Reducing HR or payroll errors	Construction and Engineering Dental and Physicians Clinics Financial Services Medical and Surgical Hospitals Utilities
Improving EX	Consulting and Other Services Elderly Care and In-Home Services Dental and Physicians Clinics Law Firms and Legal Services Non-Profit Retail Staffing Services Software and Information Technology
Employee relations concerns	Utilities Wholesale and Distribution
A potential recession's impact on our workforce	Law Firms and Legal Services Non-Profit Utilities
Impact of a new presidential administration	Entertainment
Addressing burnout and workload	Dental and Physicians Clinics Healthcare (Other) Personal Services
Fostering an inclusive workplace	Entertainment Non-Profit
How AI impacts our workforce	Accounting Services Consulting and Other Services Entertainment Transportation and Logistics Utilities

*Industries listed more than once had tied responses, leading to multiple top concerns.

Past Finding: In 2023, 51% of HR leaders said retaining talent had been more difficult over the last 12 months.	Current Fact: In 2025, 29% of HR leaders say retaining talent has been more difficult over the last 12 months.
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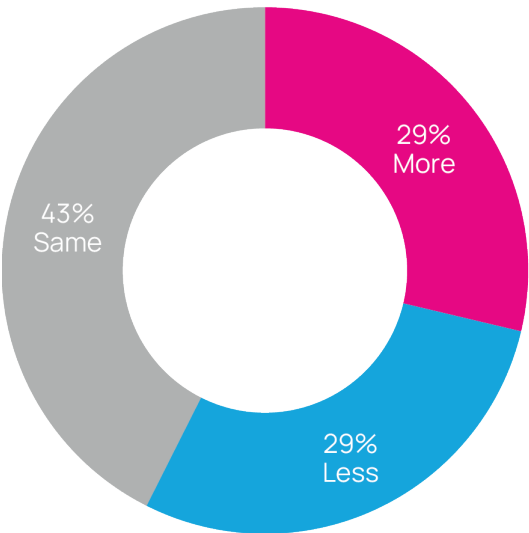
Despite retention being a concern, just 29% of HR decision-makers say retaining talent last year was more difficult than the year before. Overall, workers continue to prioritize flexibility, well-being and career growth, which makes it crucial for employers to invest in meaningful experiences.



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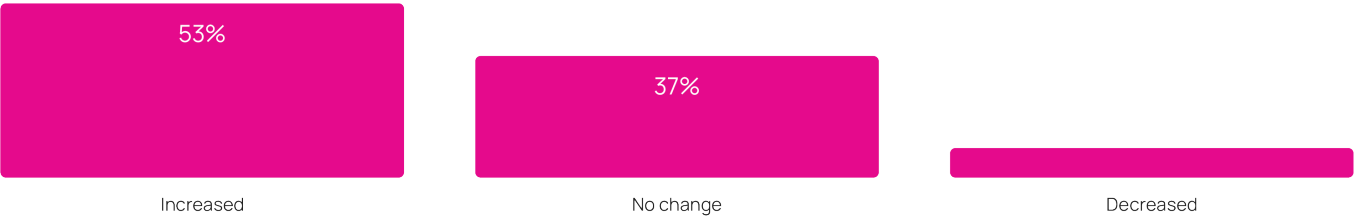
Advance DEI&B efforts with company-sponsored employee resource groups to foster a sense of belonging, advocacy and professional growth for underrepresented employees.

Was retaining talent more or less difficult over the last year?



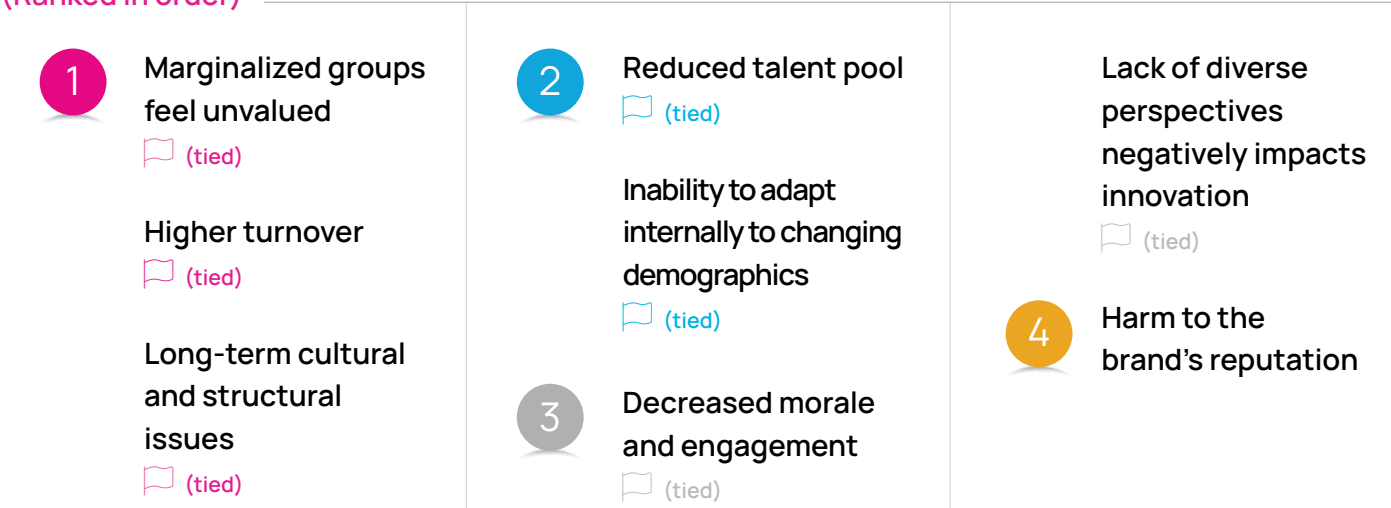
Despite economic uncertainties, job-hopping remains prevalent as candidates seek better opportunities, higher pay, more flexibility and inclusive cultures. Although there have been numerous headlines of scaled back diversity efforts recently, our survey found **diversity, equity, inclusion and belonging (DEI&B) is a strength for HR teams in 2025**—with 53% of decision-makers noting they've increased their focus on DEI&B efforts over the last year. For the 9% who've decreased efforts, the top reason why is that it's "no longer a priority." While this topic may make headlines for the foreseeable future, most HR leaders recognize the impact of DEI&B on the organization, with respondents noting that a decreased focus is most likely to lead to higher turnover, marginalized groups feeling unvalued, and long-term cultural and structural issues.

Has your company increased or decreased its focus on DEI&B over the last 12 months?



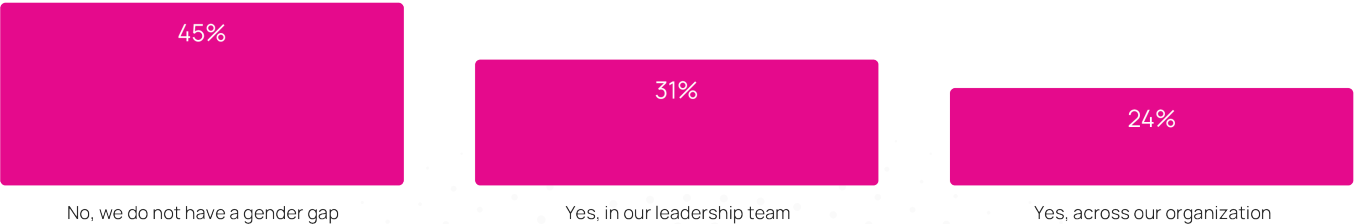
What is the biggest impact a decreased focus on DEI&B can have on an organization?

(Ranked in order)



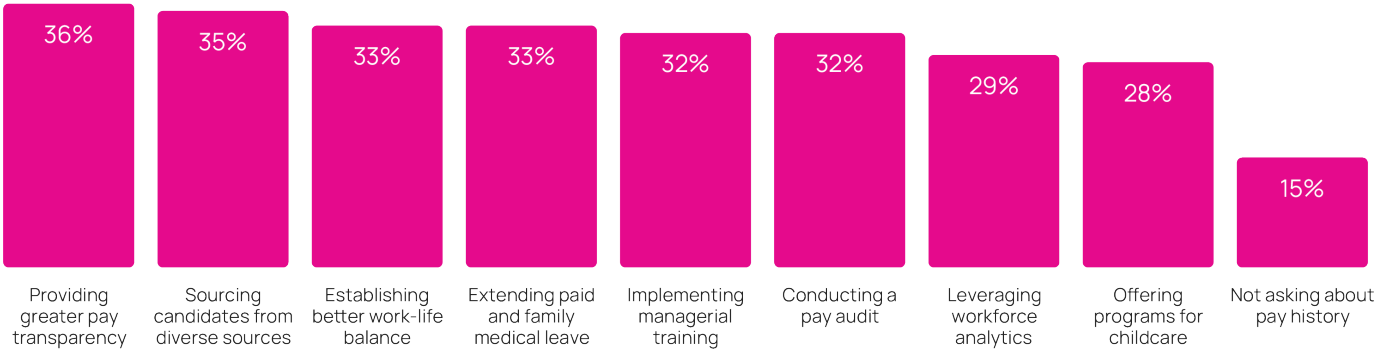
To learn more about DEI&B initiatives, we asked about inequalities when it comes to gender and race. The data shows that 55% of HR decision-makers say they have a gender gap at their organization, particularly when it comes to their leadership teams. This signals that there are disparities in outcomes, opportunities or treatment between individuals of different genders. That said, 64% don't believe there are gender or race disparities when it comes to compensation. For those who say there is an imbalance, 68% are taking steps to address it—including providing greater pay transparency.

Do you feel like there is a gender gap in your organization?



A pay audit is typically the most effective way to address pay gaps, which is something 32% of those who are taking action say they are doing. Compensation, after all, is key to staying competitive—as are benefits and other work perks (more on that soon).

What steps are you taking to lessen the pay gap?

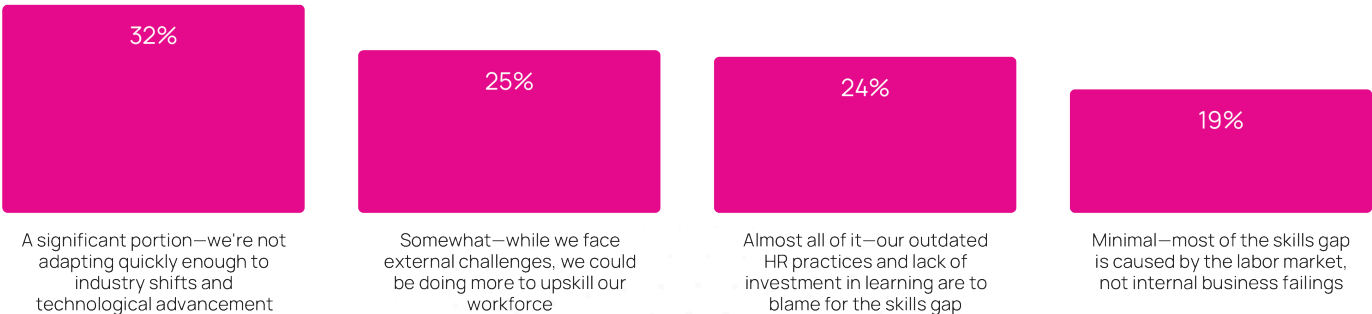


When addressing weaknesses in retention strategies, there’s a different gap HR teams need to consider: the skills gap. Forty-eight percent of HR decision-makers say they are dealing with a skills gap that tends to be self-inflicted. Thirty-two percent, for example, say they’re not adapting quickly enough to industry shifts and technological advancements. For those that are addressing the skills gap, the most common way they are doing so is through education—including team and individual trainings. That said, learning management systems (LMS) are also an important tool, especially considering advances in AI make it possible for employers to deliver personalized learning experiences to each employee.

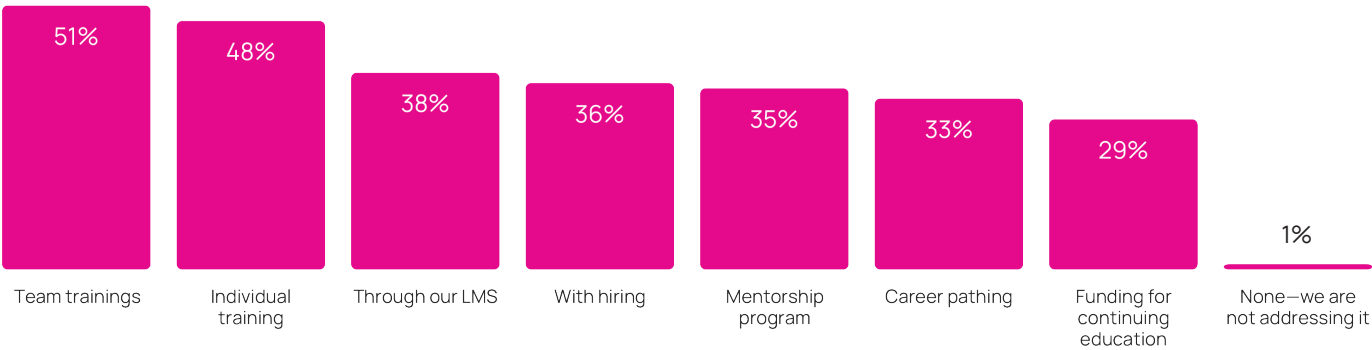
Elevate HR

Improve development and engagement with virtual workspaces that provide a personalized homepage of recommendations for learning, resource groups, benefits selections and more.

How much of your organization’s skills gap do you believe is self-inflicted?



How are you addressing the skills gap?



Professional development is overall a major opportunity when it comes to retention. An effective development program not only helps close the skills gap, but also strengthens an employee's desire to stay with their current employer. Plus, professional development initiatives can shape an organization's culture, experience and reputation.

Now for the **biggest threat facing retention: a combination of burnout and increasing employee expectations.** The former is the bigger priority for organizations with less than 100 employees, while the latter is more of a concern for businesses with a larger workforce.

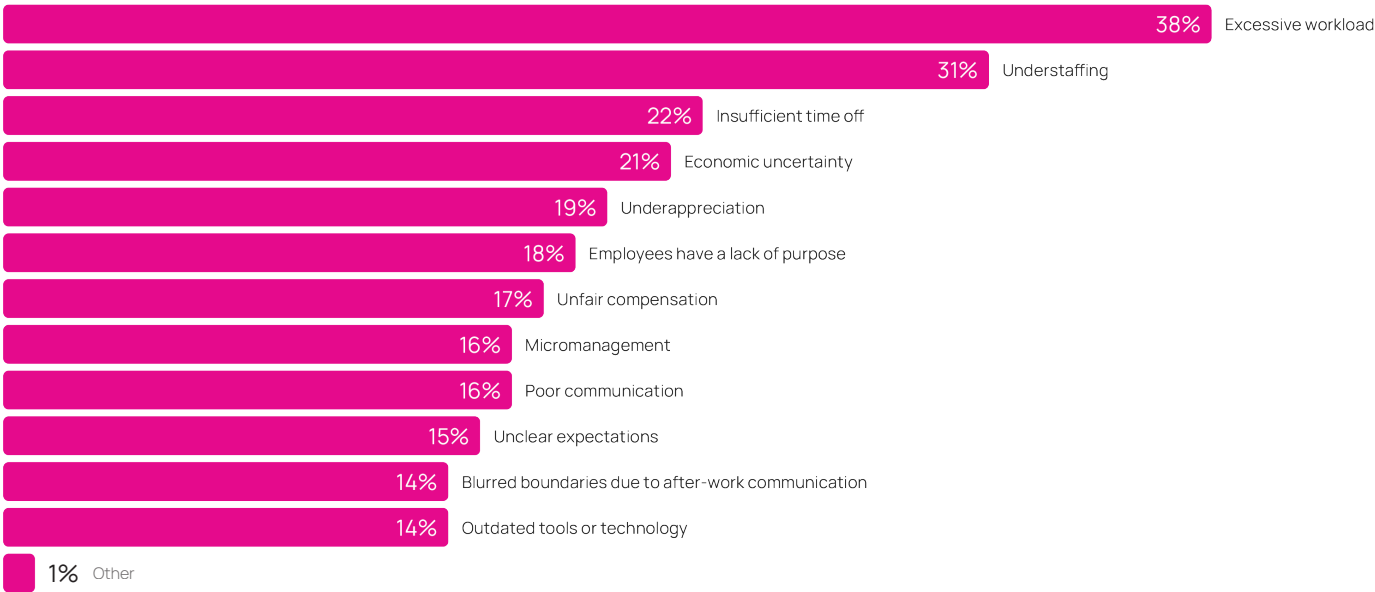
What is the top threat facing talent retention at your company?

(Ranked in order)

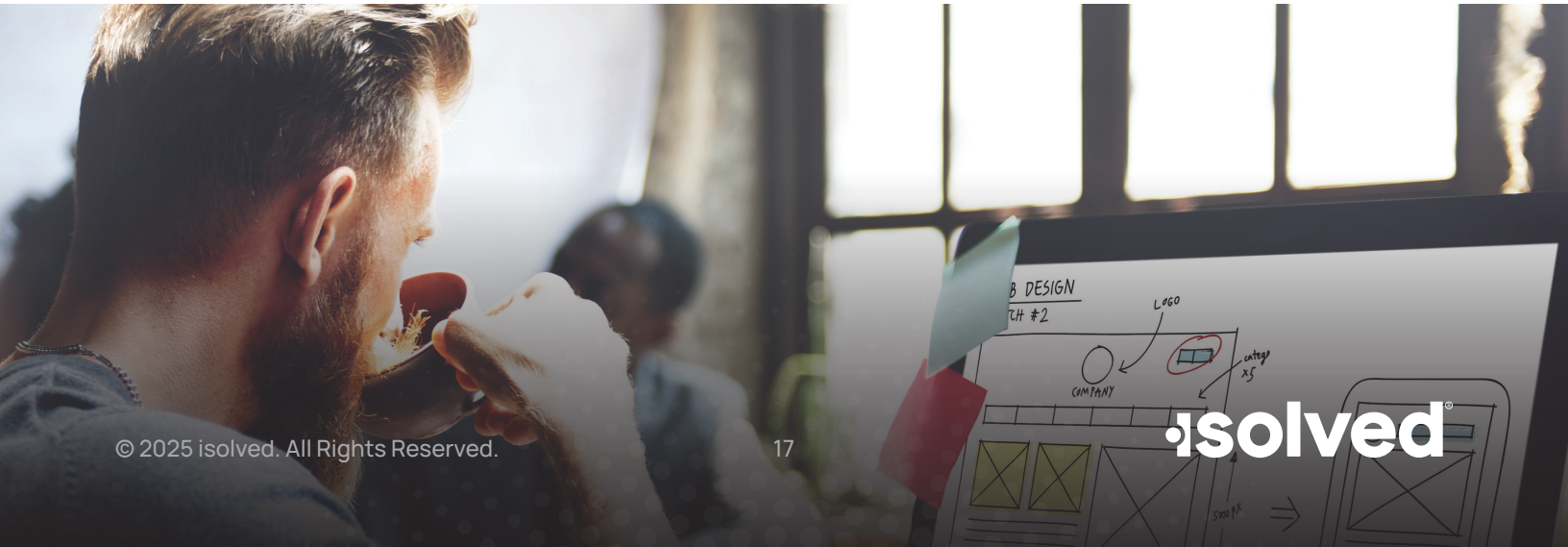
1 Burnout or workload (tied) Increasing EX expectations (tied)	3 Absence of professional development (tied) Inability to offer competitive benefits (tied)	4 Outside recruiters poaching talent 5 Failure to offer annual salary increase
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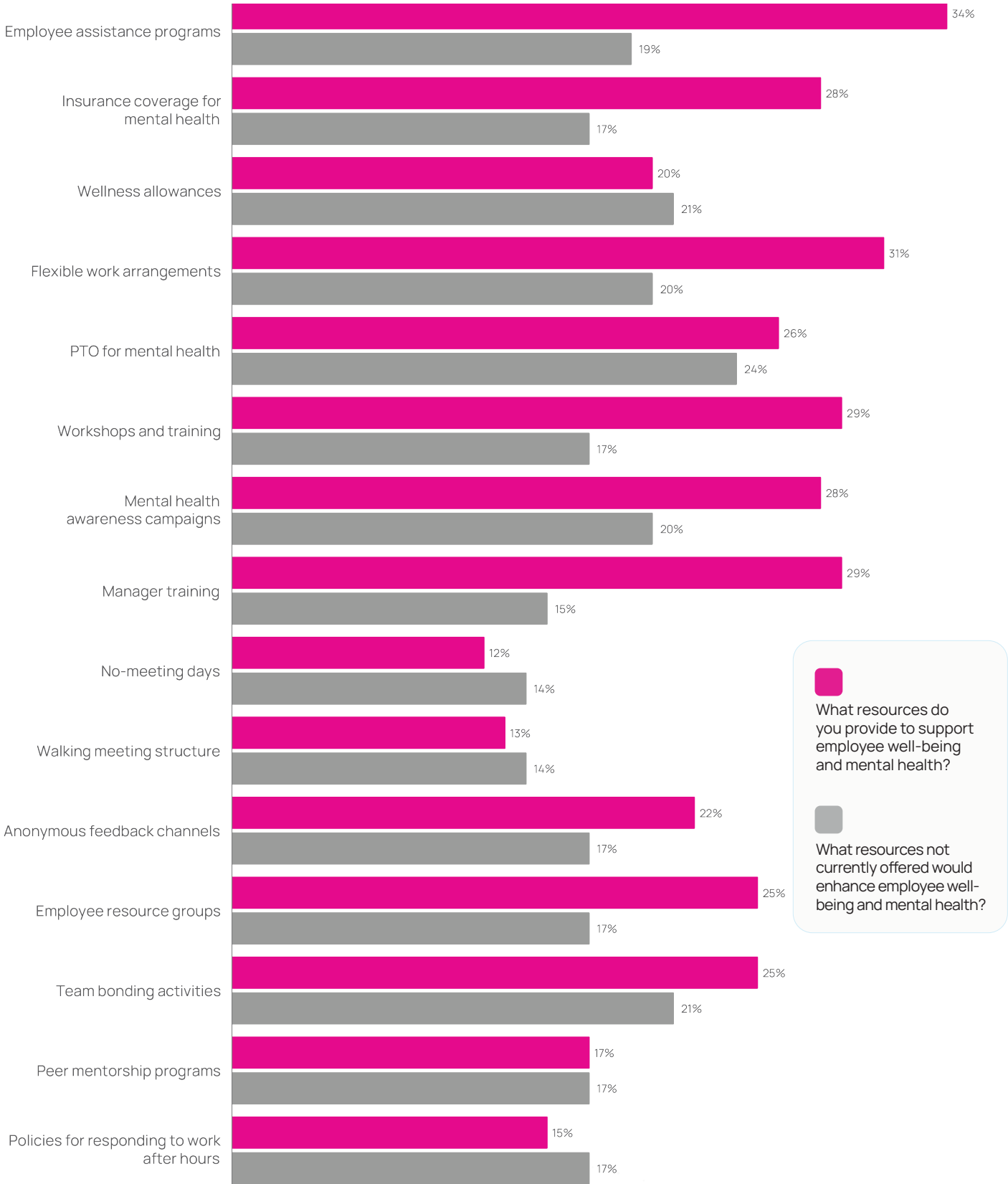
It's important to note, however, that there does seem to be a disconnect between employee and employer regarding burnout—which is something HR leaders should pay attention to. In a separate survey of full-time employees, **79% said they have experienced burnout** at work. Despite this, 61% of the HR decision-makers we surveyed say their workforce isn't burnt out. For the 39% who do recognize their employees are burnt out, the top reason is an excessive workload.

What are the top reasons you think your workforce is burnt out?



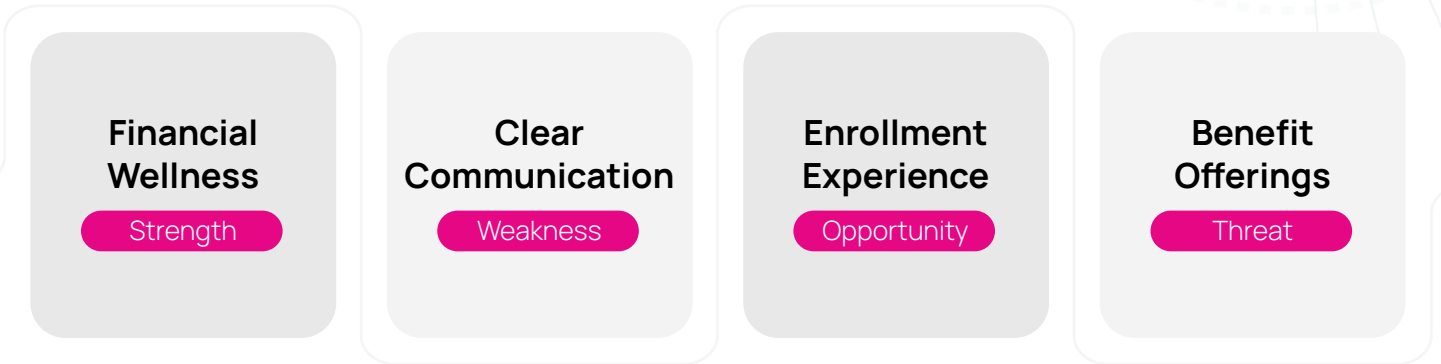
The good news is that HR leaders are providing resources to support employee well-being and mental health. The top way is through employee assistance programs, which provide confidential support in areas that may impact employees' personal lives or job performance. When it comes to the well-being resources HR leaders would like to provide their workforce, the top response is paid time off (PTO) for mental health—which is an opportunity for employers to not only improve retention, but also competitiveness.





Competitive Benefits

Prioritizing Total Wellness

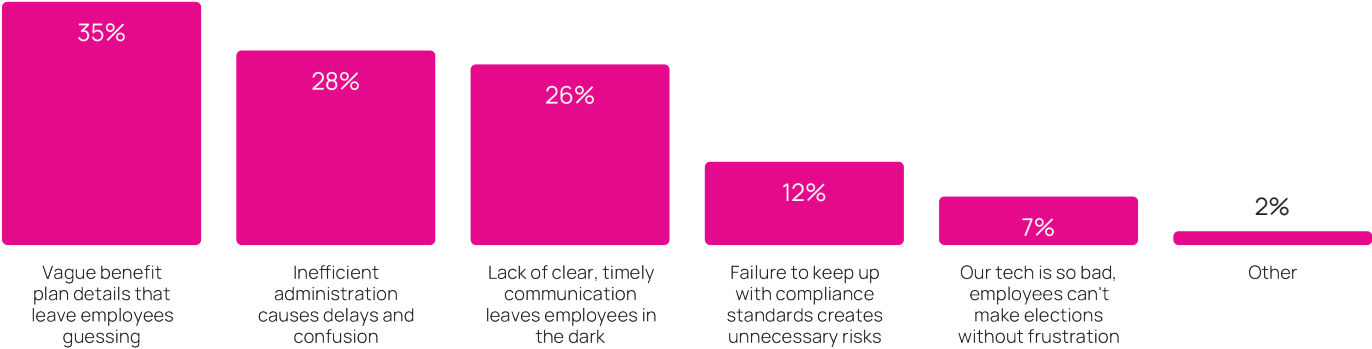


Staying competitive goes beyond how much someone is compensated. While there are many factors to consider, one area HR leaders can look at is how employees are compensated (and how often).

Sixty-eight percent of organizations are offering on-demand pay, which gives employees access to wages whenever they need it. **What's more, 55% of those not currently offering on-demand pay are considering adding the work perk—signaling that employers care about the financial wellness of their workforce, which is certainly a competitive strength.** Those that aren't considering offering on-demand pay say the biggest reasons why are because it either makes payroll too complicated, their employees haven't asked for it or it's simply not a priority for their leadership team.

When it comes to competitive weaknesses, HR teams need to look at their benefit enrollment process—specifically the need for better communication. Thirty-five percent of HR leaders say vague benefit plan details leave employees unsure about their choices, while another 26% say a lack of clear, timely communication leaves employees in the dark when it comes to understanding how the enrollment process works. One way to remedy this is through a self-service process that provides employees with clarity and offers real-time transparency into their benefit details during enrollment—including cost comparisons.

What is the biggest blunder your company makes during open enrollment?

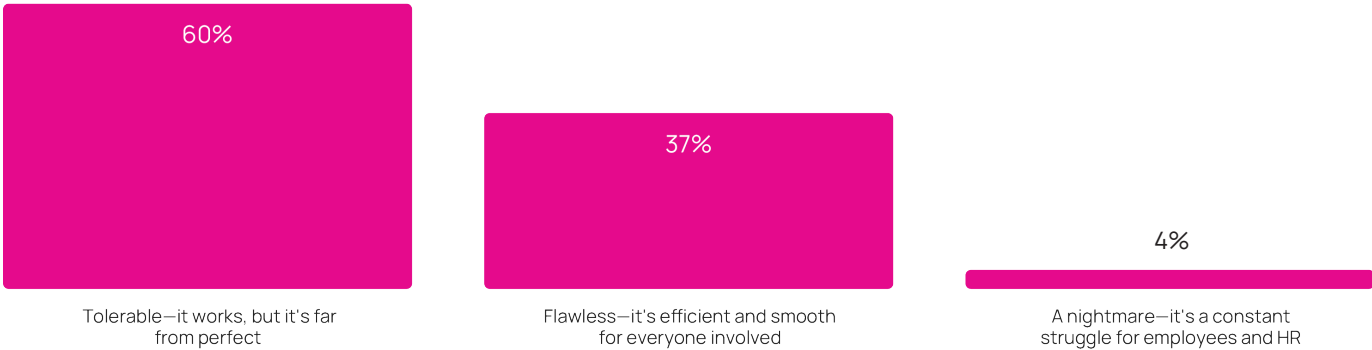


Communication isn't the only area that could use improvement when it comes to benefits enrollment. **In fact, 60% of HR leaders describe their organization's open enrollment process as tolerable, which means there is a real opportunity to improve it.** In addition to better communication and transparency, HR leaders should consider technology upgrades—especially AI-guided enrollment that removes stress from decisions by providing guidance based on personal factors like dependents, medical history and more.

Elevate HR

AI-powered benefits enrollment tech provides employees with guided enrollment support so they can be more confident in their elections.

How would you describe your company's open enrollment process?



Past Finding: In 2024, 90% of HR leaders considered their organization's benefit package competitive.

Current Fact: 85% of HR leaders consider their organization's benefit package as competitive.

The benefits being offered, however, may be a threat to employers trying to stay competitive.

Although 85% of HR decision-makers feel like their organization offers competitive benefits, the data shows that nearly a quarter of employers are missing the mark when it comes to standard benefit packages like health insurance and retirement plans. For example, 36% of HR leaders from small businesses with under 50 employees say their organization doesn't offer health insurance, while 27% of HR leaders from medium-sized businesses with 501-1,000 employees say the same thing.

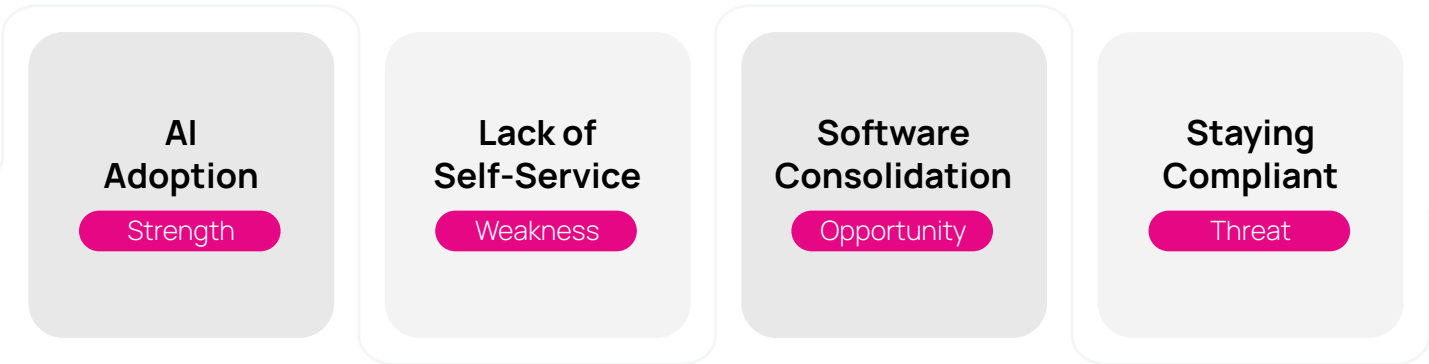
Which benefits are not offered by your organization, but you feel it should?

Benefit Offered	Employee Size							
	Total	1-50	51-100	101-200	201-500	501-1000	1001-1500	1501+
Health insurance	24%	36%	25%	25%	19%	27%	24%	21%
Retirement plans	21%	31%	23%	17%	17%	21%	24%	24%
401(k) matching	26%	34%	23%	26%	21%	29%	26%	24%
Tuition reimbursement	19%	23%	17%	18%	17%	18%	24%	23%
Company equity options	12%	11%	9%	10%	12%	13%	14%	16%
Transit reimbursement	15%	10%	14%	11%	13%	15%	16%	22%
Pet insurance	16%	18%	17%	17%	14%	14%	19%	20%
Dependent care	15%	13%	14%	13%	15%	13%	15%	20%
Financial counseling	18%	15%	20%	17%	16%	19%	22%	17%
Legal services	16%	17%	14%	12%	13%	18%	18%	17%
Employee lifestyle discounts	17%	14%	15%	14%	14%	17%	20%	21%
Wellness program	21%	22%	20%	25%	18%	18%	25%	26%
New parental leave	17%	14%	21%	19%	14%	17%	15%	18%
Life insurance	21%	22%	24%	21%	16%	22%	25%	19%
Lifestyle spending accounts	15%	10%	11%	14%	14%	16%	21%	16%
Paid time off	22%	32%	28%	27%	17%	21%	23%	18%
Vision insurance	20%	27%	23%	18%	15%	21%	23%	19%
Dental insurance	21%	30%	25%	23%	18%	19%	21%	18%
Four-day work week	23%	25%	26%	21%	21%	21%	27%	26%
Unlimited paid time off	16%	15%	12%	15%	13%	18%	18%	20%
Paid mental health days	26%	25%	27%	24%	26%	24%	26%	26%
Office equipment reimbursement	12%	12%	9%	11%	11%	12%	14%	13%
Childcare reimbursement	20%	18%	21%	15%	19%	20%	21%	27%
Eldercare services	16%	16%	16%	17%	14%	18%	14%	20%
Sabbatical	14%	13%	13%	12%	13%	13%	17%	17%
Family planning support	17%	19%	14%	17%	17%	16%	21%	20%
Outplacement services	10%	7%	9%	9%	9%	10%	10%	12%
None	4%	4%	5%	5%	9%	2%	3%	2%

Benefits are certainly a top concern for candidates, which means it's essential for HR leaders to understand what moves the needle from a competitive standpoint. To start, leaders should gather employee feedback, analyze competitor offerings and consider leveraging a third-party to conduct a benefits and technology evaluation, which brings us to our next SWOT analysis.

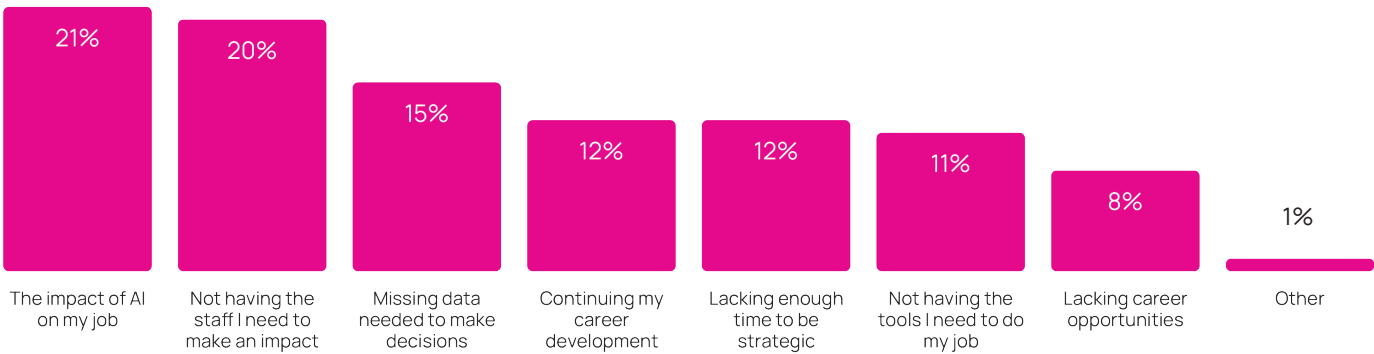
Tech Stack Analysis

Investing in Better Outcomes



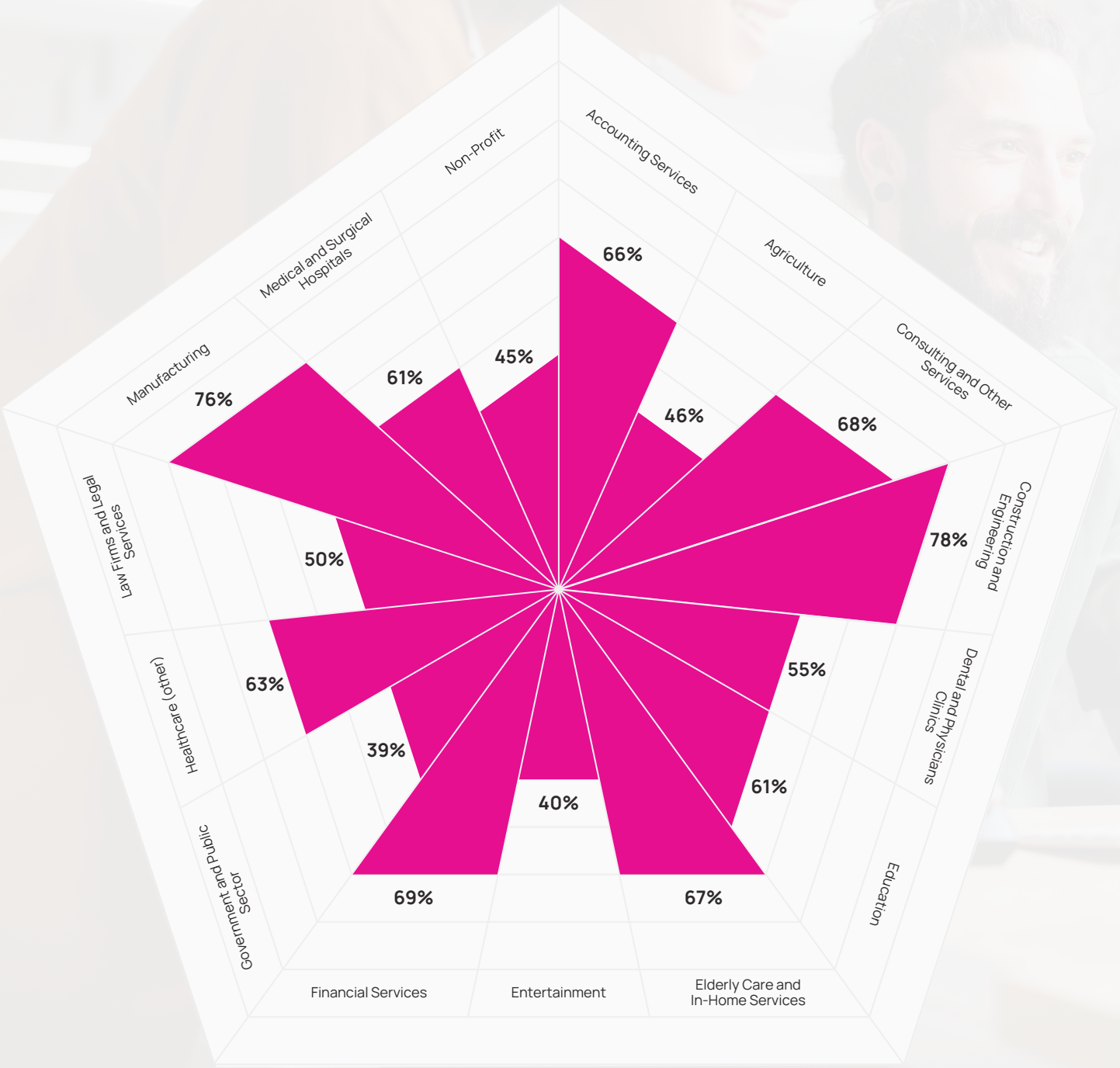
Despite AI being a top personal concern for HR leaders, adoption rates appear to be a strength for their departments. In fact, 69% say their teams are leveraging AI, with payroll and recruitment being the top areas the technology is supporting. This aligns with the top areas where HR leaders see the most potential for AI too, indicating leaders are looking for technology to help their organizations avoid payroll errors by catching anomalies early, as well as help recruitment teams streamline job ad writing and identify top candidates.

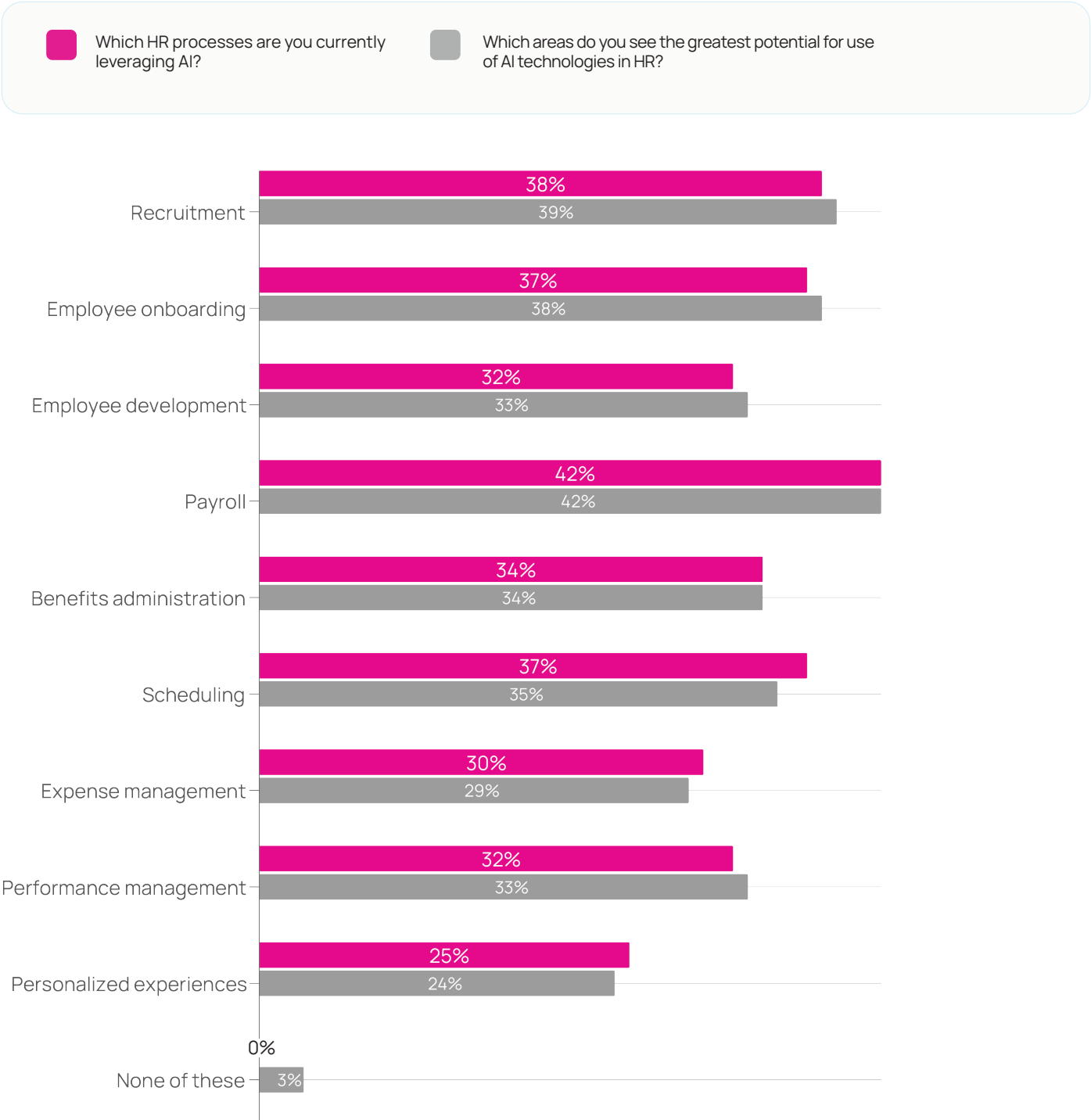
What is your top personal concern as an HR leader?



It's important to note, however, that AI adoption does vary by industry, with the software and information technology industry leading the pack and the government and private sectors falling behind.

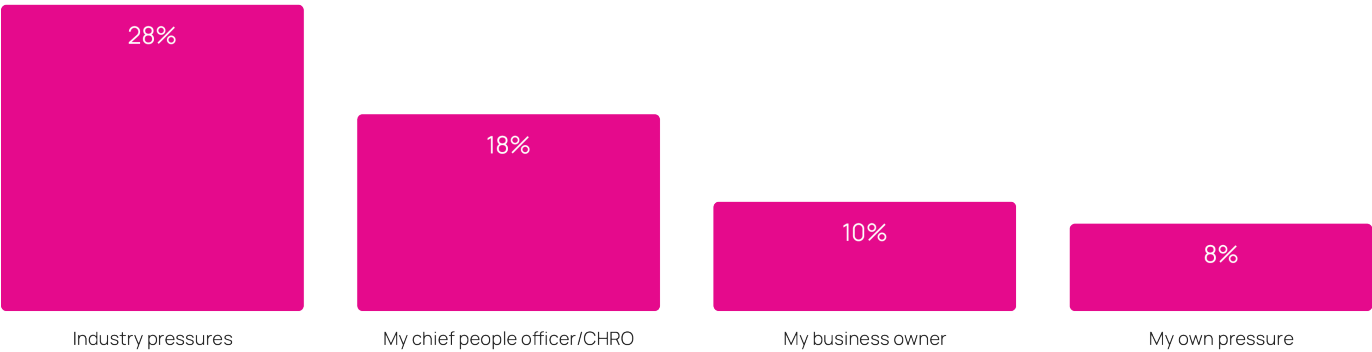
Industry AI Adoption Rates





While 68% of HR decision-makers say they aren't feeling pressure to incorporate AI into their HR, benefits and payroll processes, those that are say it's coming primarily from their executive team—likely because they recognize its potential to drive efficiency, reduce costs and enhance decision-making.

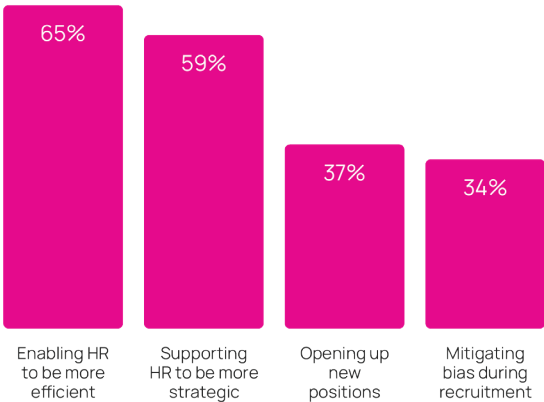
From whom are you feeling pressure to incorporate AI into your HR processes?



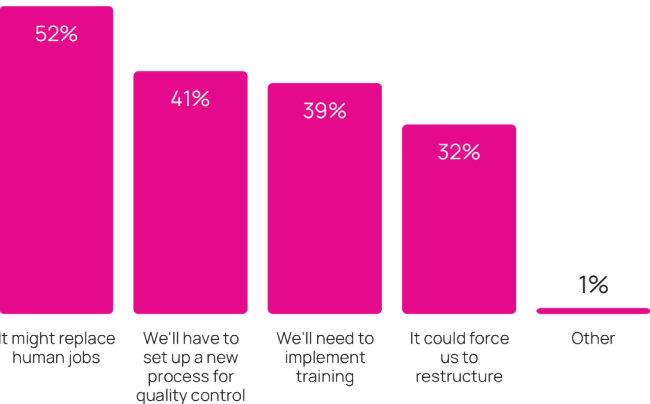
Overall, it seems like business leaders understand how important it is to be transparent with the use of AI to maintain trust. Only 2% of respondents say their organization is not transparent when it comes to AI usage, while 67% say their organization is very transparent. Sixty-six percent also say their workforce has received training around how to use the technology at work.

When it comes to HR leaders' true perception of AI, 64% think the technology will impact their department positively, while 29% think it will have both a positive and negative impact. For those who think the impact will be positive, the top reason is because it improves efficiency. For those who think it will have a negative impact, the top reason why is a fear that it'll replace human jobs.

Why do you think AI will have a positive impact on HR?



Why do you think AI will have a negative impact on HR?

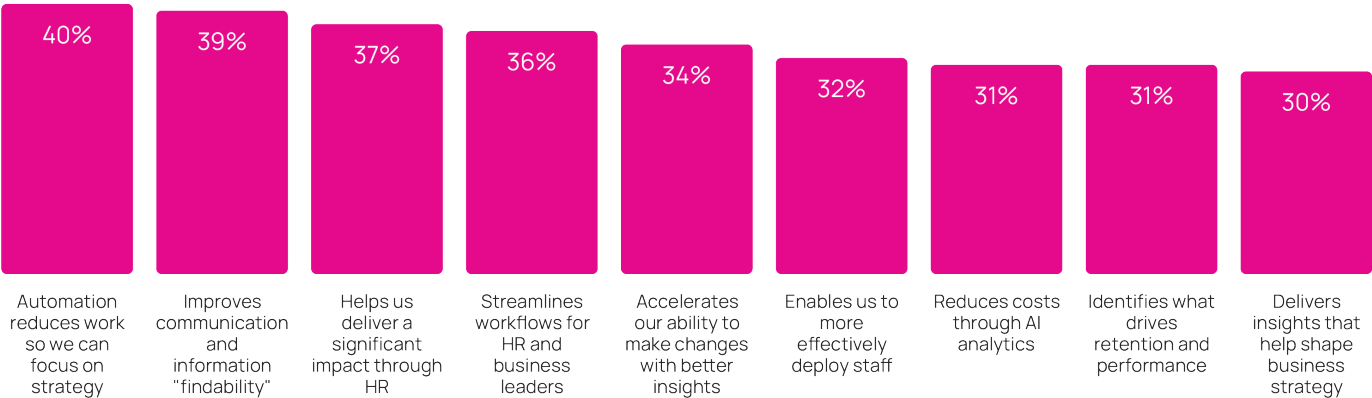


Past Finding: In 2024, 51% of HR leaders spent four or more hours a day answering repetitive questions.

Current Fact: In 2025, 48% of HR leaders spend four or more hours a day answering repetitive questions.

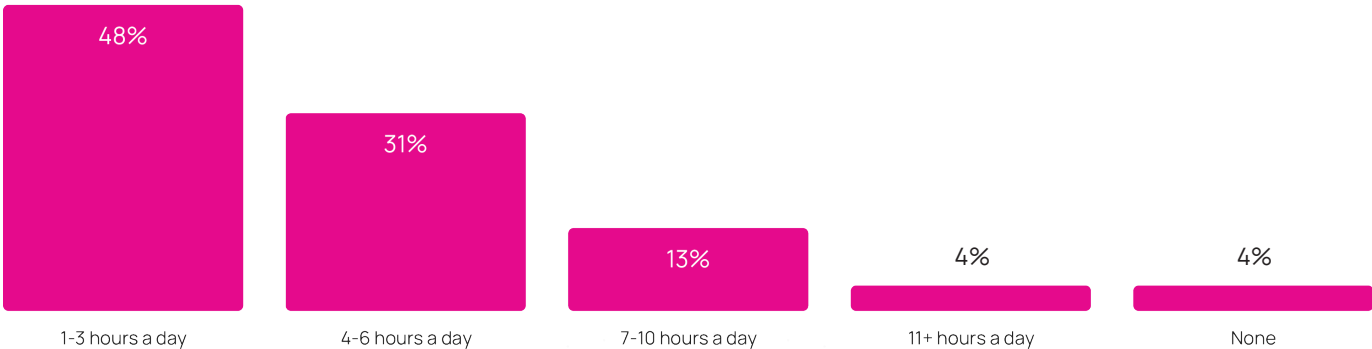
Since nearly 70% of organizations are already using AI in HR, we asked how the technology has been making an impact. Decision-makers say the biggest change is the automation of processes. Coming in a close second, however, is its ability to improve communication and information findability. This is especially true when HR departments leverage chatbots or virtual assistants to support their workforce. This technology empowers employees to find answers for common questions in the flow of work—enabling them to ask things like “What’s my PTO balance?” or “Do we have the day after Thanksgiving off?” directly in their HCM platform or other communications/collaboration tool.

How has the introduction of AI impacted traditional HR roles and responsibilities?

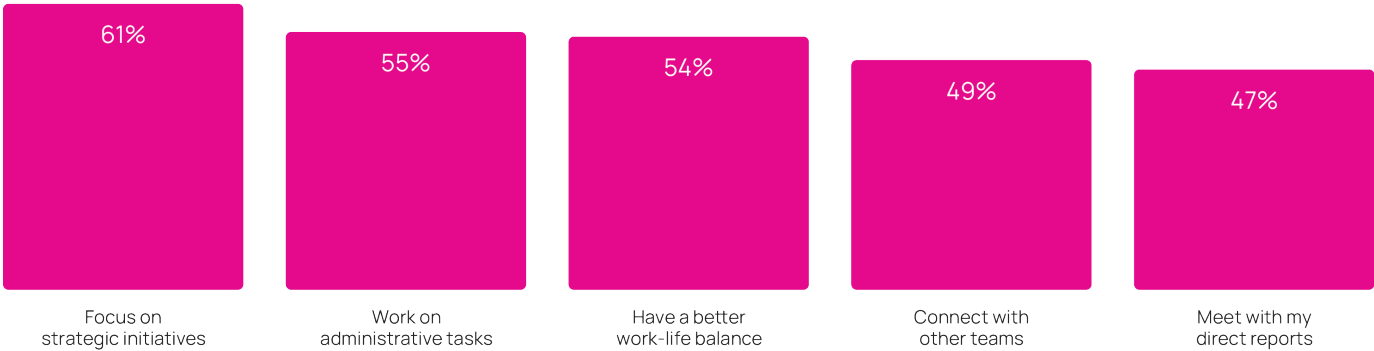


Adoption for this type of self-service technology appears to be a weakness for HR teams though, as 48% of HR leaders say they spend four or more hours a day answering repetitive questions. While this is a slight decrease from last year when 51% of HR leaders said the same thing, it's still almost half of respondents saying they spend at least half of their days answering questions. When asked what they'd do if they had that time back, most say they'd use it to focus on strategic initiatives.

On average, how many hours a day do you spend answering repetitive questions from employees?



What would you do if you had that time back?



While implementing new technology—especially AI—can be a change management exercise for HR departments, having the right technology partner can make all the difference. In fact, HR decision-makers say the best way for their department to prepare to manage continuous workplace change is by having strong software and service partners to support HR functions. This means vendors with scalable software and service solutions should be prioritized during the HCM technology evaluation process. A scalable, all-in-one solution that pairs with expert services can simplify people management and solve workforce challenges to provide peace of mind today and prepare organizations for progress tomorrow.



Elevate HR

Prioritize HCM vendors that pair software with services to help HR teams optimize investments and outsource tasks ranging from talent acquisition to compliance.

Which strategy will best prepare HR to manage continuous workplace change?

(Ranked in order)

1 Having strong software and service partners to support HR functions	3 Building peer relationships and networks with external organizations and industry leaders to share insights and best practices	5 Building flexible and agile policies (tied) Investing in robust HR platforms (tied)
2 Leveraging AI and advanced analytics to make data-driven decisions and predict future work needs	4 Upskilling HR teams in change management	

Currently, 93% of HR decision-makers say their organization uses HCM technology, which is [up 23% from adoption rates in 2021](#). While not a surprise, large organizations—with 1,001 or more employees—are most likely to be leveraging HCM solutions.

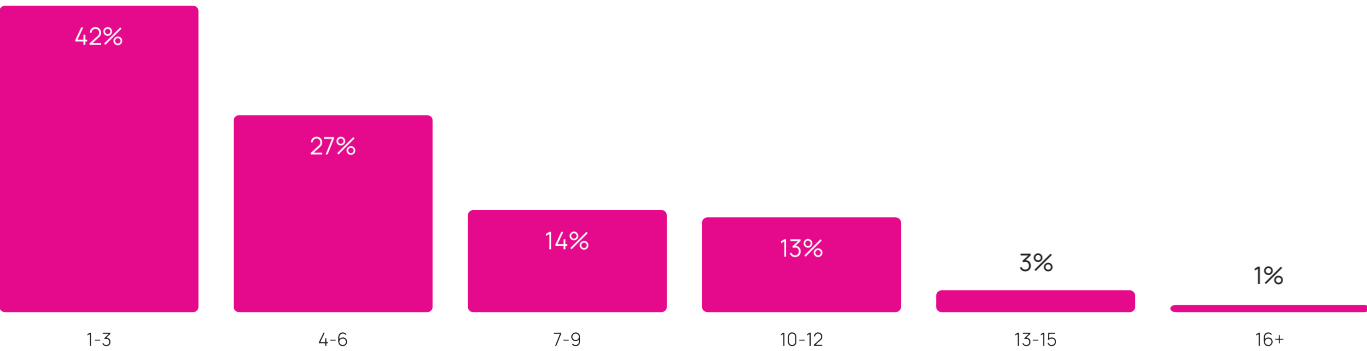
Do you currently use one or more software solutions for your business's HCM needs?

	Employee Size							
	Total	1-50	51-100	101-200	201-500	501-1,000	1,001-1,500	1,501+
Yes	93%	87%	93%	95%	88%	94%	97%	97%
No	7%	13%	7%	5%	12%	6%	3%	3%

Sixty-seven percent of HR departments, however, are considering switching their HCM solutions over the next year. **That brings us to an enormous opportunity: software consolidation.**

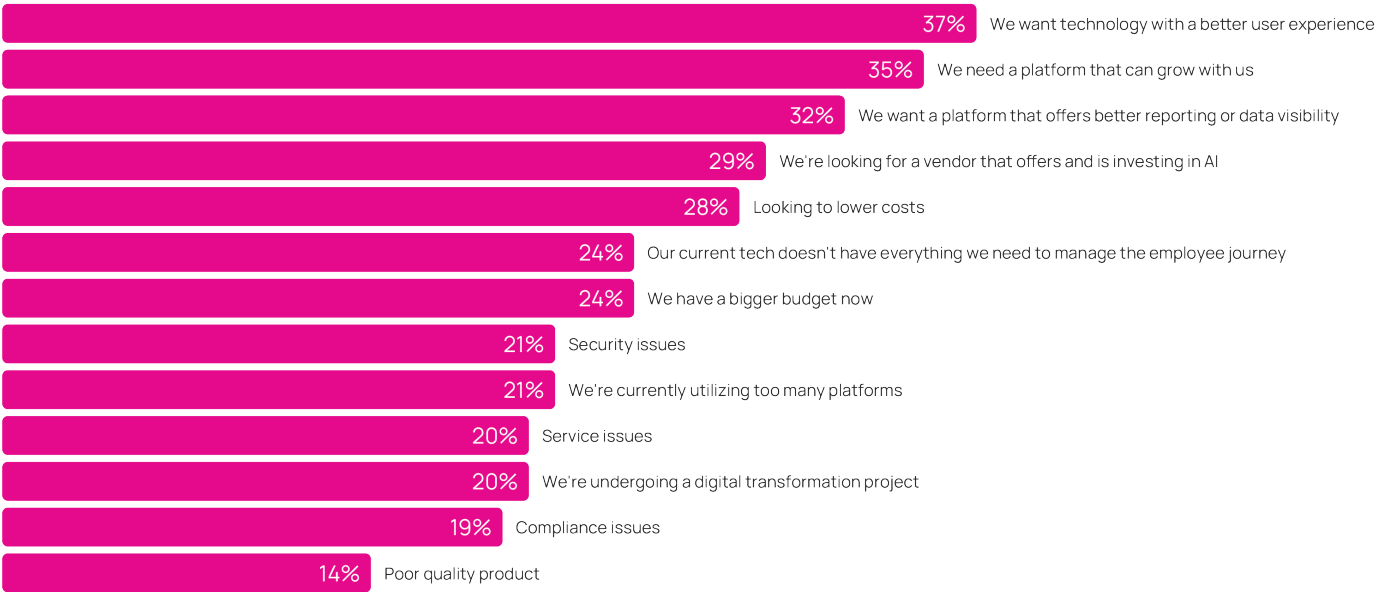
Fifty-eight percent of decision-makers say they are using four or more solutions for their business's HCM needs, with 17% using 10 or more solutions. What's more, 21% say they are switching HCM providers because they are currently using too many solutions. For these decision-makers, the best option is an intelligently connected platform that manages every aspect of the HR and employee journey. This not only improves efficiency and collaboration, but also eliminates data redundancy to minimize errors and proactively improve compliance.

How many HCM software solutions are you using?



When looking at the other motives for switching HCM solutions, user experience and scalability top the list—with the need for better reporting and data visibility coming in as a close third.

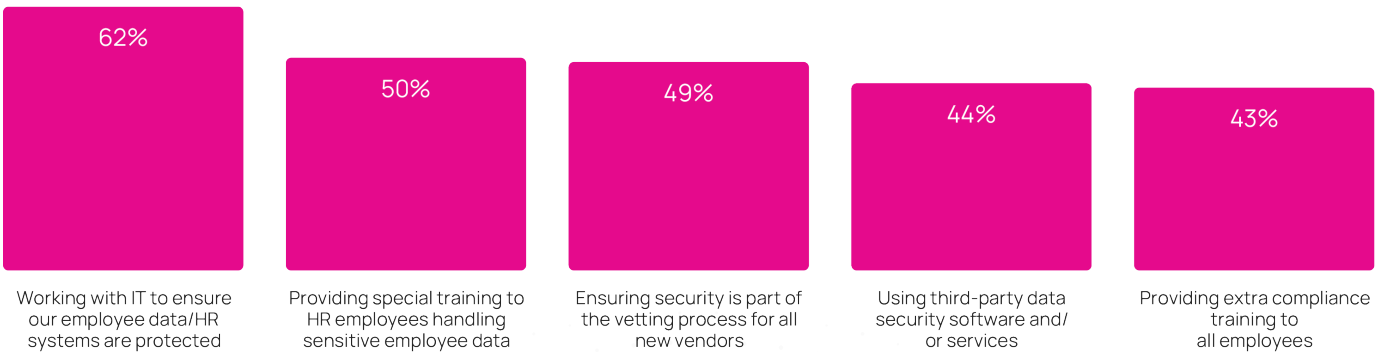
Why are you considering switching HCM solution(s)?



HR leaders' expectations for their HCM vendors differ though, with the biggest priorities being 1) a vendor that supports organizational growth; 2) a vendor that provides responsive support; and 3) a vendor that invests in ongoing security safeguards to protect sensitive data.

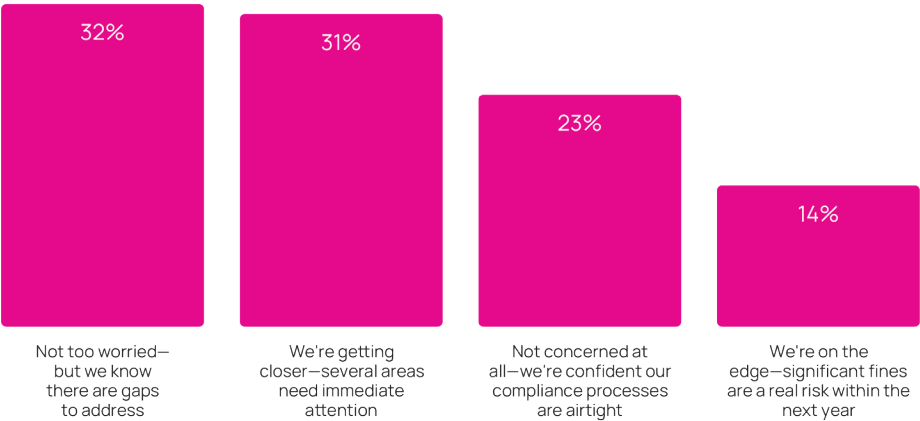
Security is top of mind for just about every business leader. In fact, 53% of HR leaders are concerned that a data breach could occur within their organization this year. Sixty-two percent are taking steps to protect their organization by working with their IT departments to ensure employee data and HR systems are protected, while 50% are providing special training to HR employees handling sensitive data.

What are you doing to protect your organization from a data breach?



A fully integrated HCM platform not only helps HR teams consolidate software, but can also make a difference when it comes to security if the vendor has appropriate safeguards put in place. This is why business leaders should prioritize investing in technology that reduces vulnerabilities and is a leader when it comes to protecting sensitive information. What's more, **the right HCM platform can support compliance efforts, which is an ongoing threat for businesses across the country.** In fact, 77% of HR decision-makers admit to having some sort of compliance gap—with 17% saying significant fines are a real risk within the next year. An integrated HCM platform proactively helps with compliance through accurate payroll processing that adheres to tax laws, proper classification of employees, automated benefits eligibility tracking and more.

How close do you think your business is to facing major compliance fines due to HR-related issues?

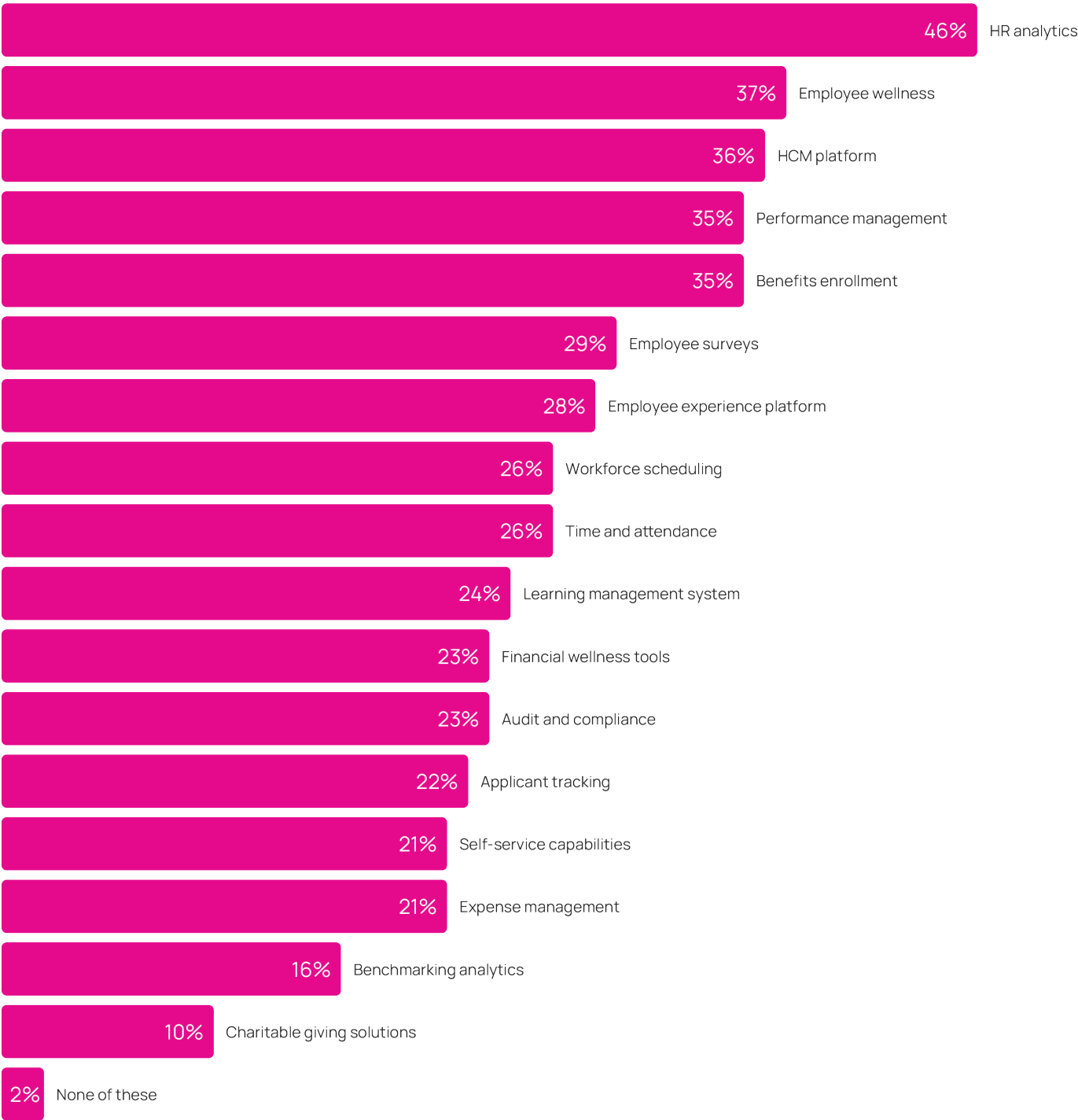


While more than half of HR leaders are considering switching their HCM platform this year, that's not the only HR technology they plan on investing in: 46% also plan to invest in HR analytics. As noted earlier, better data visibility is one of the top reasons HR decision-makers are considering switching their current HCM technology. Employee wellness is also a top investment area this year, which shows that organizations are trying to do more to support the overall well-being of their workforces.

Elevate HR

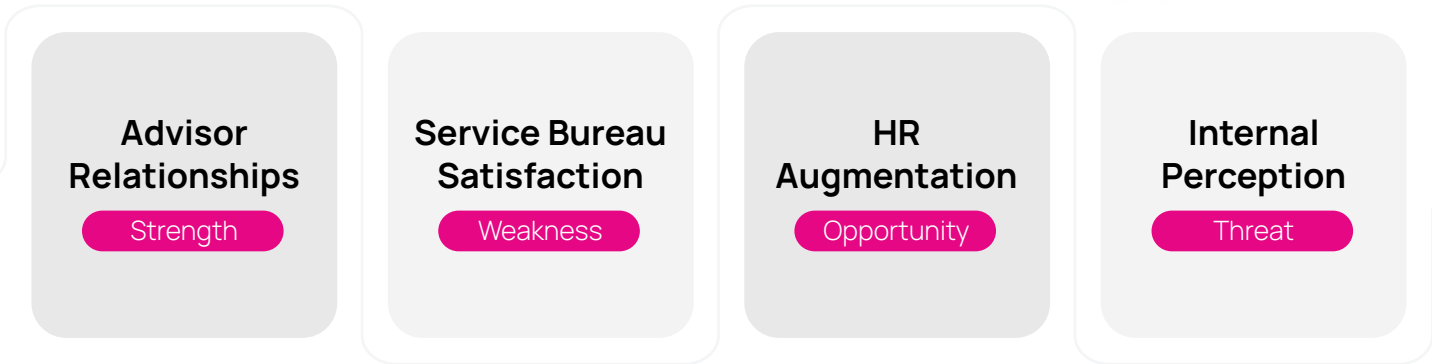
Consider cyber insurance to manage and mitigate the financial impact of cybersecurity threats and data breaches.

Which HR technologies will you invest in this year?



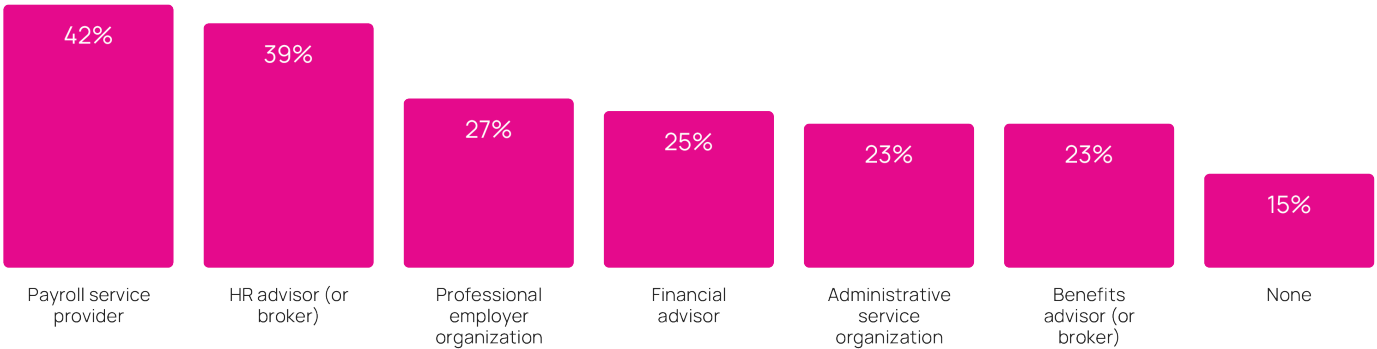
Power of Partnerships

Extending the Impact of HR



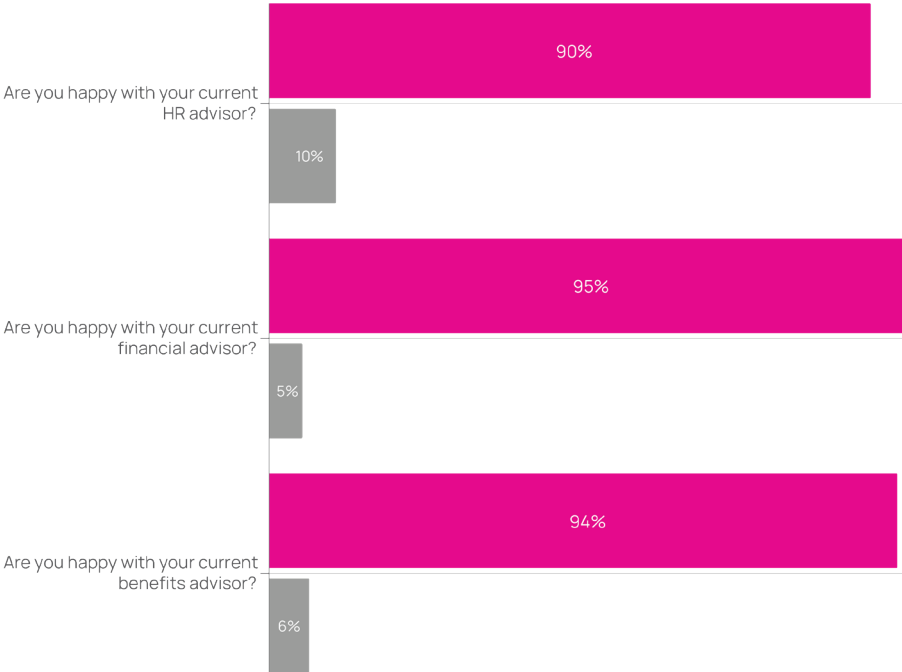
Having strong partnerships can amplify the impact of an HR team, and according to our survey results, all but 15% of organizations have some type of HR partnership—either with a service bureau, advisor or broker.

Do you work with any of the following service bureaus, advisors or brokers?

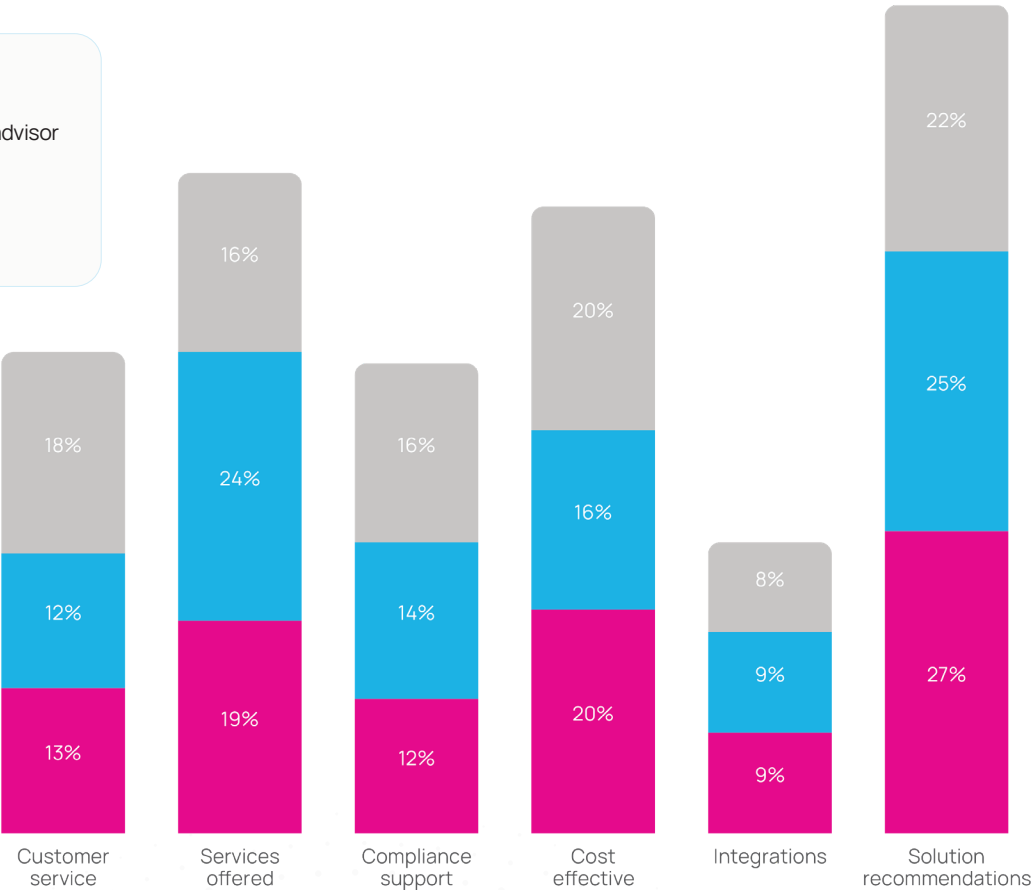
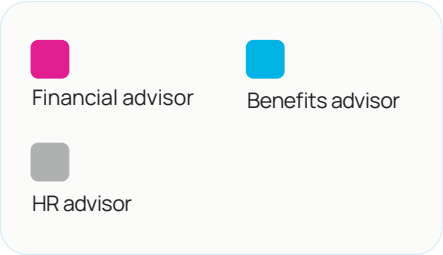


The advisory and broker relationships, in particular, appear to be a strength. In fact, at least 90% of decision-makers working with an advisor or broker say that they are happy with the partnership.

The biggest motivator to working with HR, financial and benefits advisors or brokers is the same across advisory groups—recommendations for tools and/or services that positively support their businesses. This highlights how valuable a partnership can be, especially when the partner is a trusted source for business guidance.

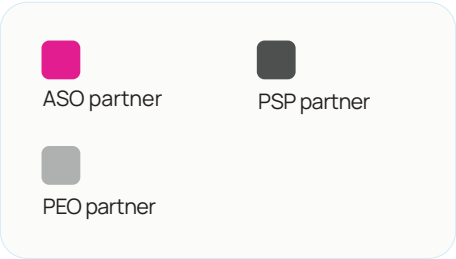


What is your biggest motivator for working with each of the following?



When it comes to service bureaus, like administrative service organizations (ASOs), professional employer organizations (PEOs) and payroll service providers (PSPs), HR leaders are typically working with these partners to gain cost efficiencies, manage risk and access expert help. In the case of PEOs, the partnership also provides businesses with access to a wider set of employee benefits that are likely to be more cost effective than if those benefits were secured independently.

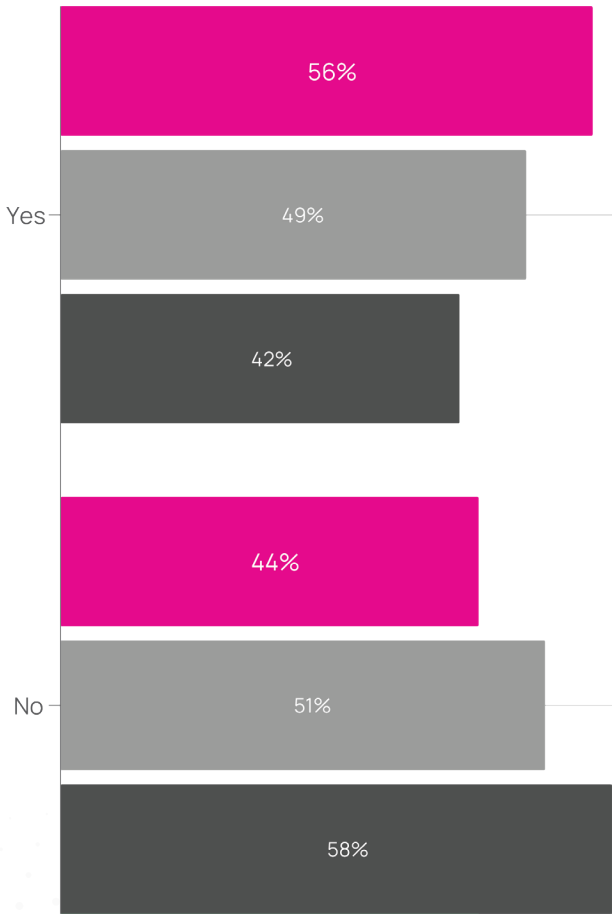
Working with a service bureau certainly comes with a lot of perks, however when the partnership isn't chosen wisely it can be a weakness. Nearly half of decision-makers are considering switching service bureau providers over the next year. The top reasons why vary based on the type of partnership, but technology seems to play an important role. Those working with an ASO are considering switching due to integration or consolidation needs, while those considering switching their PEO say they're in need of a broader technology platform. For PSPs, HR leaders are looking for lower costs. While some service bureaus are already delivering modern technology that can help their clients scale, this data shows how important it is for business leaders to fully evaluate their prospective partnerships—from technology to services—before accepting terms.

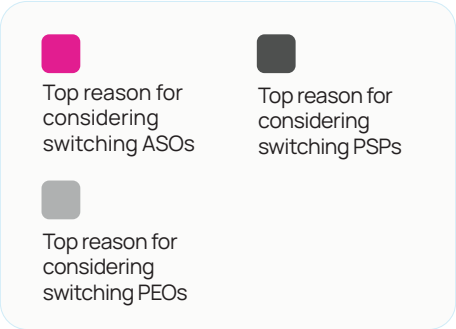


Elevate HR

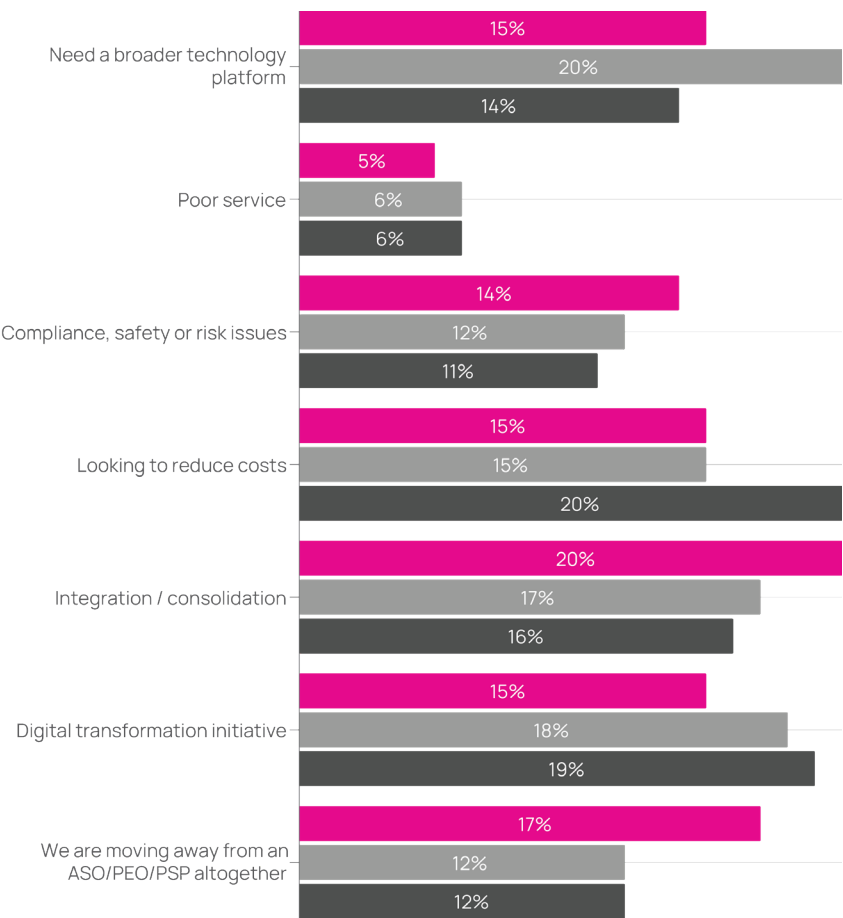
Look for a partner that offers HCM technology with 360 integrations, which extends capabilities by seamlessly integrating data, processes and technology.

Are you considering switching your service bureau?





Partnerships, however, come in many different shapes and sizes. Aside from service bureaus and advisors, business leaders can partner with HR augmentation services to outsource essential tasks and projects. This type of partnership can help HR departments complete to-do lists and improve people strategies—all while giving bandwidth to internal team members to focus on key priorities and business goals. **In fact, 71% of HR decision-makers say they could benefit from outsourcing HR tasks this year—making it an opportunity for business leaders.**



Despite most HR leaders saying they could benefit from outsourcing, only 41% actually plan to do so. This disconnect is certainly something HR teams will want to keep in mind—especially because the top reasons why they aren't outsourcing relates to an internal preference to keep HR tasks in-house. While there could be many reasons for those preferences, sometimes the inclination to keep tasks in-house is a way to protect department responsibilities (and headcount). This is because there can be a perception that outsourcing is being used because there are internal productivity issues. **This perception, which is oftentimes inaccurate, can threaten an HR team's decision to take advantage of an outsourcing partner.** After all, the reality is frequently the opposite—with the most effective HR teams leaning on expert support to help them extend their department's overall impact.

Past Finding: In 2024, 54% of HR leaders said they planned to outsource HR tasks.

Current Fact: In 2025, 41% of HR leaders plan to outsource HR tasks.

Will you outsource any HR management tasks this year?

	Employee Size							
	Total	1-50	51-100	101-200	201-500	501-1,000	1,001-1,500	1,501+
Yes	41%	24%	26%	38%	39%	51%	57%	34%
No	34%	40%	34%	32%	41%	26%	28%	39%
Not sure	26%	35%	40%	30%	20%	22%	15%	27%

Why won't you outsource any HR management tasks this year?

(Ranked in order)

1

We handle HR tasks in house
 (tied)

Prefer to keep HR in house
 (tied)

2

There isn't a need

3

No budget for it

4

We don't want a long-term contract

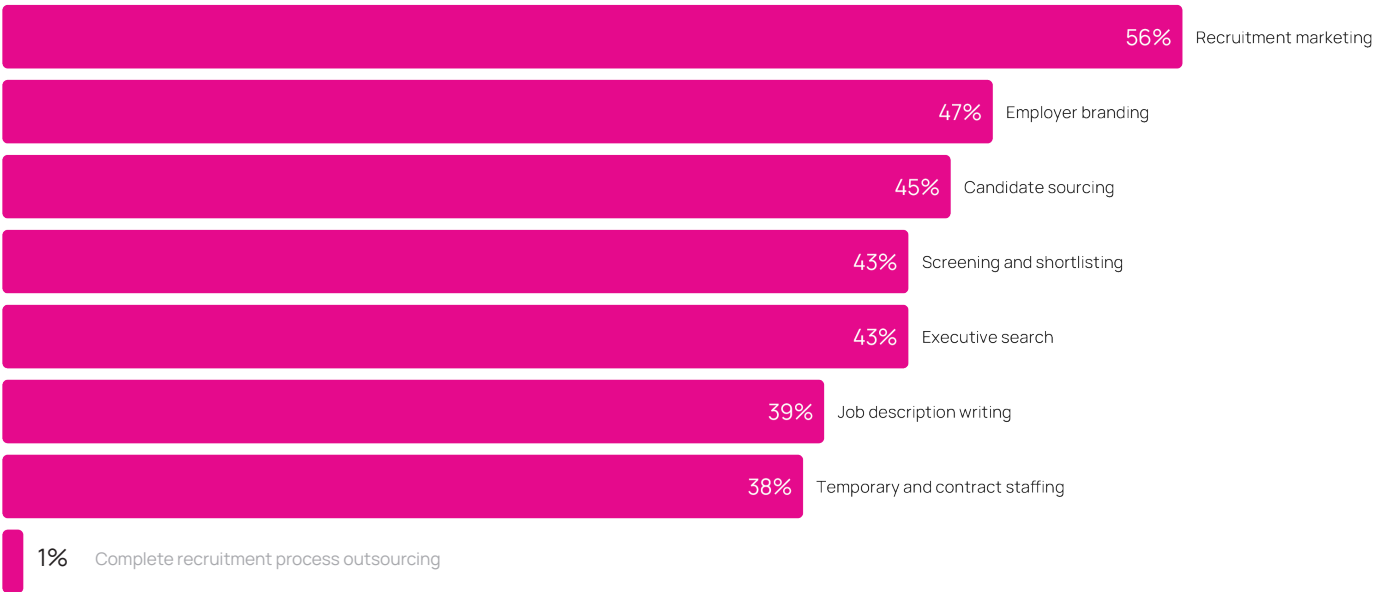
5

Added headcount in our department

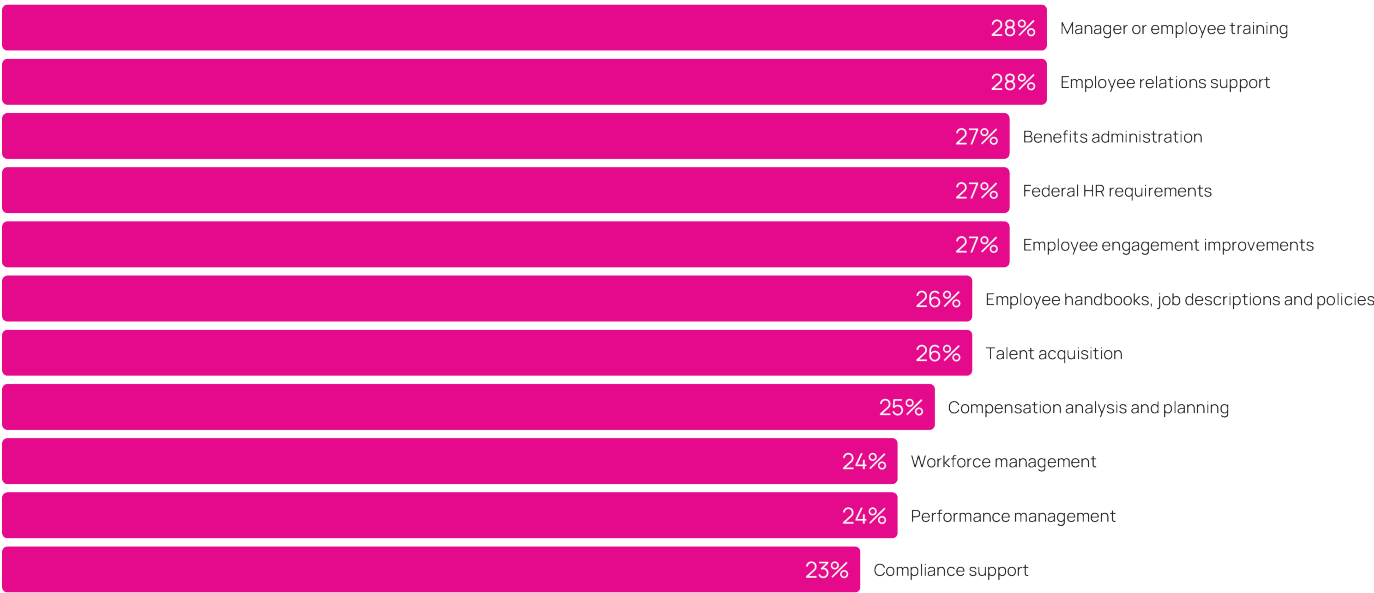
Of course outsourcing varies widely by organization size. For instance, just 24% of small businesses with 50 or less employees plan to rely on external help this year, while 57% of businesses with between 1,001-1,500 employees plan to do the same. This data suggests that HR teams are more likely to see the value of outside support as their workforce scales and has more complex needs.

For the HR leaders who do plan to outsource, most are seeking out help with core HR and payroll tasks. When it comes to talent acquisition (which was identified as a weakness on page 3), just 26% of decision-makers plan to outsource related tasks and projects. With it being such a critical part of HR—and the talent landscape proving challenging—the opportunity to seek professional assistance to attract and hire the best candidates shouldn't be overlooked. Those that are planning on outsourcing talent acquisition responsibilities are most likely to seek support for recruitment marketing and employer branding. Only 1% are tapping into complete recruitment process outsourcing, which takes care of the full talent acquisition process.

Which HR tasks will your organization be most likely to outsource?

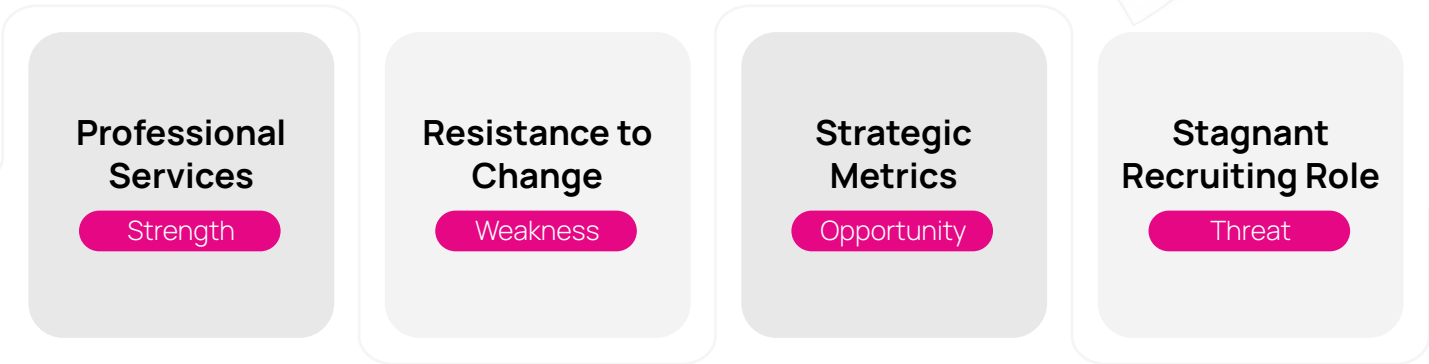


Which talent acquisition tasks will you outsource?



Future HR Outlooks

Planning with a Purpose



A lot can happen in five years, and with 2030 approaching quickly it's vital to get a pulse on HR leaders' perspectives are for the coming years.

When it comes to strengths, the data shows HR leaders believe their teams will benefit from a combination of advanced tools and professional services to maximize their technology investments in the future. In fact, this is the top expectation that leaders have for their HCM vendor over the next three years. Professional services are key to growth because they help HR teams improve the utilization of the technology they're already using. What's more, complementary services can be leveraged to support critical tasks and projects—from recruitment to compliance (and much more). Taking advantage of enterprise-grade software and expert services expands HR's impact, leading to better efficiencies and an overall more mature HR function.

What do you expect your HCM vendor to prioritize over the next three years?

(Ranked in order)

1

A combination of advanced HCM tools with professional services to optimize platform utilization and strategy alignment

2

AI-driven recommendations to support decision-making in real time

3

Enhanced employee self-service features for greater autonomy

4

Better methods for attracting and screening qualified candidates

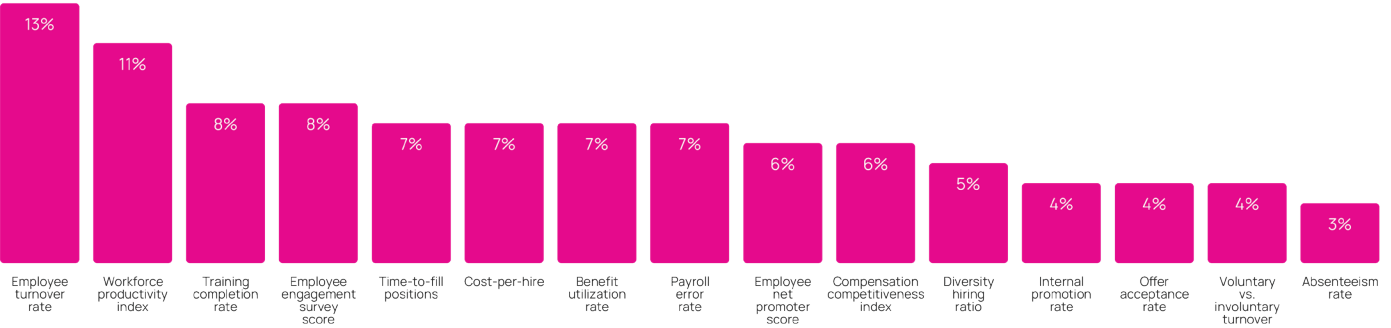
5

Personalized EX, such as tailored learning paths or career growth suggestions

While it's difficult to predict the top weaknesses for future HR teams, one area leaders should be prepared for is change management—especially with the rise of AI. It's more important than ever for HR teams to help the workforce stay adaptable, so it's simple for employees to embrace new technology, processes and trends when they come. Yet change management skills don't seem to be a priority for HR decision-makers—as they ranked those skills last in what they foresee being most in demand for HR professionals over the next five years.

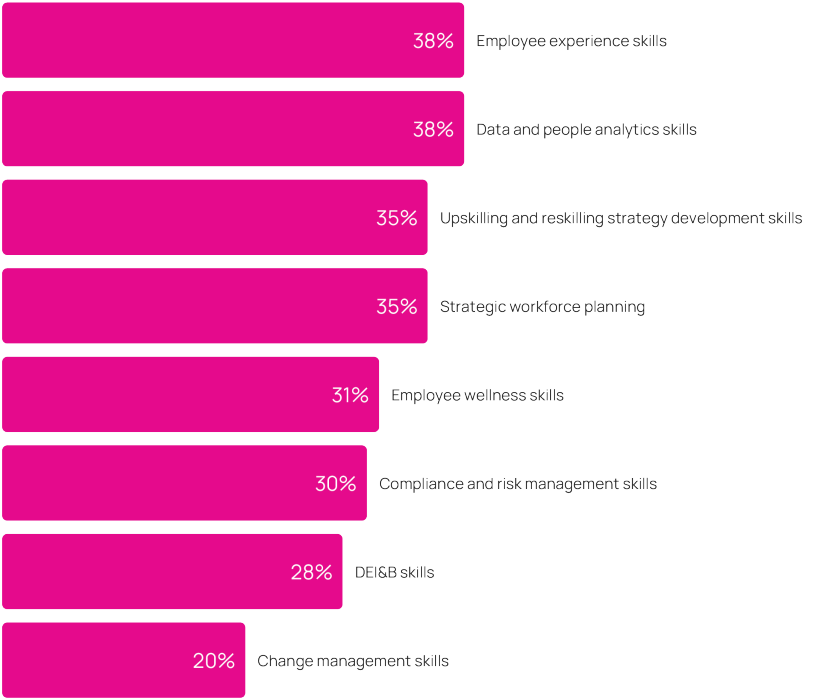
Conversely, skills related to data and people analytics are what HR leaders think will be most in demand over the next five years. This brings us to an opportunity for the future of HR: better, and more strategic, metrics. When asked which metric would be the most important for HR teams in the future, decision-makers selected employee turnover rate—indicating just how important retention is for the future of work.

What will be the most important HR metrics in the future?



Retaining a skilled workforce starts with talent acquisition, and HR leaders anticipate an evolution on the horizon for the recruiter role— particularly with the advancement of AI tools that can candidate match,

What emerging skills do you foresee being most in demand for HR professionals over the next five years?



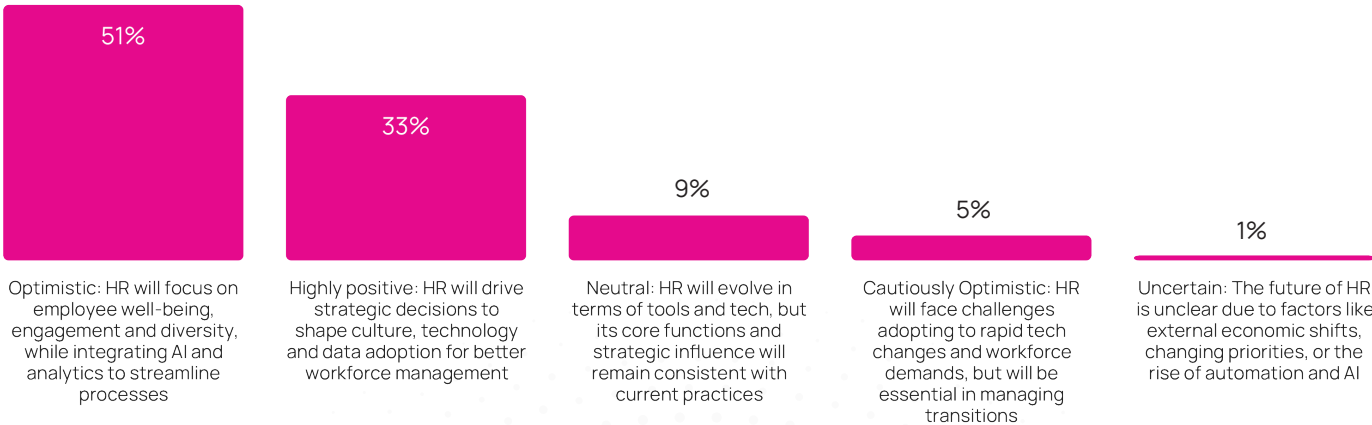
write job ads and more. As such, **stagnant recruiting roles will likely prove a threat to organizations' HR digital maturity in the age of AI.** According to decision-makers, AI will take the lead on the automation of repetitive talent acquisition tasks, with the role of recruiters transitioning to strategic business partners rather than just talent finders.

How do you expect the recruiter role to change over the next three years?



One thing is for certain: the first half of the 2020s accelerated technological advancements, processes and adoption. With the rise of AI, HR is on pace for an even bigger evolution that will again change the way the world works. The overall outlook, however, is good. Fifty-one percent of HR leaders say they are optimistic about the future of their industry, while 33% are feeling highly positive. As we continue forward, it's more imperative than ever that HR embraces its change management role to ensure organizational agility—all while balancing the power shifts within the employer-employee relationship and delivering personalized experiences that make a difference in careers, companies and cultures.

What is your outlook on the future of the HR role over the next three years?



Complete SWOT Analysis

By evaluating internal strengths and weaknesses along with external opportunities and threats, people teams can anticipate risks, prepare for challenges and strategize to make the most out of opportunities in the coming year. This comprehensive view shows the top strengths, weaknesses, opportunities and threats for the year ahead (as covered by this report). It should be used to help HR teams make more informed decisions to better contribute to long-term business success.

Strengths

- HR Maturity
- Brand Reputation
- DEI&B Investments
- Financial Wellness
- AI Adoption
- Advisor Relationships
- Professional Services

Weaknesses

- Talent Acquisition
- Recruitment Innovation
- Skills Gap
- Clear Communication
- Lack of Self-Service
- Service Bureau Satisfaction
- Resistance to Change

Opportunities

- Employee Engagement
- Recruitment Metrics
- Personalized Development
- Enrollment Experience
- Software Consolidation
- HR Augmentation
- Strategic Metrics

Threats

- Power Shifts
- Talent Shortage
- Burnout and Workload
- Benefit Offerings
- Staying Compliant
- Internal Perception
- Stagnant Recruiting Role

Methodology

This HR leaders report analyzes responses of 2,070 HR decision-makers in management roles or higher, who are based in the United States. For any questions about the survey or our findings, please contact brand@isolvedhcm.com. The survey was conducted in the first quarter of 2025, with the demographics broken down as follows:*

Industry		Professional & Business Services:		Director / Sr. Director	
Agriculture	1%	Law Firms & Legal Services	1%	Vice President / Sr. Vice President	8%
Construction & Engineering	9%	Professional & Business Services:		Chief People / HR Officer	26%
Education	5%	Staffing Services	2%	Company Size	
Entertainment	0%	Professional & Business Services:		1-50	7%
Financial Services	7%	Consulting & Other Services	3%	51-100	11%
Government & Public Sector	2%	Real Estate & Property		101-200	14%
Healthcare: Elderly Care & In-Home Services	5%	Management	2%	201-500	21%
Healthcare: Medical & Surgical Hospitals	10%	Retail	7%	501-1000	21%
Healthcare: Dental & Physicians Clinics	1%	Software & Information Technology	10%	1001-1500	13%
Healthcare: All Other Services	4%	Transportation & Logistics	4%	1501 or more	13%
Hospitality: Restaurants	5%	Utilities	1%	Generation	
Hospitality: Travel & Lodging	2%	Wholesale & Distribution	1%	Baby Boomer (1946 – 1964)	6%
Manufacturing	10%	Other	2%	Generation X (1965 – 1979)	30%
Non-Profit Organizations & Services	1%	Gender		Millennial (1980 – 1994)	53%
Personal Services	1%	Male	53%	Gen Z (1995 – 2012)	11%
Professional & Business Services: Accounting Services	5%	Female	47%		
		Seniority			
		Manager / Sr. Manager	36%		

*Percentages throughout the report may not add up to 100% due to rounding whole figures.

About isolved

isolved is the most trusted HCM technology leader, providing the best combination of software and services to meet the needs of today's People Heroes—HR, payroll, and benefits professionals. From talent acquisition to workforce management to talent management, our solutions are delivered directly or through our HRO partner network to more than 7.7 million employees and 189,000 employers across all 50 states—who use them every day to increase productivity, accelerate decision-making and ensure performance, while reducing risk. isolved People Cloud™, our intelligently connected platform, automates the entire employee experience by design, so that organizations can engage, empower, and energize their talent while freeing their People Heroes to exceed their goals and grow their careers.



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