

REPORT

State of HR 2026

*Defining the Next
Challenge*

AIHR

ACADEMY TO
INNOVATE HR





Inside the Research

Page 3



Finding 2

Structure Changed, Work Didn't, **Page 8**



Finding 5

Transformation Doesn't Stick, **Page 14**



Introduction

HR Has Never Faced Higher Demands, **Page 4**



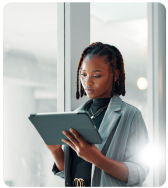
Finding 3

Capability Isn't Keeping Pace, **Page 10**



Finding 6

AI Is Exposing Existing Weaknesses, **Page 16**



Finding 1

HR Still Feels Transactional, **Page 6**



Finding 4

Value Is Difficult to Prove, **Page 12**



What's Next

Page 17

Inside the Research

The **State of HR 2026** combines multiple sources of evidence to create a comprehensive picture of where the HR function stands today.

Our findings draw on workforce research, labor market intelligence, and aggregated data from AIHR proprietary assessments, benchmarks, and qualitative insights to identify the patterns shaping HR across industries, regions, and organizational maturity.

This report is designed to provide practical insights that leaders can use to benchmark their own function and make more informed decisions.

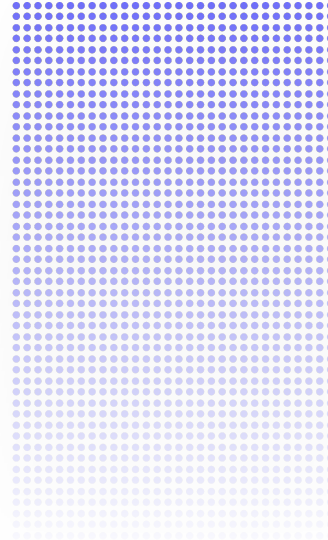
35,000+

HR professionals
assessed



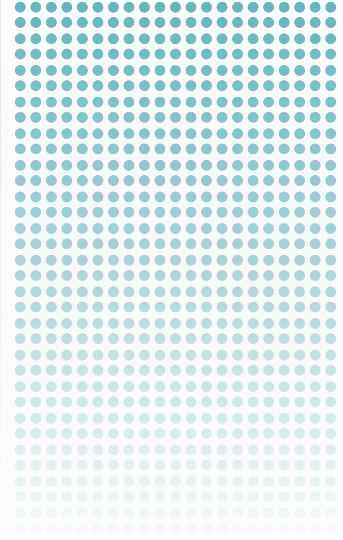
2,500+

HR teams
benchmarked



1,000+

Hours with HR &
business leaders



HR has never faced higher demands.

It's expected to shape workforce strategy, lead organizational transformation, help the business adopt AI, improve productivity, and deliver measurable business value.

Today, HR's defining challenge isn't whether to become more strategic. It's how to consistently deliver the business outcomes that a more strategic role demands.

Ask any HR leader what it's like inside their function today and AI will dominate the answer. AI has hit a tipping point, and what used to evolve by the quarter now shifts by the day. It's accelerating pressures that were already building, making it harder for HR to balance rising business expectations with the realities of how work gets done.

Our research points to a consistent pattern and growing disconnect between what organizations expect HR to deliver and what it is equipped to deliver consistently.

That disconnect shows up in familiar ways. HR still feels trapped in transactional work despite automation. Organizations redesign structures without changing how work gets done, critical capabilities aren't keeping pace, HR struggles to demonstrate business value, transformations fail to deliver lasting impact, and AI is exposing these weaknesses faster than organizations can address them.

These aren't six separate challenges. They are manifestations of one defining challenge: building an HR function capable of consistently translating strategy into business outcomes in an AI-driven future.

AIHR Contributors:



Wihan de Wet
Advisory & Academy Lead



Dr. Marna van der Merwe
Lead HR Subject Matter Expert



Cas van Aniel
Enterprise Solutions Lead



Dr Dieter Veldsman
Chief HR Scientist



Suhail Ramkilawan
Senior HR Solutions Advisor



Erik van Vulpen
Co-Founder & Dean

FINDING #1

HR Still Feels Transactional

HR still feels buried in administrative volume, but does this feeling match what's happening?

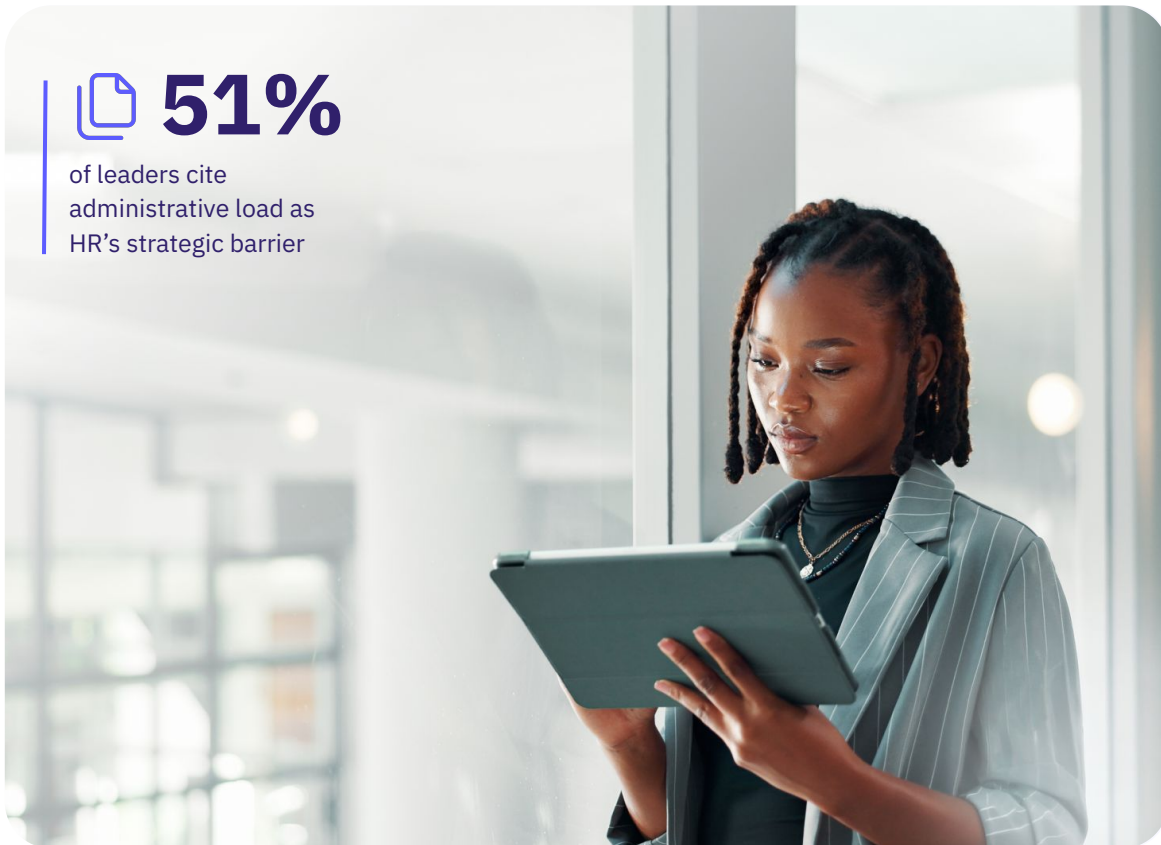
Work itself is shifting. Helpdesk and chatbot support now handle a majority of routine HR inquiries in leading functions. Benefits administration, one of HR's highest-volume areas, is already the single most common use of AI inside HR today.

But scaling and sustaining the shift is a separate challenge that most HR functions aren't yet equipped for. The automation happening is narrow, and most functions don't have the infrastructure or capabilities to extend it further.

Even when time does get freed, it rarely comes as relief.

 **51%**

of leaders cite administrative load as HR's strategic barrier



FINDING #1 HR Still Feels Transactional

AI is fundamentally changing the scope of HR work faster than HR's work design or resources can match. Volume isn't shrinking, it's just changing shape.

This explains why leadership still sees HR as too administrative, even while real progress is happening underneath.

When HR fails to measure or showcase what reinvested capacity actually yields, operational progress remains invisible to the C-suite.

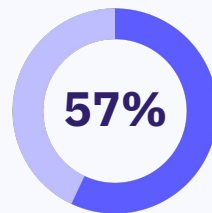
The goal isn't to dismiss administrative work, but to prove that newly freed capacity is reinvested into work that directly advances business priorities.

Until [operational execution](#) catches up with strategic intent, administrative friction will continue to blur HR's true value.

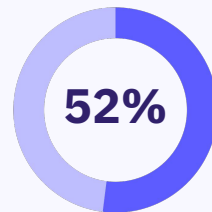
"The barriers we see most often in client work are legacy issues. Clinging to old structures, keeping outdated technology in place because of heavy investment, or running on processes that weren't intentionally designed or documented."

Dr. Marna van der Merwe

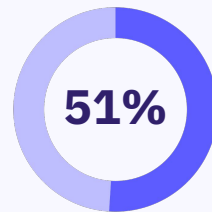
By the numbers



HR teams running help desk/chatbot support



HR teams leveraging AI for benefits enrollment



Leaders who cite admin as strategic barrier

FINDING #2

Structure Changed, Work Didn't

The world of work has changed more in the last two years than in the last 20 combined.

HR organizations report changing their operating model, but few offered training for how to work within the new structure and even fewer reported clearer division of labor.

But reorganization and operational execution are two different things.

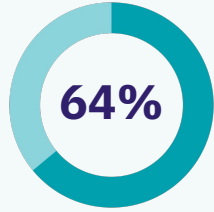
The data shows that re-assigning headcount, renaming roles, and redrawing reporting lines is happening. But resolving how this changes decision ownership, accountability for work, and the context for coordinating within it is not.

Systems of Work scores 62.2 /100

Structure scores 60.5 /100



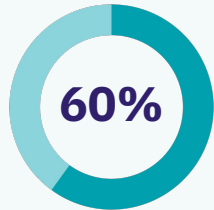
By the numbers



of HR organizations have changed their operating model in the last two years



of HR functions report clear responsibility division across HRBPs, CoEs, and shared services



of reorganized functions provided no formal training on operating within a new structure

FINDING #2 Structure Changed, Work Didn't

"Today, work is fluid. Businesses operate across functional domains and need to respond and move fast. A model built for predictability doesn't hold up under that, no matter how many times you rearrange it."

Dr. Dieter Veldsman

We consistently observe unresolved accountability, localized technology, data architecture that fails to scale, and redundant efforts stemming from unaligned ownership across client engagements.

This signals surface-level shifts without addressing the foundational logic driving recurring friction. And adding AI to a strained operating model only accelerates existing ownership and coordination gaps.

A [rebuilt operating model](#) has to break down silos, treat technology and data as foundational assets, and deliver services based on how the business actually experiences HR, not how HR draws its org chart.

Making deliberate choices about what to automate, centralize, simplify, or stop is impossible until underlying questions of ownership and execution are answered.

FINDING #3

Capability Isn't Keeping Pace

HR leaders are uncertain whether their teams are equipped for what lies ahead.

Ask what skills are missing, and familiar answers top the list: organizational development, workforce planning, job design, and strategic business partnering.

Over the past year, AI fluency became an urgent new requirement, expanding the capability gap.

The AI wave impacts HR across three levels simultaneously: automating routine tasks, elevating analytics into predictive business insights, and demand for organizational change.

Overall skill score

60.4 /100



FINDING #3 Capability Isn't Keeping Pace

Traditional upskilling moves too slowly, leaving teams stuck on basic tools while their scope expands quickly around them.

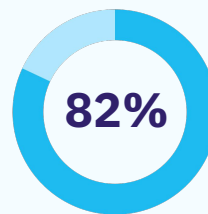
External [labor market data](#) reinforces this gap. Demand is surging for capabilities in HR technology, rewards, and organizational effectiveness. Embedded, strategic HRBP roles are growing rapidly while generalist coordinator roles decline.

A function that builds capability before being asked is in a different position than one waiting to be resourced for it. Closing the capability gap isn't just a talent initiative, but a direct prerequisite to executing business strategy.

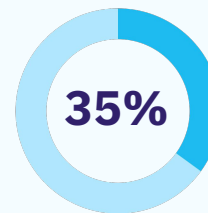
"Failing to close internal capability gaps doesn't reduce cost. It simply shifts expenses into premium recruitment budgets as you fight the rest of the market for the exact same talent."

Wihan de Wet

By the numbers



of HR professionals already use AI in their own work



HR professionals self-report AI confidence



of HR professionals have received job-specific AI training



13%

of business leaders rate HR's
Practice Impact as strategic



FINDING #4

Value Is Difficult to Prove

HR knows the value it creates. What it often lacks is the objective data and language to prove that value when it matters.

This isn't a case for seeking more access. In fact, the 'seat at the table' debate is over with 86% of CHROs already reporting directly to the CEO. The open question is [what is now happening inside the room](#).

Too often, HR spends its energy on the wrong things, like building the internal business case, chasing and securing buy-in, and assuming credibility translates into operational impact.

FINDING #4 Value is Difficult to Prove

"When we talk with CEOs, they express the exact same expectation in blunter terms. We consistently hear that what they need from HR is to deliver insights about their capability or performance that they don't already know."

Cas van Andel

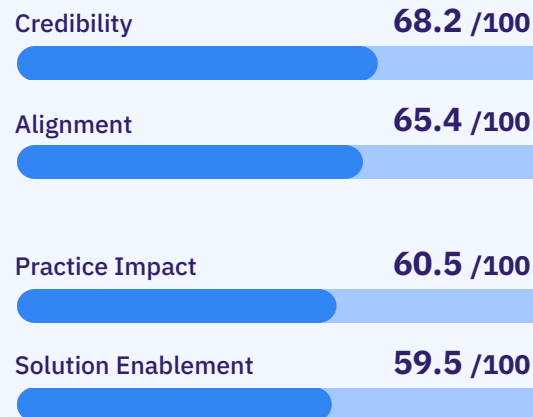
Our benchmark confirms this dynamic. Leaders trust HR's intent, showing strength in credibility and business alignment. But it lags in practice impact and solution enablement.

Proving value requires a fundamental pivot to anchor HR's objectives to the financial and operational metrics the business judges by, with execution mechanisms that translate strategy into measurable business impact.

AI makes this challenge more complex by redefining what businesses value, forcing HR to demonstrate impact against emerging measures such as organizational knowledge, adaptability, and AI readiness.

By the numbers

Performance
breakdown across drivers:



FINDING #5

Transformation Doesn't Stick

HR transformation has topped executive agendas for over a decade, yet HR transformations fail to deliver on original expectations.

This failure isn't driven by a lack of effort or strategic intent, but by [recurring operational missteps](#).

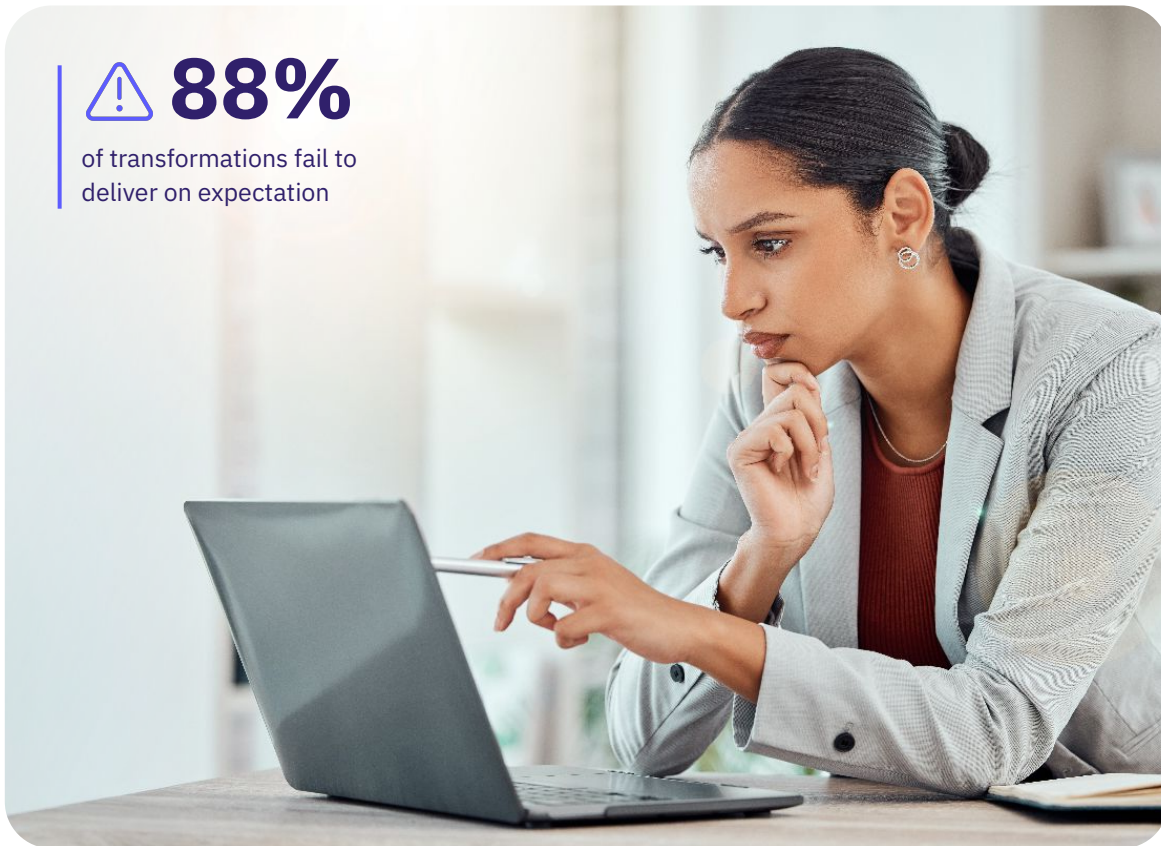
HR frequently relies on internal self-assessment as its primary reference point, but confidence in internal diagnosis rarely holds up under outside scrutiny.

The resulting perception gap is striking. In AIHR's benchmarks, HR reports 73% confidence that its strategy is aligned, while only 30% of business leaders agree.



88%

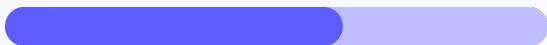
of transformations fail to deliver on expectation



By the numbers

Transformation execution foundations remains weak:

Systems of Work 62.2 /100



Structure 60.5 /100



Execution Capacity 54.9 /100



FINDING #5 Transformation Doesn't Stick

AIHR data shows 50% of HR teams rate their skills as robust, even as objective audits routinely uncover critical capability gaps.

When transformations rely on internal sentiment rather than one input, it targets the wrong symptoms while root execution challenges remain untouched.

These elements are interdependent, and a weakness in one drags down the rest.

A broken process or missing skill puts the entire initiative at risk. This is a structural reality that self-reported confidence simply cannot diagnose.

Likewise, software cannot repair flawed operating habits; it merely accelerates whatever data quality and process flows already exist.

“Breaking this cycle requires moving past quick-fix tools and self-assessed confidence to focus on real execution capability. Organizations must reallocate capacity toward future-value work by defining transformation objectives, while building the specific capabilities that drive those priorities”.

Suhail Ramkilawan



29%

of HR professionals are ready
for AI at scale

FINDING #6

AI Is Exposing Existing Weaknesses

HR isn't short on enthusiasm for AI. In fact, [65% of teams report buy-in and advocacy](#) for it. What's missing is strategic clarity, with few teams having a defined AI purpose or use case.

Client conversations highlight the daily weight of this ambiguity. Employees are afraid of being displaced and there's no framework for managing that anxiety.

HR executives struggle to architect long-term strategy when AI, shifting workforce demographics, and economic headwinds move simultaneously, leaving many feeling perpetually behind.

FINDING #6 AI is Exposing Existing Weaknesses

AI is too vast to tackle all at once.

In a recent conversation, one CHRO named six distinct issues in a single breath: balancing operational business-as-usual against transformation, fragile data infrastructure, massive work-redesign needs, organizational culture, regulatory constraints, and defining AI governance within HR itself.

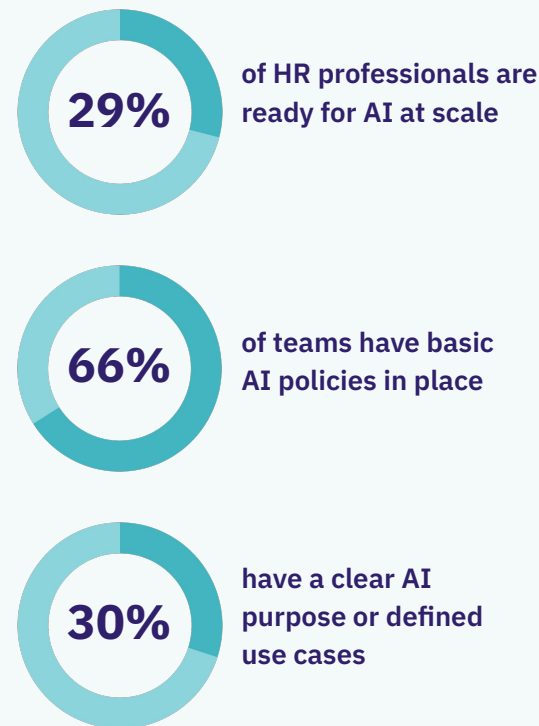
HR uniquely understands the intersection of work design, skill development, and human behavior, and is the only function positioned to bring clarity to AI adoption.

That focus centers on two priorities: protecting human capability through thoughtful work redesign, and establishing clear boundaries for human-AI collaboration in high-stakes workflows.

“Structure is HR’s strength. AI is a blind spot with no clear owner or formal role in a department where there is a formal role for nearly everything else. That should be priority one.”

Erik van Vulpen

By the numbers



What's Next

This report highlights significant operational friction across the function. It also highlights a massive opportunity for HR to step up and drive business impact rather than let its role be shaped by default.

The six challenges detailed here do not exist in silos, but compound one another.

Reorganizing boxes on an org chart without updating how work gets done creates false progress. The gap between structural movement and genuine operational capability explains why HR's internal optimism is so often met with C-suite skepticism. When execution lags, hard-earned credibility erodes rapidly.

Meanwhile, the environment around us has fundamentally shifted.

AI hasn't created HR's biggest challenges, but it has accelerated them and made hiding behind legacy ways of working impossible.

This is the defining challenge for HR today. Organizations are asking more of HR than ever before, and meeting those expectations requires more than strategic intent.

It requires an HR function with the capabilities, operating model, and execution discipline to consistently deliver measurable business outcomes.

That is how HR earns lasting credibility, creates sustained business value, and secures its role as a true strategic partner.

Coming Soon

HR Priorities 2027

Understanding the challenges today is the first step. HR Priorities 2027 turns this year's findings into a practical leadership agenda, outlining the strategic priorities that will define high-performing HR functions and the actions required to deliver them.



Academy to Innovate HR

HR teams are only as successful as their skills are relevant. With engaging in-depth training and resources, AIHR helps HR teams become better at what they do and drive more business value.

Learn more at [AIHR.com](https://aihr.com) →

AIHR | ACADEMY TO
INNOVATE HR

