

# HR TRENDS AND PRIORITIES FOR 2026

Balancing innovation with compassion  
in an intelligent world of work



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## Key trends and priorities for 2026

The workplace of 2026 will be defined by a new era: one that's intelligent, interconnected and human-centric. Advances in artificial intelligence (AI) are transforming how work gets done, while people continue to expect organizations to prioritize well-being, fairness and trust. The challenge for HR leaders and business owners is clear: Strike a balance between innovation and compassion to foster agility, resilience and long-term growth.

This report highlights key trends and developments that will influence people, compliance and technology within the human capital management (HCM) space in 2026. From skills-based job redesign to people's professional experiences with AI, to pay transparency, multijurisdictional compliance and AI in employment decisions, to agentic AI and the deepening partnership between HR and IT, each section delivers actionable insights to prepare organizations for the workplace of tomorrow.



**Use this guide as a framework to gain clarity and direction while laying the foundation for a smarter and more human world of work.**

## Category

# People



## Organizations are assessing their skills inventories

Two factors are compelling leaders to consider how their workforces can be more efficient: (1) a focus on skills in hiring and development and (2) the rise of AI taking on routine tasks. While organizations of all sizes agree that skills development is important for employees' job performance and career growth, 65% of mid-sized and large organizations face obstacles and challenges in providing skills development opportunities for employees,<sup>1</sup> indicating workers may struggle to acquire critical skills as work evolves.

In the process of adopting a more skills-focused approach to jobs as AI reshapes the workplace, some leaders have initiated a more thorough examination of the most critical competencies necessary for any given role, allowing a deeper breakdown and analysis of what's required to accomplish a given job. Coupling this knowledge and the data surrounding it with the capacity of AI tools makes breaking down work not just possible but more advantageous for organizations and employees wanting to optimize their efforts. This inventory of skills and technology is helping leaders inform the possibility of job redesign, where organizations determine the most suitable locations for talent, keeping in mind costs, talent availability and business needs.

## Aligning people with organizational goals

The goal of such strategic optimization is not to eliminate roles; it's to empower everyone to work more effectively. As the skills landscape changes, organizations, especially large ones, have high expectations for the benefits that AI will offer their company, with 84% of large organizations agreeing that using AI can help streamline processes but will not replace employees, compared to 73% of small organizations and 76% of mid-sized organizations.<sup>2</sup> These expectations may be on target, given recent research revealing that up to 30% of current worked hours could potentially be automated by 2030,<sup>3</sup> freeing up more time for people to focus on strategic opportunities.

Skills-based approaches, where roles are distilled down to the skills needed and jobs to be done, create datasets leaders can use to align people efforts with organizational goals. This is the basis for modern strategic workforce planning. On a micro level, it allows leaders to better match people and tasks with unique strengths and skills while offloading routine work to AI. On a macro level, strategic workforce planning helps organizations be more efficient and agile with their people power, matching people with tasks without the constraints of traditional job titles, locations or grades. This approach can help foster better people engagement and ultimately make operations more cost-effective and successful.



# 65%

**of mid-sized and large organizations face obstacles and challenges in providing skills development opportunities for employees.<sup>1</sup>**



“While larger organizations with greater financial resources and advanced data-driven insights have been the first to adopt strategic workforce planning and skills-based design to align their talent supply with organizational goals, small and mid-sized organizations can and should also consider implementing these practices on a scale that’s realistic for them. Doing so will significantly enhance their efficiencies and overall success.”

— Asal Naraghi

Global Innovation Leader, Future of Work, ADP



## Addressing strategic workforce planning through skills and technology

- 1 Use **data-driven insights** to analyze the skills and requirements of existing roles.
- 2 Avoid introducing bias into the analysis, to reduce risk.
- 3 **Align people's strengths** with organizational goals.
- 4 Consider the importance of human oversight before outsourcing routine tasks to AI.



## AI is creating a mix of experiences for people at work

AI isn't new, but its evolution within the workplace is affecting how people interact, solve problems, complete tasks and feel about work. Excitement toward AI increases respective to company size, with 66% of large organizations saying they're extremely excited about the opportunities AI presents, compared to 47% of mid-sized organizations and 33% of small organizations.<sup>2</sup> While organizations of all sizes expect productivity gains,<sup>2</sup> experts advise against placing undue pressure on employees by setting unrealistic expectations for this still-evolving technology.

### Augmentation vs. automation: A meaningful difference

Experts suggest reframing team-based approaches to AI as augmentation rather than automation. In practice, this framing may encourage employees to engage more deeply with meaningful work by positioning AI tools as enhancements. Helping people adopt a mindset of technology collaboration is crucial to successful AI adoption, and by viewing AI as a collaborative tool, employees may engage more fully with their work, fostering a culture of innovation and adaptability. This approach may also help strengthen employee engagement, helping people feel valued and integral to their organization's AI transformation.

Fostering AI literacy and a collaborative mindset among your people doesn't happen by accident, however. It takes intentional training, conversations and continued reinforcement from leaders who teach by example. It takes experimenting and practicing with an AI tool to develop fluency and increase one's strategic value as jobs and career paths evolve.

**"We're still in the early days of understanding AI's full impact and potential. Expecting immediate, massive productivity gains simply because employees have access to AI tools risks creating unrealistic pressures on both the technology and, more importantly, your people."**

**— Jason Delserro**

Division Vice President, Human Resources, ADP





“Integrating AI technology into daily workflows helps employees use it effectively, supporting real productivity gains. For example, if an employee uses a call summarization tool, they’ll have more capacity to concentrate on the caller than if they had to take notes manually. The employee can think less about note-taking and more about solving for the person’s needs. In this way, AI becomes a facilitator of human connection, highlighting the true benefit of this technology.”

— Tiffany Davis

Chief Inclusion and Diversity Officer, ADP



## Addressing people’s experiences with AI

1

Guide employees through expectations for **responsible AI use**.

2

Be realistic about productivity gains. What does the data say?

3

Remember that human connection outweighs technology outcomes.



## Organizations are affirming their commitment to employee well-being

Well-being remains an important consideration for employers, according to ADP's 2025 HR trends survey.<sup>1</sup> Ninety-four percent of large organizations agree they have a responsibility to ensure employees' physical well-being, compared to 91% of mid-sized organizations and 90% of small organizations.<sup>1</sup>

Organizations' sense of responsibility around ensuring employees' mental well-being is similarly high, with 93% of large organizations agreeing they have a responsibility to ensure employees' mental well-being, compared to 90% of mid-sized organizations and 87% of small organizations.<sup>1</sup>

Organizations' sense of responsibility around ensuring employees' financial well-being is also high, with 86% of large organizations agreeing they have a responsibility to ensure employees' financial well-being, compared to 84% of mid-sized organizations and 74% of small organizations.<sup>1</sup>



**93%** of large organizations agree they have a responsibility to ensure employees' physical well-being.<sup>1</sup>

## Closing the gap between responsibility and confidence

Survey data reveals a significant gap between organizations that have a strong sense of responsibility to ensure well-being and those that have confidence in their ability to offer the benefits and resources needed to enhance well-being.<sup>1</sup> The gap varies across organization size, but the storyline is the same: An organization's sense of responsibility doesn't necessarily correlate with confidence in its ability to provide the resources necessary to enhance employee well-being.

To bridge this gap, organizations must build a culture that embodies their strong sense of responsibility. This involves not only recognizing the importance of access to resources and benefits but also actively implementing and strengthening programs that support physical, mental and financial health.

By fostering an environment where employees feel supported and valued, organizations can enhance their overall effectiveness in delivering care, leading to improved talent outcomes, as employers who deliver employee care observe better outcomes across employee health, engagement and productivity.<sup>4</sup>





“Leaders must remind themselves of what’s important when it comes to well-being at work, which is building trust, empowering people and ensuring their company cares for employees inside and outside of work. Keep those principles as guideposts, no matter what might change around you in the world of work.”

— Jay Caldwell

Chief Talent Officer, ADP



## Addressing employee well-being in 2026

1

### **Gather feedback from employees**

about what makes them feel cared for and what helps ensure their well-being.

2

### **Offer financial and health benefits**

that meet employees’ needs and desires.

### Section references

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3. McKinsey Global Institute, A New Future of Work, 2024
4. MetLife, MetLife’s 2025 Employee Benefits Trends Study, 2025

## Category

# Compliance



## Countries are regulating the use of AI in employment decisions

As countries and U.S. states consider whether and how to regulate AI in employment decisions, differing approaches are emerging. Some, such as the EU AI Act,<sup>1</sup> Canada's Artificial Intelligence in Data Act<sup>2</sup> and Colorado's AI Act<sup>3</sup> (effective June 2026), categorize AI use based on risk and how a particular use may affect people. Use of AI in certain types of impactful employment decisions, such as hiring, promotion, work assignments and discipline, is generally considered high risk. When a use is considered high risk, the laws provide more limitations on how AI may be used and often have requirements for transparency about using AI and auditing the outcomes of AI-assisted decisions.



**“When evaluating any AI tool, consider whether it was developed using secure, high-quality data, whether it produces reliable and meaningful results and whether it helps streamline — rather than complicate — work processes. Maintaining human oversight, providing transparency to employees, regularly monitoring output and addressing potential issues early are key aspects of a responsible AI program.”**

**— Helena Almeida**

Vice President, Managing Counsel, AI Legal Officer, ADP

## EU AI Act

Based on 2025 regulatory guidance, the EU AI Act specifically prohibits using AI to:

- Analyze employee emotions through video, voice analysis or other tools
- Perform social scoring or assessment of employees or job candidates based on facts or personal characteristics unrelated to the job
- Assess an employee's potential risk of misconduct with biometric data
- Manipulate employees into actions they would not otherwise take

The EU AI Act also expressly requires that humans be involved in employment decisions involving hiring and advancement.

**"Technology is increasingly global-first and future-ready. Aspects of our humanity are being embedded into AI-powered products and services, supporting everyone who uses them. We've already noticed global guidance calling for equal access to AI and fair treatment of those using or exposed to it. Don't miss this timely opportunity to ensure AI can support all people at your company."**

**— Giselle Mota**

Chief of Product Inclusion, ADP

## Other AI regulations: California, New Jersey, Illinois, Maryland

California also has new regulations, effective October 2025, that prohibit AI uses that could result in employment discrimination under the state's civil rights laws. The regulations apply to the use of automated decision making in employment decisions, such as recruiting, screening, hiring, promotion and decisions regarding pay, benefits or leave. In addition, employers will be required to collect and retain data on employment decisions where AI is used. Employers may use evidence of regular bias testing and mitigation should a claim arise.

New Jersey enacted similar regulations in 2025 that expressly prohibit using AI in employment decisions when the use results in violations of state employment discrimination laws. Other states are considering laws that would require notice when AI is used in hiring and other employment decisions. Some proposed laws would give anyone affected the right to an alternative process or appeal rights to challenge the decisions. For example, Illinois currently requires notice and consent before using AI to analyze a video interview. Illinois also prohibits AI from using certain information in making employment decisions, such as ZIP codes or inclusion in a protected class. Similarly, Maryland employers cannot use facial recognition technology during the hiring process unless the employer obtains specific written consent from applicants.



It's important for employers to understand where AI is used in employment decisions, involve humans in decision making and audit outcomes to ensure organizational practices comply with employment laws as well as specific laws related to the use of AI.



## Addressing the use of AI in employment decisions

1

Inventory and document all AI tools used in hiring and HR.

2

Require human review for employment decisions.

3

Test and log AI for bias, explainability and compliance.

4

Update vendor contracts with audit and transparency clauses.

5

Partner with an **HCM solutions provider** who emphasizes responsible AI design, including governance, human oversight and explainability.



## Pay transparency requirements are expanding, especially in the EU

New pay transparency requirements will be in effect for EU member states beginning June 2026. Pursuant to the EU Pay Transparency Directive<sup>4</sup> and each member state's law that implements the directive, employers must provide information to EU applicants and employees about **pay**, advancement and the objective, gender-neutral criteria the employer uses to determine both.

Larger employers will also be required to audit gender pay equity and report pay gaps, with additional requirements for employers with gaps over 5%. Some EU member states are considering even lower pay-gap thresholds that trigger a duty to investigate and remediate the gaps.

## Pay transparency activity in U.S. states

U.S. states continue to enact and enforce laws on pay transparency and pay equity as well.<sup>5</sup> For example, Massachusetts' new pay transparency requirements go into effect Oct. 29, 2025, and require employers with 25 or more employees in the state to:

- Disclose the pay range for a position in any job posting or advertisement
- Provide the pay range for the position to an employee who is offered a promotion or a transfer to a new position with different job responsibilities
- Provide the pay range for a position to an employee holding such position or to an applicant for such position upon request

Delaware's new pay transparency law goes into effect in 2027 and requires employers to include salary ranges and a general description of benefits in all internal and external job postings. Employers are also required to make, keep and preserve records of job descriptions and salary or wage rate history for each employee for a period of at least three years and to make such records available to Delaware's Department of Labor upon request.

Employers can expect more pay transparency activity at the state level. Ensure you understand the latest pay transparency requirements wherever you have or recruit employees.





## Addressing pay transparency requirements

1

When required, publish salary ranges and benefits offerings in job advertisements and internal postings. Consider disclosing this information as a standard practice when the organization recruits broadly and when disclosure requirements may apply.

2

Review salary ranges and regularly audit pay equity to assess compliance and market factors, such as wage compression, which can affect pay equity.

3

Train HR professionals, recruiters and managers on compliance requirements and provide updates regularly.

4

Update pay ranges with market data and document any exceptions.

5

Use **people analytics** and **compensation management tools** to benchmark pay, evaluate pay gaps and assist with setting pay ranges.



## Congress passes tax treatments for certain wages and benefits

Congress recently passed the One Big Beautiful Bill Act (the Act), increasing tax incentives for employers who provide child-care benefits and paid family and medical leave.<sup>6</sup> Overtime and tips will also be taxed differently for federal income tax. Some of these new provisions, passed in mid-2025, apply to the 2025 tax year.

**"For multistate employers where overtime is calculated differently by state, start early to prepare for end-of-year reporting and establish practices for tracking overtime in all the locations you have employees. Work with your payroll provider, who can help you stay compliant in a changing environment."**

**— Tim Morris**

Legal Compliance Director, ADP

### Child-care benefits

Employers who offer child-care benefits, either by having it on-site or by paying child-care providers directly on behalf of employees, can now deduct 40% of those expenses up to \$500,000. It used to be 25% up to \$150,000. Additionally, beginning Jan. 1, 2026, the annual pretax contribution limit for dependent care offered under a Section 125 Cafeteria Plan has increased from \$5,000 to \$7,500 for joint tax filers and from \$2,500 to \$3,750 for single filers.

### Paid family and medical leave

The family and medical leave tax credit has been extended another four years and increased from 12.5% to 25% of the expense of providing employees with paid family or medical leave. Beginning in 2026, employers can also deduct a portion of the premiums they pay for insurance that covers wages for employees on medical and family leave.

### Tips and overtime

For federal income tax, Congress recently changed the tax treatment of income from tips and overtime. Beginning in the 2025 tax year, employees will be able to deduct a certain amount of income from qualified overtime and tips<sup>7</sup> when filing their federal income taxes at the end of the year.

The law does not automatically apply to state income tax, however. Employers should consider whether the state where the Fair Labor Standards Act (FLSA) overtime is earned conforms to the version of the Internal Revenue Code (IRC) effective July 4, 2025, or to an earlier version of the IRC. Additionally, state legislatures may move to conform with the current IRC or deviate from the Act in relation to state income tax deductions for tips and FLSA overtime.



Employers may need to adjust their qualified overtime tracking, qualified tips and relevant occupations and end-of-year Forms W-2 and 1099 reporting to ensure they have the correct federal and state information.<sup>8</sup>



## Addressing new tax treatments for certain wages and benefits

1

Audit payroll codes and update tax tables promptly.

2

Review benefits with advisors to ensure compliance.

3

Communicate changes clearly to employees.

4

Train HR and payroll staff on updated treatment rules.

5

Work with an **HCM solutions provider** who will monitor changes in the law and assist with tax and withholding compliance.



## Some states are expanding paid and protected leave laws

Many U.S. states are requiring employers to provide some paid sick leave, and are expanding protected leave, both paid and unpaid.

**"Leave is one of the most confusing areas of employment law for both employers and employees. As employers deal with changing requirements, it's not only important to make sure your policies and practices follow the applicable laws; it's also essential to consider how differing practices may affect culture, fairness and even administrative burdens. A broader view can help you stay compliant, streamline approaches and avoid potential issues when different rules apply to different employees."**

— Michael Grosso

Senior Counsel, Workforce Management, ADP

### Paid sick leave

Currently, 17 states and the District of Columbia have laws requiring employers to provide paid sick leave to employees. Effective Aug. 28, 2025, the state of Missouri no longer requires employers to provide paid sick leave. Some cities have also passed their own more expansive laws.

All paid sick leave laws allow employees to accrue paid sick leave as they work. A common accrual formula is one hour of paid sick time for every 30 hours worked. Some laws require a minimum number of days of paid leave and allow employers to front-load those days at the beginning of the year.

Some states cap the number of days an employee can accrue, and there are different rules about whether paid sick leave can be rolled over from year to year. Generally, paid sick leave is not required to be paid out to the employee at the end of employment.

Check the paid sick leave laws for every location you have employees.



## Protected leave

States are also expanding the reasons an employee may take time away from work without risking their job. Most employers are familiar with family and medical leave protections, which are generally unpaid; however, if the state has paid sick leave, it's usually available to use when employees are on family or medical leave. Thirteen states and the District of Columbia have passed paid family leave laws. For Delaware, Maine and Minnesota, benefits begin to be paid in 2026. Maryland begins paying benefits in 2028.

Effective in 2027, California has expanded whom an employee may take protected leave to care for under its Family Rights Act. Some states are considering or have enacted legislation to expand bereavement leave, provide protected leave to victims of violence or domestic abuse and allow employees to attend school conferences at their children's schools. Illinois, Maine and Nevada have laws that allow employees to use their paid leave for any reason.



**When life takes an employee away from work, it's essential to understand the paid and unpaid leave laws for the employee's location and to consider how different locations' requirements fit your approach and leave policies.**



## Addressing paid and protected leave in 2026

**1**

Track state and local leave rules and update policies accordingly.

**2**

Configure systems to manage accruals and payments.

**3**

Train managers on protected leave, antiretaliation and when to involve HR in a leave decision.

**4**

Provide employees with transparent leave information.

**5**

Use **technology** that can incorporate jurisdictional rules and reflect changing entitlements dynamically.



## The DOL may revise rules for employee classification and joint employers

In its semiannual regulatory agenda, the U.S. Department of Labor (DOL) stated<sup>9</sup> it will review the rules for joint employers and classification of independent contractors, both of which have shifted depending on the presidential administration.

“Joint employers” refers to situations where more than one entity is legally responsible for paying employees under applicable wage and hour law. Liability generally depends on whether and how much control the entities have over the employee’s work. The Biden administration broadened the test to whether each entity “retains the right to control” the essential terms and conditions of employment.

It’s expected that the DOL will restrict the test to focus on whether and how the entity actually controls the terms and conditions of the employee’s work, such as hiring, firing, supervising, setting pay rates and maintaining employment record.

The test for whether an employee is an independent contractor has also shifted based on the administration. The Biden administration restricted the test for independent contractors, which has been challenged in the courts. In May 2025, the DOL stated<sup>10</sup> it would not be enforcing the new rule and instead would rely on earlier standards and case law based on whether the worker is economically dependent on the hirer. The test is fact-specific and considers factors such as the ability of the worker to set their own terms for the work, whether they work for others, the worker’s investment in their tools and equipment and the hirer’s level of control over the work itself.

States may have different tests and rules that apply to workers in those states.





## Addressing rules for employee classification and joint employers

1

Review independent contractor relationships with legal counsel to determine whether the contractor should be paid as an employee or if the independent contract relationship is appropriate.

2

Review worker relationships where more than one potential employer is involved, such as staffing agencies, parent and subsidiary companies and subcontractors, to determine and address the risk of joint employer status.



## California is expected to evaluate time rounding practices

The California Supreme Court is expected to decide *Camp v. Home Depot* and whether employers may use neutral time rounding practices when they also have the exact times employees worked. Prior case law allows California employers to round up or down, but the employer must also ensure that each employee is paid for all time worked.

Generally, the FLSA and most states permit employers to round time up or down as long as the practice is neutral (does not generally favor the employer or employee) and consistently applied so that the rounding policy does not cumulatively result in underpaying employees based on the actual time worked.



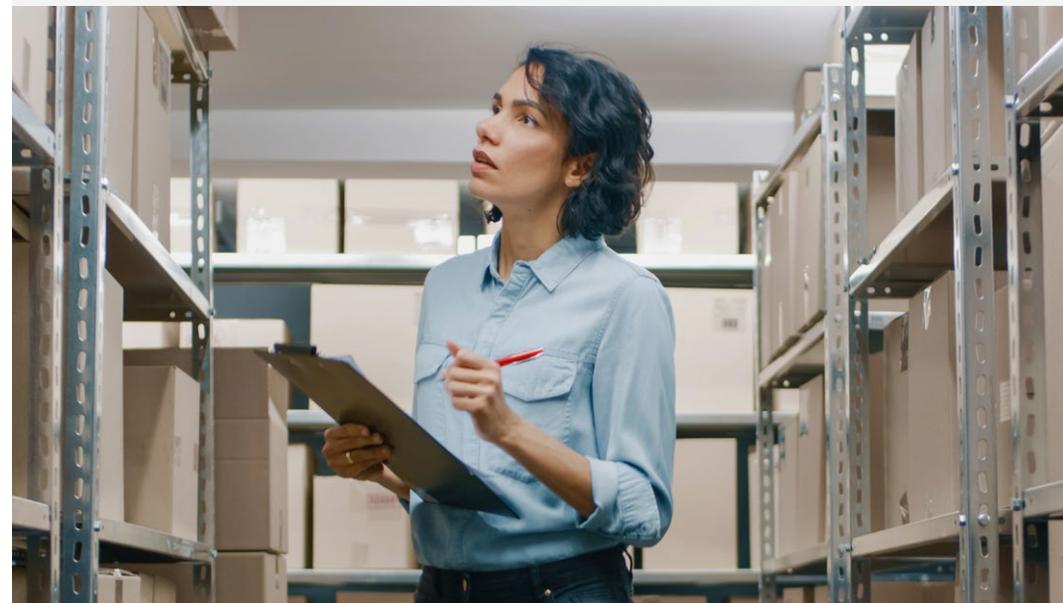
## Addressing time rounding practices

1

Employers who round time should regularly audit employee time to ensure their policies are applied consistently and do not generally result in underpayment of employees.

2

To reduce risk, use **timekeeping technology** that will track employee work time to the minute and calculate pay based on actual time worked.





## Employers continue to face multijurisdictional compliance dilemmas

Employers will continue to face various legal requirements from local, state and federal authorities. Rules on pay transparency, leave, minimum wages, discipline and terminations and even what information goes on a pay statement can vary widely by location. Simply keeping up with continually changing employment laws takes time, expertise and resources. When employers are trying to comply with multiple, sometimes conflicting laws, it can be a struggle to develop consistent and fair policies across the organization.

**“Compliance and managing risk are always bigger considerations than simply what the law requires. Having multiple laws with different requirements that apply doesn’t always mean creating a separate practice for each law. It’s often possible to develop a standard, focused on the employees’ rights and best practices, that can work in most circumstances and allow you to have a consistent approach.”**

— Meg Ferrero

Vice President and Assistant General Counsel, ADP

### Balancing state, local and federal protections

States and localities generally can enact laws that provide the same or more protections for employees than federal laws. For example, some states, cities and regions have additional protected classes for employment discrimination.

Employers can also establish policies and practices that not only meet legal requirements but also provide additional benefits or protections to employees.

Thus, one approach to multijurisdictional compliance is to provide the most protections for employees and adopt those practices, ensuring the requirements of all applicable laws in other jurisdictions are also met.

For example, when certain jurisdictions require different information on employee pay statements or in job postings, the employer could include all the required information across the various jurisdictions on all pay statements, pending a thorough review with counsel. Establishing one standard across the organization for job postings or pay statements is often easier to implement and administer, supports consistency and can minimize confusion and errors that increase risk.

### Practical complications

Things get more complex when, for example, some employees are entitled to paid leave for certain events while others may not be. In such situations, it might not seem feasible to extend paid leave to everyone. It’s worth considering additional factors, such as the administrative burden and expense of having multiple internal practices, the impact on the culture of the organization when different rules apply in different places and whether all employees would be treated fairly under applicable discrimination and pay equity laws.

An organization's strategy for dealing with multiple employment laws will depend on many factors and requires care and deliberation by leadership, HR and legal teams.



## Addressing multijurisdictional compliance complexities

- 1 Consider applying the most protective standard across locations.
- 2 Maintain a compliance calendar with effective dates.
- 3 Automate policy assignments by employee location.
- 4 Conduct regular audits to catch conflicts early.
- 5 Work with an **HCM solutions provider** who offers compliance support, a global payroll architecture and compliance monitoring across federal, state and local contexts.

## Section references

1. European Parliament and Council of the European Union, EU AI Act, 2024
2. Parliament of Canada, Artificial Intelligence and Data Act (AIDA), Bill C-27, 2022
3. Colorado General Assembly, Colorado Artificial Intelligence Act, 2024
4. European Parliament and Council of the European Union, Pay Transparency Directive, 2023
5. ADP, Why you should care about pay transparency, 2025
6. SPARK, The One Big Beautiful Bill Act Series, 2025
7. Only the overtime premium amount required under the FLSA qualifies to be deducted from an individual's tax return. This generally refers to the overtime premium earned for working more than 40 hours in a week. For example, if an employee earns \$20 per hour and is paid a \$10 premium for FLSA overtime, resulting in pay of \$30 for the hour, only the \$10 overtime premium would qualify for the tax deduction. In addition, overtime earned only as a result of state law, such as over eight hours in a day in California, or overtime earned as a result of company policy, would not be eligible for the tax deduction.
8. "Qualified tips" are defined as those paid voluntarily by the customer using a cash-equivalent medium, such as cash, checks, credit or debit cards, gift cards and electronic payment methods. Mandatory amounts to be paid, such as service charges added to the bill, are not qualified tips. In addition, to be tax deductible (annual limit of \$25,000), the tip must be received by an individual in an occupation that the IRS lists as customarily and regularly receiving tips as of Dec. 31, 2024.
9. U.S. Department of Labor, Spring 2025 Agency Rule List, 2025
10. U.S. Department of Labor: Wage and Hour Division, Opinion Letter FLSA2025-2, 2025

## Category

# Technology



## Agentic AI is emerging as a core HCM capability

Agentic AI is being used in some capacity at businesses of all sizes,<sup>1</sup> complementing prior and ongoing advancements in AI. ADP's 2025 HR trends survey reveals that usage increases with business size, with 4% of small businesses reporting they use agentic AI, compared to 25% of mid-sized businesses and 48% of large businesses.<sup>1</sup> While small businesses report relatively low usage, 21% say they're familiar with agentic AI and 48% say they're somewhat familiar, compared to 48% of mid-sized businesses and 71% of large businesses, both of which say they're familiar.<sup>1</sup> A separate 2025 survey of global HR executives shows chief human resources officers (CHROs) projecting a 327% growth in agent adoption within their organizations by 2027, with 80% projecting that, within five years, most workforces will have people and AI agents working together.<sup>2</sup>

### What is agentic AI?

Agentic AI refers to systems or collections of AI agents that autonomously think, plan and act to achieve multistep goals with minimal human oversight. They can interact with external systems and adapt based on feedback and environmental conditions. Unlike other forms of AI, which often require step-by-step guidance, agentic AI can break down complex objectives into subtasks and adapt to dynamic environments. It's this ability to problem-solve and reason that gives agentic AI its potential to deliver value in organizational processes and workflows. Overall, agentic AI can help HR, payroll, finance, benefits, recruiting and other key departments automate work processes, facilitate data sharing and enhance collaboration, supporting cross-functional decision making and efficiency. By 2028, Gartner predicts that 33% of enterprise software applications will include agentic AI — up from less than 1% in 2024 — with at least 15% of day-to-day work decisions being made autonomously through AI agents.<sup>3</sup>

Today, organizations are harnessing agentic AI in several ways, including:

- Automating onboarding processes where digital agents guide new hires through requirements
- Simplifying validations and error detection in data-heavy workflows, like payroll, to support accuracy and reduce manual effort
- Proactively generating insights from HR data with clear recommendations on actions and next steps to drive outcomes

## Creating business value with agentic AI

To harness the full potential of agentic AI, it's crucial to align its deployment with your organization's strategic goals. Start by identifying the outcomes you wish to achieve, such as attracting talent, enhancing HR efficiency, maximizing employee retention or managing labor costs. This approach helps you focus on delivering tangible business value rather than getting sidetracked by the technology itself. Remember, a clear strategy can guide the implementation of agentic AI in a way that effectively addresses your unique business needs.

Next, explore workflows ripe for automation or effort reduction, identifying areas where agentic AI can streamline processes and improve decision making. Unlike earlier automation tools that required exhaustive scenario definitions, agentic AI's advanced reasoning capabilities allow it to adapt to a variety of situations and complexities. By combining the strengths of human intuition and the analytical prowess of agentic AI, organizations can foster a collaborative environment that enhances overall efficiency, paving the way for sustainable success.

**"Agentic AI unlocks new frontiers of automation, coordinating multistep work and adapting to real-world variability. Human oversight provides purpose and guardrails, clarifying objectives, approving critical actions and reviewing impacts. Together, they deliver scalable automation that's trustworthy, compliant and resilient when conditions change."**

— Amin Venjara

Chief Data Officer, ADP



## Addressing agentic AI in the workplace

1

Frame agentic AI as a helper that needs human oversight and governance.

2

Anchor adoption in real, pain-point-driven use cases.

3

Build a culture of shared responsibility. Agentic AI changes work dynamics by reshaping roles, not replacing them.

4

Consider the human and compliance impact of implementing any type of AI.

5

Partner with a trusted **AI solutions provider** committed to responsible deployment.



## Data management is evolving as companies deploy agentic AI

Agentic AI is influencing organizational data management strategies, compelling leaders to prioritize **seamless data flow** between software applications. Much like application programming interfaces (APIs) enable integrations today, agentic AI will increasingly rely on interconnected systems that can exchange up-to-date data in real time. Agentic AI systems use APIs as tools to extend their capabilities, enabling them to gather information, make decisions and execute actions dynamically to achieve their objectives, moving beyond simple query responses to proactive task completion.

To implement this technology effectively, leaders are working to establish agent dialogue between disparate best-of-breed systems, positioning agentic models to operate with the details and context necessary to provide comprehensive insights and effective cross-functional automation.

At the same time, leaders must recognize that agentic AI introduces challenges around data management, including data quality, data privacy and data security. In fact, most IT leaders (79%) believe AI agents bring new security challenges, while 48% worry their data foundation isn't set up to get the most out of agentic AI and 55% aren't fully confident they have the appropriate guardrails to deploy AI agents.<sup>4</sup>

**"It's a question a lot of people are asking: How do agents cross ecosystems? Once you go beyond a given boundary, how do you know if you're executing in another system appropriately? How do you govern the handoffs between different software tools?"**

— Naomi Lariviere

Chief Product Owner, Vice President of Product Management, ADP



## Governance considerations: Security and high-quality data

As agentic AI interacts with company data, robust governance and protections are nonnegotiable. In fact, poor governance could lead to the premature termination of agentic AI pilots or initiatives. Gartner predicts that over 40% of agentic AI projects will be canceled by the end of 2027 due to inadequate governance (“risk controls”), escalating costs and unclear business value.<sup>5</sup> The principle of “garbage in, garbage out” takes on greater urgency when AI can scale not just content creation and analysis but also autonomous decision making. While an understanding of the governance landscape for agentic AI is still emerging, leaders report that governance for generative AI exists today, with 20% of small businesses, half of mid-sized businesses and two-thirds of large businesses saying they have a generative AI governance process in place.<sup>6</sup> These findings indicate an opportunity to incorporate agentic AI into existing governance frameworks.



Because agents can reason and access data across systems, carefully governing your data landscape and access permissions has become even more important. What a person may struggle to find even if they have access to the data, agents can find and use much more easily, creating a need for heightened data security and governance. For leaders, the mandate is clear: Invest in clean, high-quality data, strong governance processes and secure data infrastructure. It’s not optional but crucial to realizing AI’s promise responsibly.



## Addressing the evolution of workplace data management

1

Get clear on where workforce data is stored and how it’s accessed. As agents proliferate, ensure you can easily govern which people and agents have access to what data. Additionally, merging or connecting data sources, where possible, can help new forms of AI analyze data with sufficient context.

2

Create a governance framework addressing all forms of AI or incorporate AI guidance into an existing framework. Prioritize mapping AI assets across the organization, the data they can access and where and how they are deployed. [Get resources on this topic.](#)

3

Prioritize **securing** and regularly auditing data to ensure AI systems consistently deliver accurate, up-to-date results. Partner with IT and other internal teams as necessary.

4

Work with an **HCM solutions provider** who specializes in managing and scaling global data. Ask for the size of their workforce dataset, including the number of people it represents and the number of countries it encompasses. These questions will help you assess the breadth and depth of data management expertise available to you.



## HR and IT are increasingly reliant upon each other

The relationship between HR and IT is becoming more interdependent as AI reshapes the workplace, with several major companies already merging their HR and IT functions.<sup>7</sup> In a 2025 survey of 1,100 IT leaders, 64% predicted a complete merger will happen within five years, while 31% predict HR and IT will not merge but become far more collaborative during that same period.<sup>8</sup>

### A complementary exchange of specialized expertise

As agentic AI is increasingly adopted across the workforce, human and agent interactions will be critical for the delivery of work, requiring HR and IT to work closely together to ensure work gets done effectively and that business moves forward. For HR leaders, success will increasingly hinge on IT's expertise in selecting, implementing and managing complex technologies. At the same time, IT will rely on HR to provide insight into how these tools affect people in terms of adoption and human impact.

"IT is definitely a bigger part of the decision making than it has been in the past. What they care about are things like user management, data security, integrations and how the integrations work. Are they modern? Are they scalable? Can they connect with each other, and how will maintenance be performed on these connections?"

— Tonya James

Vice President of Product Management, Global Payroll, ADP





HR and IT's partnership isn't just tactical; it's strategic. Both functions carry responsibility for safeguarding company data, incorporating people data into business strategy and influencing how leadership responds to AI transformation. When HR and IT align, organizations are better positioned to balance innovation with trust, ensuring AI adoption adds value while supporting the people who make business possible.

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## Addressing the integration of HR and IT

**1**

Establish shared strategic goals and alignment between HR and IT, as well as joint governance for data, AI and security decisions.

**2**

Standardize integrations across HR, payroll and enterprise systems.

**3**

Build shared accountability for the employee experience and digital tools.

**4**

Use **platforms** with APIs and analytics that integrate HR and IT priorities.

**5**

Upskill people and systems by building AI literacy and knowledge to maintain and evolve existing infrastructure.

## Easy, smart and human, in practice

The forces shaping 2026 demand more than insight; they require thoughtful action. Across people, compliance and technology domains, leaders must navigate heightened complexity while maintaining a human touch. Sustainable growth will come to those who can drive innovation without deprioritizing people, respond to regulation without sacrificing agility and deploy interconnected intelligence without losing trust.

ADP offers solutions designed for this moment — platforms that unify data, simplify compliance across jurisdictions, deliver responsible, purpose-built AI and strengthen the partnership between HR and IT. With tools that are easy, smart and human by design, ADP helps organizations turn insight into action, instilling confidence in leaders worldwide as they build resilient, intelligent, people-centric workplaces.

### Discover ADP's solutions

A special thank-you to the subject matter experts who inform this report year after year.



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