

Building on shaky ground:

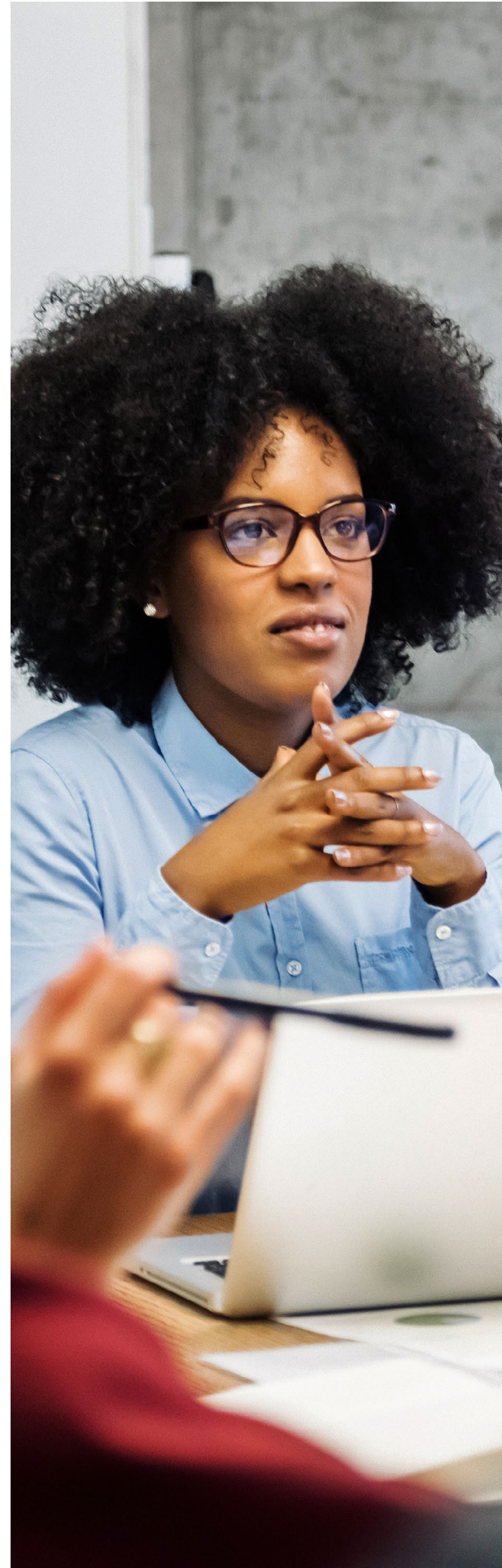
HR's struggle to realize value
from tech investments



When it comes to artificial intelligence (AI), perceptions can be complicated. Many executives are excited about its potential, and nearly 60% of HR teams are ready to dive in and explore how it can help. But not everyone is fully onboard — the other 40% of organizations admit they're not ready, as HR still faces foundational hurdles like data issues and a lack of AI knowledge¹. The bottom line? HR leaders are excited about AI, but they might not be prepared for it.

Even before AI emerged on the scene, teams often struggled to get the most out of their HR transformations. Too many found themselves floundering — making investments that didn't match their people's needs, letting tech stacks become messy and hard to manage, and rolling out new tools without changing how work was done. When we're focused on what's not working, it can be tough to see the real value of what we're trying to achieve with technology.

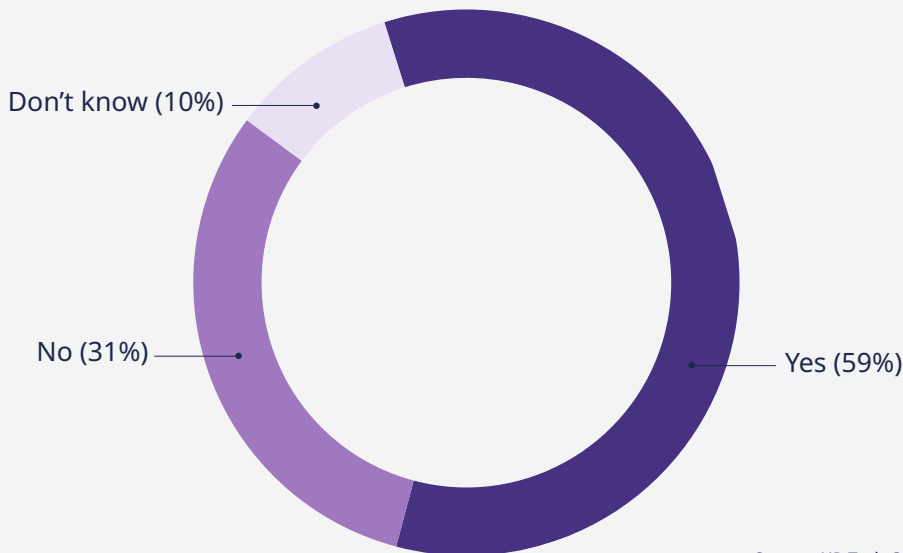
That's why Mercer's latest HR Tech Confidence Check is so critical. It examines the progress we're making in these areas. This report helps us determine whether we're moving in the right direction and how we can better align our technology with what our people — and the business — truly need.



Ready or not, here comes AI

This year's study paints a different picture from last year's light-hearted excitement about experimenting with AI. Today, HR teams are feeling pressure to move beyond the brainstorming phase so they can start delivering real results. In fact, 59% of HR teams are actively working on strategies to bring AI into their operations, and more than half of these teams are setting aside specific budgets and resources to make it happen.

Are you actively strategizing and incorporating AI into your approaches?



Source: HR Tech Confidence Check — Spring 2025, Mercer

But it's not all smooth sailing. A significant number of teams that haven't yet started using AI — 59% — say their organizations simply aren't ready. Foundational issues like data readiness and integration challenges still need to be tackled. Further, 38% of these teams admit they don't know enough about AI, highlighting the need for education and transparency. This all points to the importance of having a solid strategy, a clear use case and a genuine understanding of the value technology can bring before jumping into any purchases or implementations.

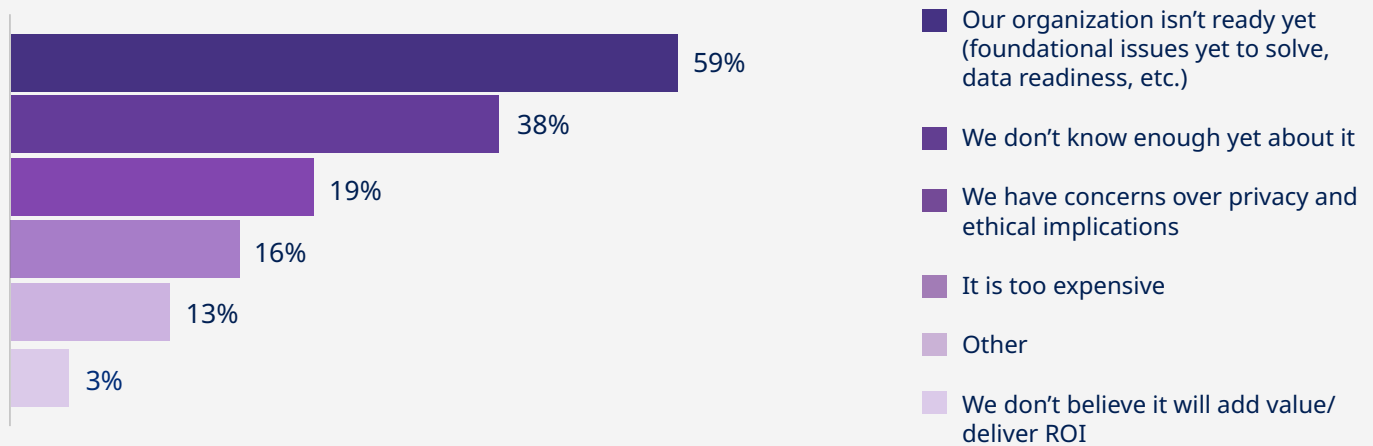
Europe may be the best example of this today. Only 50% of European HR leaders are currently integrating AI into their operations, compared to 59% globally. However, among those pursuing AI, 64% are allocating budget and resources for it, versus 53% worldwide. This suggests that although European companies may be slower to adopt AI (likely due to stringent regulations), they're quicker to prepare financially once they decide to move forward. Notably, 71% of European HR leaders who aren't pursuing AI cite organizational readiness as the main barrier. This is significantly higher than the global average of 59%. With the risks associated with getting AI investments wrong, European leaders are taking the time to ensure they're ready.



In citing the reasons for pursuing an AI strategy, HR leaders place efficiency gains and enhancing the employee experience at the top of the list. But for those organizations not actively pursuing AI, the reasons vary by region. In Latin America, 56% of leaders say they're not moving forward because they don't yet know enough about AI. This is in stark contrast to Europe, where only 24% feel this way. In the US and Canada (53%) and Europe (71%), most leaders cite organizational readiness as their main concern, compared to just 22% of Latin American leaders.*

Other reasons for hesitancy include privacy concerns, the cost of implementation, and not having the green light from the C-suite or board. These factors highlight the need for a thoughtful approach to AI adoption, ensuring organizations aren't just jumping on the bandwagon but are truly prepared to make the most of what AI has to offer.

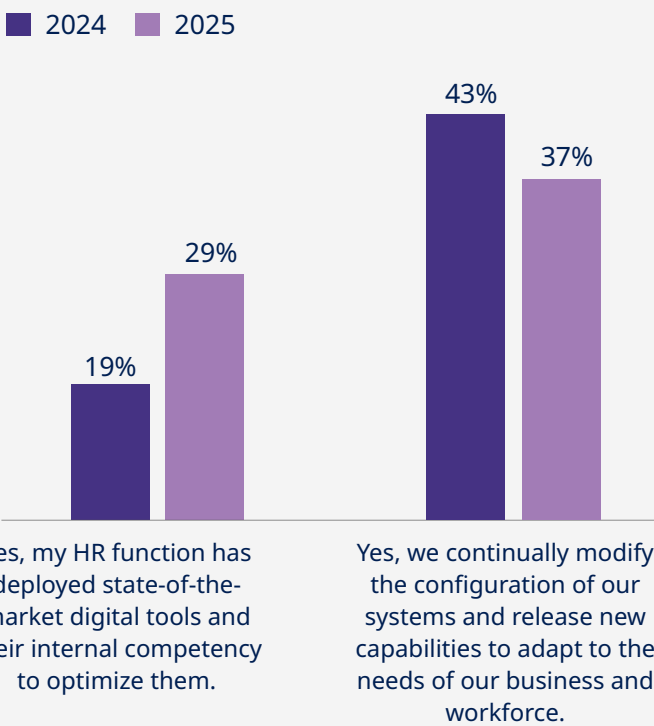
Why organizations aren't actively incorporating AI into their approach



Watch the deployment gap

If HR leaders want to turn their AI dreams into reality, they need to address a common stumbling block: investing in technology without realizing its full value. Although there's been a big jump in such investments — an additional 53% say they use cutting-edge technology compared to last year — there's a troubling opposite trend when it comes to making the most of that tech. The number of teams that report actively reconfiguring their systems to unlock new capabilities has dropped by 14%. This suggests HR is often drawn to shiny new tools without having a solid plan for maximizing their benefits or connecting them to real business results.

HR's digital muscle



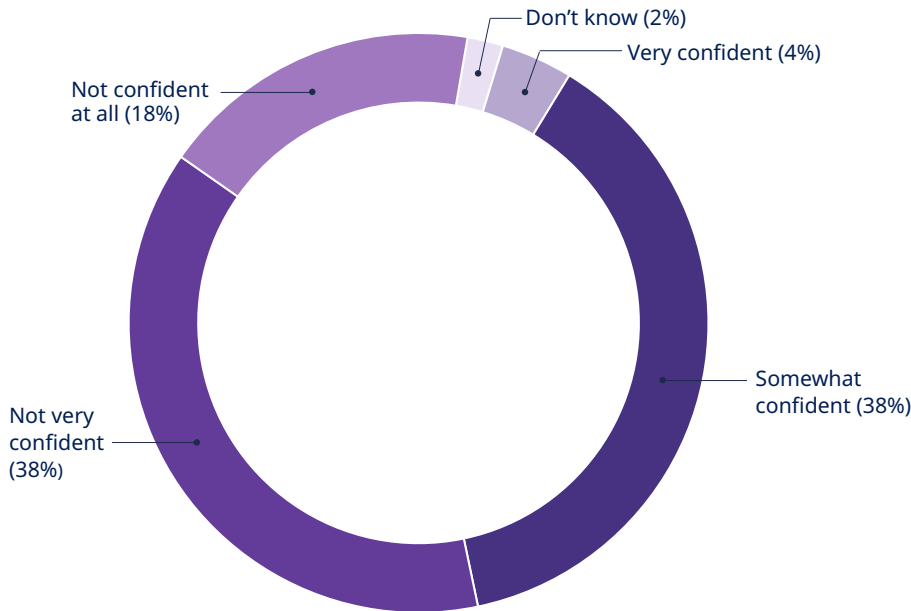
Source: HR Tech Confidence Check — Spring 2025, Mercer

Our findings also reveal a worrying lack of confidence in how HR teams are optimizing their tech stacks. Fewer than 5% of teams feel they've reached the maximum potential impact of their technology. Even more concerning, 56% of teams admit they're not confident in their tech-optimization efforts. This points to a significant gap between investing in technology and using it effectively.

Thoughtfully deploying technology means listening to the needs of everyone involved and configuring the tools to support the broader business goals. It's important to remember that deployment isn't just a one-time event; it's an ongoing journey that requires continuous listening, adjusting and improving over time.



Confidence HR Tech stack is fully optimized for maximum impact



Source: HR Tech Confidence Check — Spring 2025, Mercer

When we look at the data, we see some interesting regional differences. For instance, Latin American HR teams lead the way in implementing state-of-the-art technology, with nearly half saying they've done so. In comparison, only about one in five teams in the US and Canada can say the same. But when it comes to modifying system configurations and rolling out new capabilities to meet business needs, European teams take the lead, with half actively making those adjustments.

Interestingly, while US and Canadian leaders are the most likely to feel confident about optimizing their tech stacks, that confidence is still quite low at just 5%. Only 2% of European leaders feel the same way, whereas Latin American leaders are slightly more confident at 4%. Conversely, US and Canadian leaders are most likely to lack any confidence in their tech optimization, with one in five (20%) expressing this concern, compared to 14% in Europe and just 4% in Latin America.*

Regardless of region, it's important to deploy technology thoughtfully, recognizing that it's not a one-and-done event. Instead, it requires ongoing attention, adjustments and a commitment to continuous improvement to maximize the value of these investments.

*Note: The data collected for this year's study for regions not noted above did not provide a large enough sample size to offer viable insights into differences across those regions.



Investments exceed satisfaction around HR tech

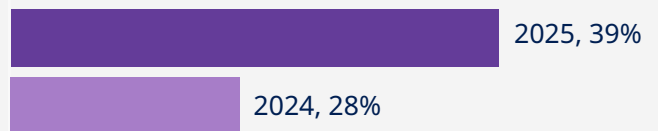
Most people feel just okay about the return on investment (ROI) from their HR tech purchases — but if you're the one footing the bill, your satisfaction is likely slipping. So, does HR technology always fall short of delivering value, or are we just measuring the wrong things?

This year, satisfaction with HR technology has taken a noticeable dip, especially among those who control the budgets. Dissatisfaction among budget owners and influencers has jumped by nearly one-third compared to last year. It's concerning to see that fewer than 4% of global leaders are highly satisfied with their HR tech stacks. For those managing HR tech budgets, high satisfaction with the ROI of their tech is at an all-time low, less than half of what it was just two years ago. This highlights the gap between what we invest in technology and how effectively we use it.

Technology tends to work best when it's aligned with clear goals, strategically optimized over time to meet the evolving needs of the business. Unfortunately, many organizations still tie their success to metrics that once seemed important, like hiring efficiencies and modest cost savings. But these metrics often fade quickly and aren't well-linked to business acceleration and outcomes. It's no wonder we're feeling underwhelmed.

When we look at the numbers, it's clear that HR leaders in Europe and North America are more likely to be very dissatisfied with their HR tech stacks — about 8% and 10%, respectively, compared to just 4% of Latin American leaders. But looking specifically at ROI, we see Latin American leaders are the ones who are unhappy, with 35% expressing heavy dissatisfaction, compared to 20% in Europe and 25% in North America.

No matter your region, the message is clear: it's time to ditch the outdated measurements that no longer serve and take a fresh look at what technology can offer. We need to shift the conversation around ROI to focus on the real value and impact HR tech can bring to our organizations.



HR Tech budget owners & influencers that are dissatisfied with their current HR tech stack.

Source: HR Tech Confidence Check — Spring 2025, Mercer



Where insights meet action

HR teams increasingly recognize the value of people analytics, with 44% planning to invest or boost their spending in this area. That's pretty consistent with last year's figure of 48%. The problem is that having access to better data and insights doesn't automatically lead to better outcomes. To make an impact, analytics need to align with other important people priorities.

This raises some critical questions: What value do we expect to gain from our analytics? How will these insights shape our business decisions? And, perhaps most importantly, what actions can we take based on the data, and who will be responsible for those actions.

HR can unlock real value by connecting people analytics to broader goals, such as enhancing management skills or improving workforce planning. When analytics are used as a strategic tool rather than just a data source, tech investments can shift from simple efficiency boosters to powerful catalysts for meaningful business results. That's what we call real ROI.

HR/ People Analytics Technology Investment



44%

Plan to invest, or plan to increase investment.



38%

Currently invest, with no plan to increase investment.



18%

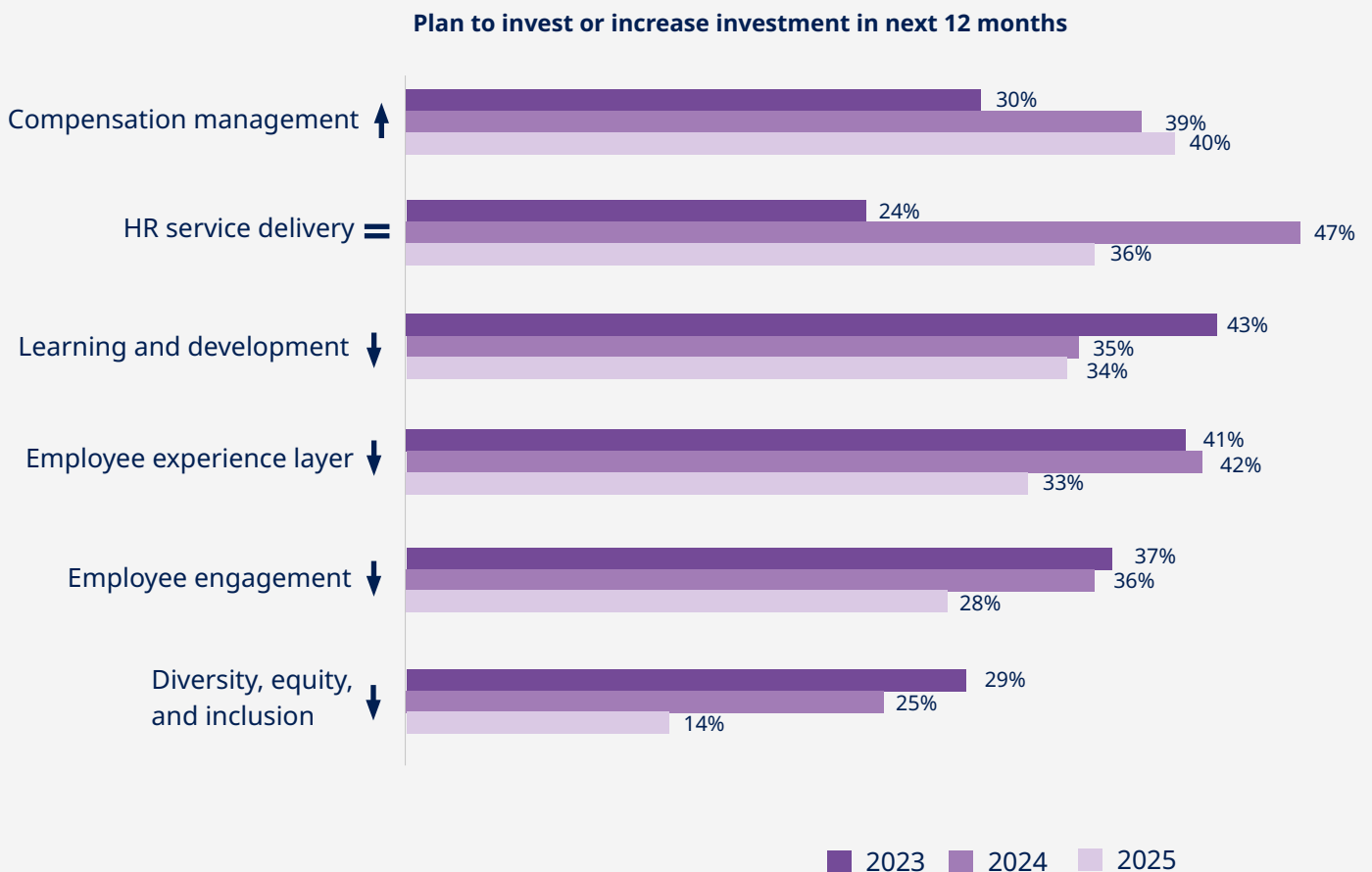
Do not invest and have no plans to invest

Looking beyond people analytics, this year's HR tech spending is also focused on compensation management, with 40% of companies planning to invest or increase their spending in this area. Demand for compensation management has grown significantly, up by one-third since two years ago, reflecting a global focus on economic factors. Meanwhile, investments in areas like employee experience, engagement, and learning and development are down compared to last year. This shift suggests employers may be prioritizing more business-focused strategies over the softer, more employee-centered initiatives.

In this evolving landscape, it's crucial for HR teams to do more than just invest in analytics. They must also ensure these tools are effectively integrated into their overall strategies and that they support workforce needs. Neglecting to factor in the human part of the tech equation will only lead to greater dissatisfaction around our tech investments.



Tech Investment shifts year over year (global)



Summary

It's clear that while HR teams are buzzing with excitement about AI, there are significant issues to address. We've all heard the story of investing in technology without seeing real value, and it's time to change that narrative. To get the most out of tech investments, especially AI, HR needs to think strategically about how these tools fit into the bigger picture of people priorities and overall business goals.

Since people are at the heart of any successful strategy, investing in AI should go hand in hand with a commitment to developing the workforce. This isn't about hopping on the latest trend; it's about ensuring every tech decision supports our larger objectives.

By building a solid data foundation and connecting HR tech investments to clear outcomes, we can boost ROI while enhancing HR impact and effectiveness. If we want to unlock the true potential of AI — or any technology — we need to shift our mindset from investment to strategic alignment. Every technology decision should not only strengthen our workforce but also drive meaningful business results.



About the research

The Mercer HR Tech Confidence Check is a biannual study designed to gauge the pulse of the HR tech market. This year, we gathered insights from 216 respondents across February and March 2025, exploring their satisfaction with current technologies and their plans for tech spend. Our sample included 56% from the US and Canada, 23% from Europe and the UK, 12% from Latin America, 6.5% from Asia-Pacific, and 2% from the Middle East and Africa, reflecting organization headquarters.

¹ Mercer, HR Tech Confidence Check 2025

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