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People & Organizational Performance Practice

HR Monitor 2026

A comprehensive benchmark survey of workforce and HR trends across Europe, the United States, and China delivers critical insights for today's HR leaders.

June 2026

HR Monitor 2026

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This report is a collaborative effort by Julian Kirchherr, Karel Eloot, Sandra Durth, Ulf Schrader and Vincent Bérubé, with Charlotte Seiler, Kira Rupietta, Kristina Störk, Marlene Senst, Séverine Fobe, and Simon Gallot Lavallée, representing views from McKinsey's People & Organizational Performance Practice.

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Preface

As AI transforms how work gets done, the people function is more important than ever. The workforce is undergoing fundamental change as roles and skill requirements shift and new forms of human–machine collaboration emerge. HR is taking on a new dual role: It serves as an architect of AI transformation, shaping how work, roles, and capabilities evolve, and as a “lighthouse,” leading by example in reimagining its own operating model and demonstrating how to embed AI into core processes.

In this environment, chief human resource officers (CHROs) and other HR leaders need a sharper understanding of where the function stands today and how it needs to advance. We have expanded our *HR Monitor* report to provide leaders with richer data to benchmark their people function against peers, evaluate progress, and identify key areas for action.

Our inaugural report in 2024 focused on Germany’s HR landscape. Last year, we highlighted workforce and HR trends across Europe. This year, we surveyed approximately 1,300 HR professionals and 5,500 employees across ten countries, with a primary focus on Europe (Belgium, France, Germany, Italy, Netherlands, Poland, Spain, and the United Kingdom), complemented by comparative data from the United States and China. The data was collected in January 2026, spans multiple industries, and is complemented by insights drawn from discussions with HR leaders and experts across McKinsey’s People & Organizational Performance Practice. The result is a robust data set enabling cross-country, cross-industry, and year-over-year comparisons. (Note: Year-over-year differences in survey results should be interpreted as directional only, as country coverage changed slightly compared to 2025, with the addition of China, the Netherlands, and Belgium.)

This year’s report explores what HR delivers—covering core dimensions such as workforce planning, talent acquisition, learning and development, and employee experience—and how HR generates value, including the impact of digital technologies and AI. Additionally, it compares HR’s own assessment with employees’ experiences to highlight potential perceptual gaps. In each chapter, we will highlight the key themes emerging from our survey data, along with recommendations for leaders.

Thank you for your interest in the *HR Monitor*. We look forward to further refining and expanding this benchmark in the coming years.

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Introduction

HR at a turning point: From functional excellence to system-level transformation

Economic pressures, AI disruptions, and shifting workforce expectations are redefining effective people management. While many HR functions have strengthened processes in recent years, our data reveal a need for broader progress. Structural gaps persist between operational planning and strategic foresight, training and skills growth, employee expectations and organizational responses, and AI experimentation and scaled impact.

Based on our survey data, this year's *HR Monitor* identifies five priority changes that leaders will need to embrace in the age of human–AI collaboration:

— *Workforce planning must move beyond operational capacity planning to strategic capability planning.* Automation and AI are rapidly reshaping how work gets done and which skills are required. Yet, workforce planning remains predominantly focused on short-term headcount planning, with only 11 percent of organizations adopting a long-term perspective. At the same time, skills gaps persist and demand is shifting toward more people-centered and AI-related capabilities as the need for routine task-based skills declines. Organizations must evolve toward forward-looking, task- and capability-based planning or risk underestimating the scale of the workforce transformation ahead.

Automation and AI are rapidly reshaping how work gets done and which skills are required.

- *In employer-driven labor markets, recruiting is becoming less critical but hiring effectiveness remains essential.* Global labor markets have largely steadied, with offer acceptance rates up three percentage points and overall hiring success up four percentage points. While the market continues to favor employers, they still need to make hiring practices more efficient. Companies may need to process higher application volumes per vacancy, requiring greater screening and coordination effort. At the same time, long hiring cycles persist, raising the risk of losing top candidates. AI has substantial potential to increase hiring speed and improve candidate experience, but it must be integrated into disciplined, well-designed processes instead of being layered onto existing complex approaches.

- *Performance management and employee development are back on leaders' agendas, but remain fragmented in execution.* Many organizations are placing renewed emphasis on measurable performance and systematic capability building. However, this ambition is not yet reflected in practice. Learning participation remains limited, with 24 percent of employees reporting no training participation at all. Feedback cycles are infrequent, with more than half of employees receiving feedback once per year or not at all. HR professionals tend to overestimate both participation in training and the importance that employees assign to development opportunities. Companies need to treat performance management as a core driver of employee development and improve measurement of skill building to better prepare their workforce for the future.

- *Amid economic instability, labor market mobility is declining and compensation is a top concern for employees.* In an environment of macroeconomic uncertainty, employee mobility is declining. Voluntary attrition is down two percentage points year over year, even as employee satisfaction levels remain broadly stable. At the same time, employees' decisions to stay at their jobs are increasingly driven by tangible factors: compensation (52 percent), work–life balance (46 percent), and job security (45 percent). While compensation has become a central concern for employees amid pressure on real incomes, companies are only partially addressing the issue. Employer-driven labor markets reduce external opportunities and, in turn, the pressure on organizations to adjust. Against this backdrop, improving employee experience is less about rolling out additional programs and more about reinforcing fairness, transparency, and sustainable workload models.

- *Agentic HR operating models are emerging, but large-scale AI adoption remains limited.* The traditional Ulrich model is gradually giving way to more agile and technology-enabled configurations, but most organizations remain in a hybrid transition. Although automation models suggest substantial AI potential across HR, adoption is progressing slowly (with zero- to six-percentage-point increases in operational use, depending on the domain). Many organizations remain in pilot mode, with deployments largely concentrated in administrative areas. The fragmented technology landscape and limited capability building continue to constrain companies' ability to scale their AI adoption. Unlocking AI's full value will require HR to redesign its operating model around flow-to-work principles, establish a unified data backbone, and move decisively from experimentation to enterprise-wide transformation.

1 Strategic workforce planning in the age of human–AI collaboration

Advances in AI are expected to substantially shift how and where skills are applied as work evolves into a partnership between people and agents, combining human judgment with the power of automation. If AI is adopted at a moderate pace through 2030, up to 30 percent of current work hours in Europe and the United States could be automated, according to a McKinsey Global Institute (MGI) analysis.[1] MGI projects that over the same period, more than 70 percent of today's skills are expected to remain relevant and could be applied in both automatable and non-automatable work. But this does not mean roles themselves will remain unchanged. Nearly every occupation will experience skill shifts by 2030, as tasks are reallocated between humans and intelligent systems.[2]

In periods of rapid technological change, the organizations best positioned to respond are those that treat talent with the same strategic rigor as financial capital. S&P 500 companies that excel at maximizing their return on talent generate 300 percent more revenue per employee compared with the median firm.[3] In many cases, these top performers use strategic workforce planning to stay ahead, taking a three-to-five-year view and anticipating multiple scenarios so that they have the right number of people with the right skills at the right time.

Yet, the uncertainty introduced by gen AI makes this forward-looking view harder and more critical than ever. Gen AI is not just another technological advancement affecting specific tasks; it is a catalyst for organizations to rewire how they operate and generate value, fundamentally altering the ratio of humans to technology. Strategic workforce planning provides the analytical foundation to model these shifts explicitly, helping organizations move from reactive headcount adjustments to capability- and scenario-based workforce decisions. This enables organizations to anticipate future workforce needs under different adoption trajectories for AI, identify emerging skills gaps, and implement targeted reskilling and upskilling measures to ensure long-term workforce readiness.

Here we highlight key themes related to workforce planning emerging from the *HR Monitor* survey data.

Skills gaps persist but vary across industries

According to surveyed HR professionals, 23 percent of employees lack at least some of the skills required to perform in their current role, down nine percentage points from last year. At the same time, 22 percent of employees indicate that they doubt they will have the skills needed to remain in their role over the next five years, down six percentage points from 2025.

HR professionals in Italy report the highest current skills gap (28 percent), while Poland reports the lowest (23 percent). At the industry level, the highest current skills gaps are reported in chemicals (30 percent); the public and social sector, and electronics (28 percent); and tourism and food services, and semiconductors (27 percent). The lowest skills gaps are reported in mechanics (16 percent); travel, logistics, and transport (18 percent); and real estate (19 percent). These figures suggest that HR professionals are underestimating the extent of future skill changes, as MGI research projects that nearly every occupation will experience skill shifts in the next few years.

1 "A new future of work: The race to deploy AI and raise skills in Europe and beyond," McKinsey Global Institute, May 21, 2024.
2 "Agents, robots, and us: Skill partnerships in the age of AI," McKinsey Global Institute, November 25, 2025.
3 "The critical role of strategic workforce planning in the age of AI," McKinsey, February 26, 2025.

Important future skills are shifting

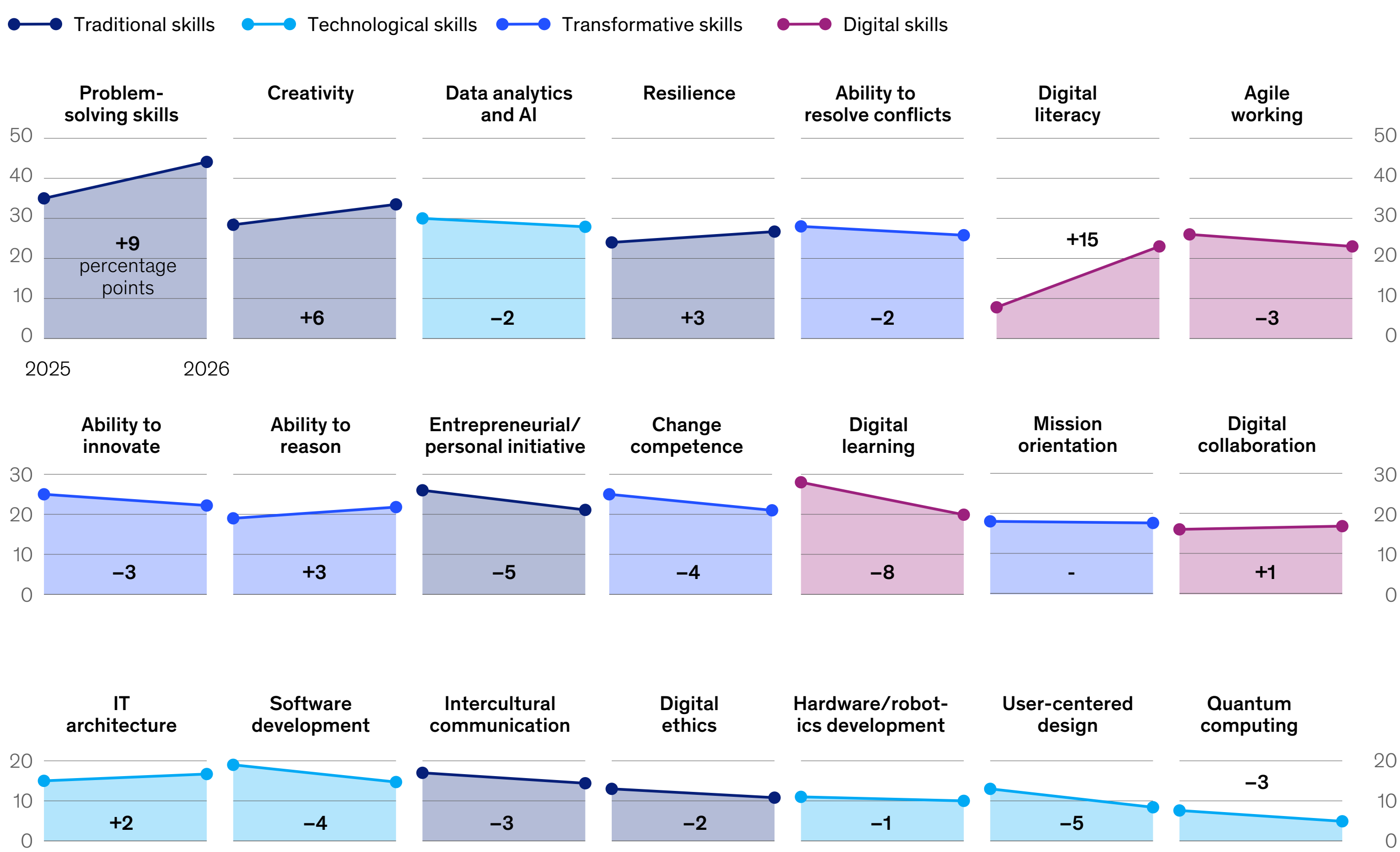
Problem-solving remains the most frequently cited future skill, with 44 percent of HR professionals ranking it in their top five this year (Exhibit 1). Creativity is cited second most often, whereas last year it was the fifth most cited. Data analytics and AI remains one of the top three most-cited skill areas.

By contrast, a decline in the importance of software development and other highly specialized technical execution skills reflects that AI systems increasingly take over those tasks. At the same time, skills necessary to guide, interpret, and apply AI outputs are gaining prominence. Digital literacy is the fastest-rising skill, cited sixth this year after ranking 20th in 2025. Ability to reason rose to ninth place after ranking 12th last year.

Exhibit 1

Future skills will shift from routine task-based capabilities to skills focused on analyzing and interpreting AI outputs.

Top future skills according to HR professionals, 2025–26, % of respondents (who mentioned the skill among their top 5)



Note: Year-over-year differences should be interpreted as directional only, as country coverage changed slightly compared with 2025, with the addition of Belgium, China, and the Netherlands.
Source: McKinsey HR Monitor Survey, Jan 2026, n = 1,303 HR professionals in Belgium, China, France, Germany, Italy, Netherlands, Poland, Spain, UK, and US; McKinsey HR Monitor Survey, Dec 2024, n = 1,925 HR professionals in France, Germany, Italy, Poland, Spain, UK, and US.

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These shifts illustrate the need for skills intelligence: the ability to systematically capture, analyze, and forecast skill supply and demand across the organization. Without a granular, continuously updated understanding of which skills the organization holds and which are emerging as critical, workforce planning cannot keep pace with the rate at which AI is reshaping task structures. Organizations that build robust skills intelligence—combining comprehensive skills taxonomies with AI-powered analytics—can detect these compositional shifts early, identify skill adjacencies that enable talent to be redeployed, and translate emerging requirements into targeted workforce interventions. Strategic workforce planning, underpinned by skills intelligence, provides the foundation to systematically assess future skill needs and define the workforce required to meet long-term business objectives.

Workforce planning remains predominantly short term and operational

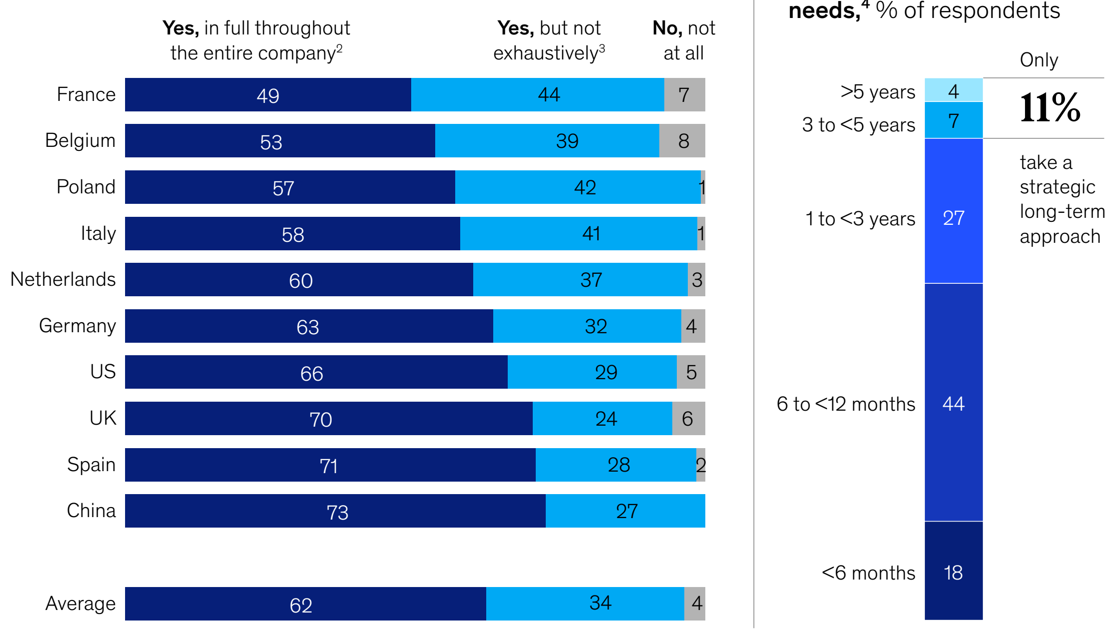
On average, 62 percent of HR professionals indicate that their companies conduct organization-wide workforce planning, while 34 percent apply it to at least part of their workforce. However, only 11 percent conduct strategic workforce planning, defined as forecasting workforce needs three years or more into the future, while nearly two-thirds focus on a planning horizon of up to 12 months (Exhibit 2).

Exhibit 2

Most companies conduct operational workforce planning, but only 11 percent take a strategic, long-term approach.

Engagement in workforce planning,[1] % of respondents

How far in advance companies typically forecast workforce needs,[4] % of respondents



Note: Figures may not sum to 100%, because of rounding.
[1]Question: Does your company carry out strategic personnel planning?
[2]Including demand and supply side, regularly updated data.
[3]Not all roles are tracked; data is not always up to date.
[4]Question: How far in advance does your company typically forecast workforce needs?
Source: McKinsey HR Monitor Survey, Jan 2026, n = 1,303 HR professionals: Belgium, n = 101; China, n = 131; France, n = 142; Germany, n = 145; Italy, n = 142; Netherlands, n = 100; Poland, n = 130; Spain, n = 130; UK, n = 141; US, n = 141

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Industries reporting the highest skills gaps—for example, chemicals and the public and social sector—are less engaged in organization-wide workforce planning (47 percent and 45 percent, respectively, compared with the cross-industry average of 62 percent). If these industries do not increase organization-wide workforce planning, they risk falling further behind and experiencing widening skills gaps.

In addition, 85 percent of organizations report having a skills taxonomy in place, up from 78 percent in 2025. However, only 57 percent combine organization-wide workforce planning with comprehensive skills documentation. This indicates that many organizations do not yet use skills taxonomies to inform workforce planning—missing an opportunity to identify skill adjacencies that enable faster internal redeployment and to use granular people data to make more informed, evidence-based talent decisions.

Forecasting practices further illustrate the dominant planning logic: 46 percent plan at the level of specific roles or positions, roughly one-third at the level of job families, and only 22 percent apply a skill-based forecasting approach. Given the increasing importance of task-level transformation and evolving skill requirements, even skill-based approaches may not be sufficient. At the same time, the pace and uncertainty of AI adoption make point forecasts increasingly unreliable because the range of plausible workforce scenarios is wider than ever. This makes it critical for organizations to adopt scenario-based planning, modeling different trajectories for how AI reshapes activities and capacity needs.

Workforce planning recommendations for leaders

As change accelerates, these workforce planning strategies can help ensure companies remain competitive:

— *Start with a clear North Star and pragmatic design.* Anchor strategic workforce planning with a clearly defined target of what the process should look like, specifying the decisions it will inform, the stakeholders it will serve, and the key business questions it must answer. Focus initially on a limited set of high-impact use cases, such as supply and demand for critical job families over a three-to-five-year horizon. Manage complexity by aggregating roles into job families and using data-driven assumptions rather than intuition. Incorporate early analysis of different scenarios—for example, modeling multiple scenarios of gen AI adoption—to account for uncertainty.

— *Shift to strategic task- and capability-based workforce planning.* Introduce strategic workforce planning as a structured, multiyear horizon anchored in business strategy. Move beyond headcount-based role planning toward a task- and capability-based view of the workforce, identifying how activities will evolve through automation and which capabilities are required. AI can support this shift by analyzing tasks, forecasting capability demand, and identifying emerging gaps at scale. Prioritize critical gaps based on business impact and address them through targeted interventions, including focused reskilling, strategic hiring, or external partnerships.

— *Establish large-scale reskilling and upskilling engines.* Build the infrastructure and mechanisms to systematically close existing skills gaps while developing capabilities across the workforce that will be critical in the future. This includes adopting scalable learning platforms, creating AI-enabled personalized learning journeys, and systematically integrating continuous skill development into day-to-day work as human-AI collaboration evolves.

2 Talent acquisition: Enhancing hiring effectiveness as labor markets steady

Amid persistent geopolitical and economic uncertainty, the global labor market has largely steadied—and remains an employer-driven market. Across major economies, unemployment rates have remained broadly steady over the past year. In December 2025, unemployment stood at 5 percent (seasonally adjusted) across the OECD, unchanged from a year earlier.[4] Similarly, the European Union (5.9 percent) reported largely steady figures compared with the previous year.

However, strain remains visible in selected markets. Germany recorded 3 million unemployed individuals in January 2026—the highest January level in 12 years[5]—while registered job openings fell below 600,000, signaling weakening labor demand.[6] Spain continues to show the highest unemployment rate in our sample at 10 percent, based on December 2025 data.[7]

These macroeconomic trends are reflected in the *HR Monitor* survey results, from which we identify the following key talent acquisition and labor market themes.

Talent markets are steady, with employers in the driver's seat

HR professionals report being unable to fill 11.6 percent of vacancies, up just slightly from 11 percent in 2025. This indicates that while labor markets globally have steadied after a period of peak tightness in recent years, organizations continue to struggle to fill roles in some targeted skill areas. The electronics sector (13.7 percent) and the technology, media, and telecommunications sector (13.3 percent) report the greatest challenges with unfilled vacancies, reflecting ongoing scarcity of specialized digital and engineering capabilities. By contrast, the public and social sector and services sector (both 9.9 percent) report comparatively lower vacancy gaps. The public sector benefits from perceived stability and job security in uncertain times, while the services sector often requires broader, less specialized skills.

Country-level dynamics further illustrate the employer-driven environment. In Spain, the high unemployment rate translates into strong competition for roles: Spanish HR professionals report an average of 165 applications per job posting, compared with a global average of 30. By contrast, in the Netherlands—where unemployment stood at 4 percent, below the OECD average in December 2025—employers receive only ten applications per job posting on average.

Compensation and job security drive employment moves

Global economic uncertainty is reflected in the factors driving job changes. Remuneration and benefits rank as the primary driver of job change globally, cited by 47 percent of surveyed employees (Exhibit 3). Job security ranks third at 36 percent—a substantial shift from 2025, when it was the least important driver. This highlights the psychological impact of macroeconomic volatility and signals a more risk-aware workforce. At the same time, work–life balance and flexibility remain consistently among the top five drivers across all surveyed regions. Flexible work arrangements continue to be a structural expectation rather than a temporary post-pandemic phenomenon.

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4 "OECD unemployment rate remained stable at 5.0% in December 2025," Organisation for Economic Co-operation and Development, statistical release, February 12, 2026.
5 "More than three million unemployed again," Tagesschau news service, January 30, 2026.
6 *Arbeitsmarkt im Januar 2026* [Labor market in January 2026], Federal Employment Agency (Germany), January 2026.
7 "OECD unemployment rate remained stable at 5.0% in December 2025," Organisation for Economic Co-operation and Development, statistical release, February 12, 2026.

By contrast, the perceived importance of training and development opportunities in attracting employees has declined markedly, dropping by 12 percentage points compared to 2025. This underlines that more immediate, tangible factors such as pay and stability carry greater importance for job movers.

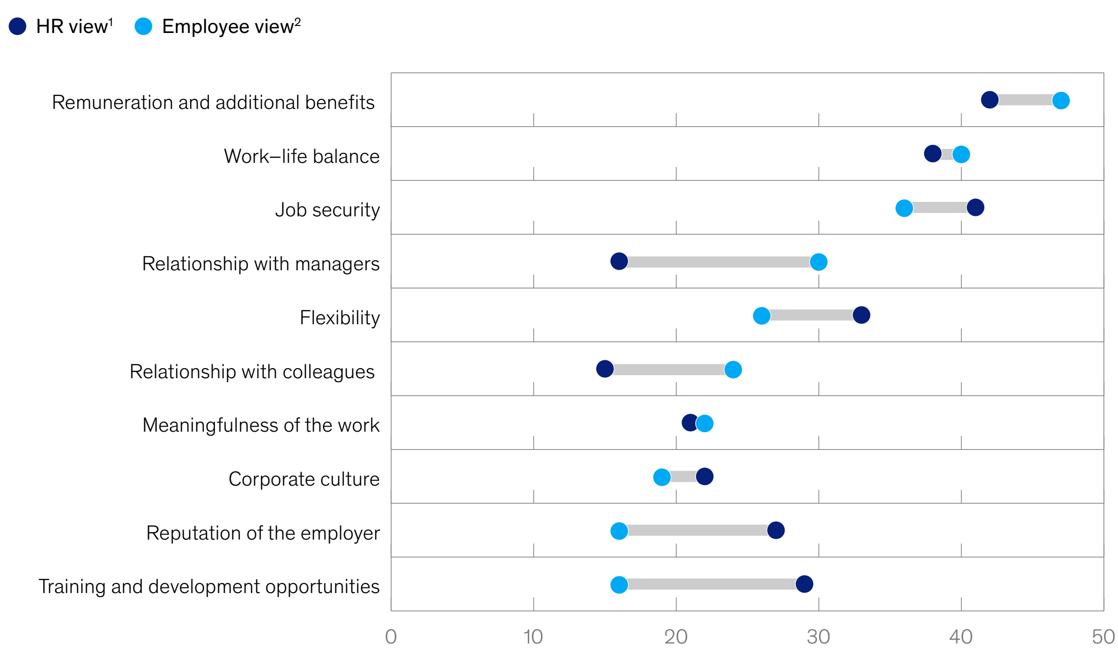
Encouragingly, alignment between HR professionals and employees has improved substantially. In 2025, we observed a disconnect between what HR professionals think are the most important mechanisms to attract new employees and which factors actually drive a job change for employees. This year, both groups identify the same top three factors.

Yet among less important drivers, we still observe perception gaps: HR professionals underestimate the importance of relationships with direct managers and colleagues. At the same time, HR professionals over-estimate the importance of training and development opportunities and employer reputation.

Exhibit 3

Remuneration and benefits are the top drivers of talent attraction and job change.

Drivers for choosing a new employer and leaving a current employer, % of respondents (top 3 drivers)



[1]Question: What do you consider the most important mechanisms to attract new employees to your company?
[2]Question: Which three factors would make you want to leave your employer?
Source: McKinsey HR Monitor Survey, Jan 2026, n = 5,501 employees and n = 1,303 HR professionals in Belgium, China, France, Germany, Italy, Netherlands, Poland, Spain, UK, and US

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Hiring effectiveness becomes a strategic advantage

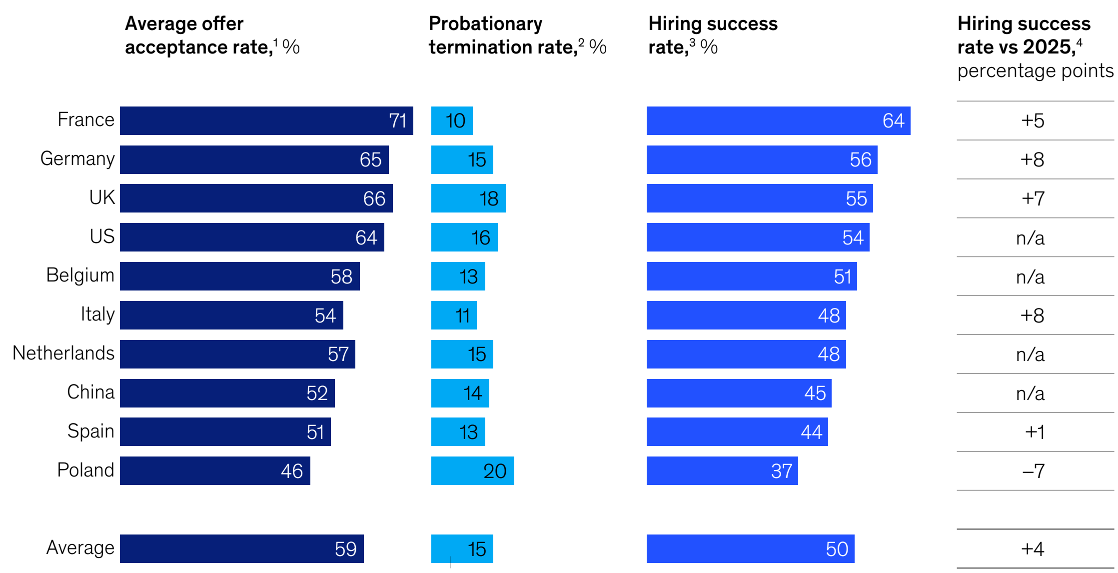
Generally, recruitment outcomes have improved moderately compared with the previous year. The offer acceptance rate has increased to 59 percent globally from 56 percent last year (Exhibit 4). France records the highest acceptance rate at 71 percent, while Poland remains lowest at 46 percent. Higher acceptance rates may partly reflect that candidates are more willing to accept offers amid economic uncertainty. A higher share of applicants transitioned from unemployment in some markets, while last year candidates may have been just testing the job market.

This year's hiring success rate of 50 percent is up from 46 percent last year, reflecting both higher offer acceptance rates and lower termination rates during probation periods. As in the previous year, France leads with a hiring success rate of 64 percent, while Poland remains at the low end with 37 percent.

Exhibit 4

Hiring outcomes have improved compared with 2025, indicated by an increase in the hiring success rate in most countries.

Hiring outcomes, by country, 2026



[1]Job offers accepted by candidates last year.
[2]Average termination rate of contracts in probationary period.
[3]Hiring success rate = offer acceptance rate – (offer acceptance rate * probationary attrition).
[4]Where 2025 comparison data is available.
Source: McKinsey HR Monitor Survey, Jan 2026, n = 1,303 HR professionals: Belgium, n = 101; China, n = 131; France, n = 142; Germany, n = 145; Italy, n = 142; Netherlands, n = 100; Poland, n = 130; Spain, n = 130; UK, n = 141; US, n = 141

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Across the surveyed markets, the median time to hire—from position approval to offer acceptance—stands at 70 days, with a mean of more than 90 days.

One key differentiator of hiring effectiveness is speed. Particularly in high-demand skill segments, candidates move quickly and often engage in multiple processes simultaneously, making “time to hire” a critical indicator of an organization’s ability to secure top talent. Across the surveyed markets, the median time to hire—from position approval to offer acceptance—stands at 70 days, with a mean of more than 90 days. In contrast, top-quartile organizations complete the same process in little over one and a half months (49 days). This performance gap can create measurable consequences. While offer acceptance rates are affected by multiple factors, we see that organizations with longer hiring cycles report lower acceptance rates (see sidebar “AI in recruiting”). Delays can increase the likelihood of losing preferred candidates to faster-moving competitors, negatively affect candidate experience and employer perception, and increase recruiting costs.

Structural sourcing patterns have remained largely unchanged. Internal mobility remains stable at roughly one-third of all positions filled globally. Most positions (66 percent) continue to be filled externally, with 43 percent from organizations’ own external recruiting and 23 percent from external service providers such as headhunters, hiring agencies, or temporary employment agencies. Country patterns reveal some distinct talent models: The highest internal mobility rate (50 percent) is observed in Italy, indicating strong internal labor markets and structured career pathways. By contrast, Chinese employers rely most heavily on external recruiting, with 71 percent of vacancies filled through companies’ own external recruiting or external service providers. This suggests a more fluid labor market with higher external mobility.

AI in recruiting

Within HR, talent acquisition stands out as one area with the highest automation potential through AI. McKinsey analysis estimates that core elements of the talent acquisition process, such as screening, assessment, and interviewing, hold automation potential of at least 60 percent.[1]

While adoption levels differ across Europe, the United States, and China, the strategic opportunity is clear: AI can materially enhance speed, decision quality, and candidate experience when embedded into well-designed processes.

AI applications in recruiting typically concentrate on three core areas:

— *Creation of job requisitions and vacancy postings.* AI-supported tools assist from the earliest stages of the process, including drafting and refining job requisitions to support internal approval processes and creating vacancy postings.

— *Screening and selection process.* Automated CV screening, skills-based matching, and shortlisting reduce manual workload and accelerate early-stage filtering. During interviews, AI tools can support structured evaluation by synthesizing feedback, highlighting skill alignment, and improving consistency across interviewers.

— *Candidate engagement.* Chatbots and virtual assistants streamline scheduling, provide real-time responses to candidate queries, and maintain personalized communication throughout the recruitment journey, enhancing candidate engagement without increasing administrative burden.

Recruiting inherently involves processing sensitive personal data, which makes regulatory compliance and ethical considerations a central design principle when deploying AI solutions. In 2024, the European Union entered into force the world's first comprehensive AI regulation, the EU AI Act, establishing a risk-based framework for the development and use of AI systems.[2] The framework generally classified AI applications used in recruitment and personnel decision-making as "high risk," triggering stricter requirements such as risk management, documentation, transparency, and meaningful human oversight for organizations deploying such systems.[3] In parallel, the EU's General Data Protection Regulation imposes stringent rules on the processing, storage, and transfer of personal data, which can limit how data is used to train or adapt AI systems and requires clear communication to candidates.[4] In other regions, such as the United States, there is no comprehensive federal AI regulation, although states such as Colorado and California have begun introducing rules governing AI systems in employment contexts.[5]

Beyond data protection, the risk of unintended discrimination in AI-enabled recruiting requires attention. Historical training data can reflect existing biases, and algorithmic systems may reproduce or amplify these patterns if not carefully designed and monitored.

Notably, current regulations are largely catching up to prior-generation machine learning systems, such as algorithmic screening and pattern-based shortlisting, rather than to the emerging wave of agentic AI. Agentic systems increasingly augment human judgment by coaching interviewers, guiding hiring managers, and orchestrating workflows without altering underlying selection algorithms.

Against this backdrop, organizations should prioritize "human in the loop" design, strong data governance, bias testing, and transparency in AI-enabled recruiting. Built-in AI capabilities within existing recruiting tools may help support more standardized safeguards while enabling innovation, subject to an organization's legal and compliance obligations.

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[1] "A new operating model for people management: More personal, more tech, more human," McKinsey, February 7, 2025.
[2] "Regulatory framework proposal on artificial intelligence," European Commission, accessed May 18, 2026.
[3] *Regulation (EU) 2024/1689 laying down harmonized rules on artificial intelligence*, European Parliament and Council of the European Union, July 12, 2024.
[4] General Data Protection Regulation (GDPR), European Union, accessed May 18, 2026.
[5] Laurie Harris, *Regulating artificial intelligence: US and international approaches and considerations for Congress*, Congressional Research Service, June 4, 2025; *Building worker power in cities and states: A toolkit for state and local labor policy innovation*, Center for Labor and a Just Economy at Harvard Law School, September 1, 2024.

Leading organizations reduce time to hire by eliminating unnecessary steps, clarifying decision rights, enforcing accountability, and leveraging digital tools to increase transparency and process discipline.

Talent acquisition recommendations for leaders

These steps can help organizations identify, attract, and enlist top talent:

— *Recalibrate the employer value proposition.* Companies need to continuously assess what drives job decisions and adapt their employer value proposition accordingly. In a risk-aware labor market, tangible benefits such as remuneration, job security, and day-to-day work experience outweigh long-term training and development opportunities as key attractors.

— *Streamline the talent acquisition process.* Even in a more stable, employer-driven labor market, execution quality in the hiring process remains a differentiator. Leading organizations reduce time to hire by eliminating unnecessary steps, clarifying decision rights, enforcing accountability, and leveraging digital tools to increase transparency and process discipline. Automating tasks such as candidate coordination, screening, and communication can increase transparency, consistency, and process discipline, while freeing recruiters to focus on high-value decision-making.

— *Build proactive talent pipelines.* High-performing organizations invest in building robust talent pipelines before roles become vacant. Structured workforce planning, active relationship management with passive candidates, strong referral programs, and reengaging with previous “runner-up” candidates reduce sourcing time when demand arises. AI-supported matching of internal and external talent pools to open opportunities accelerates staffing, improves fit, strengthens internal mobility, and reduces reliance on reactive external hiring.

3 Employee development: Preparing workers for rapidly evolving skill and AI requirements

In times of economic pressure, performance management has returned to the top of leaders' agenda, with organizations strengthening their emphasis on measurable performance and productivity. Various companies are bringing back performance ratings that clearly differentiate between low and high performers and are putting systems in place to ensure these evaluations are applied consistently across teams. At the same time, rapid AI and tech disruption is increasing the importance of continuous learning to keep pace with changing roles and requirements. AI-enabled learning tools and digital platforms are beginning to reshape how learning is delivered, enabling more personalized and scalable development.

Previous McKinsey research shows that companies combining effective performance management with strong opportunities for skill building are four times more likely to outperform their peers.[8] Effective employee development requires understanding future skill needs, delivering regular and credible performance assessments, and providing continuous feedback with clear developmental direction. Learning must be linked to role requirements, connected to career progression, and capable of generating measurable skill progression, including in AI-related areas. Integrating these approaches into employee development systems can help organizations boost performance and retention as skill requirements continue to evolve.

Our analysis of the *HR Monitor* survey data reveals the following key themes in employee development.

Performance management perceptions vary as feedback intensity lags

As a central instrument for guiding employee development, performance ratings reveal a disconnect between employer and employee assessments. HR professionals report that 31 percent of employees received an above-average rating, 50 percent an average rating, and 19 percent a below-average rating By contrast, 37 percent of employees would rate their own performance as above expectations. The gap is particularly visible in the United States and the United Kingdom, where 53 percent and 51 percent of employees, respectively, would rate themselves above expectations, while HR professionals in both countries report 34 percent of employees were rated above average.

At the same time, frequency of feedback remains limited. One in five employees report not having had a career development meeting or feedback session in the past 12 months, compared with HR professionals reporting that just 3 percent of employees were never evaluated (Exhibit 5). In addition, 58 percent of employees indicate that they receive formal feedback only once or twice per year. This suggests that performance management remains too infrequent to meaningfully support ongoing development.

Feedback structures remain largely hierarchical. According to HR professionals, formal feedback is primarily provided by line managers (68 percent) and senior managers (50 percent), while structured peer-to-peer feedback is reported by only 15 percent.

Rapid AI and tech disruption is increasing the importance of continuous learning to keep pace with changing roles and requirements.

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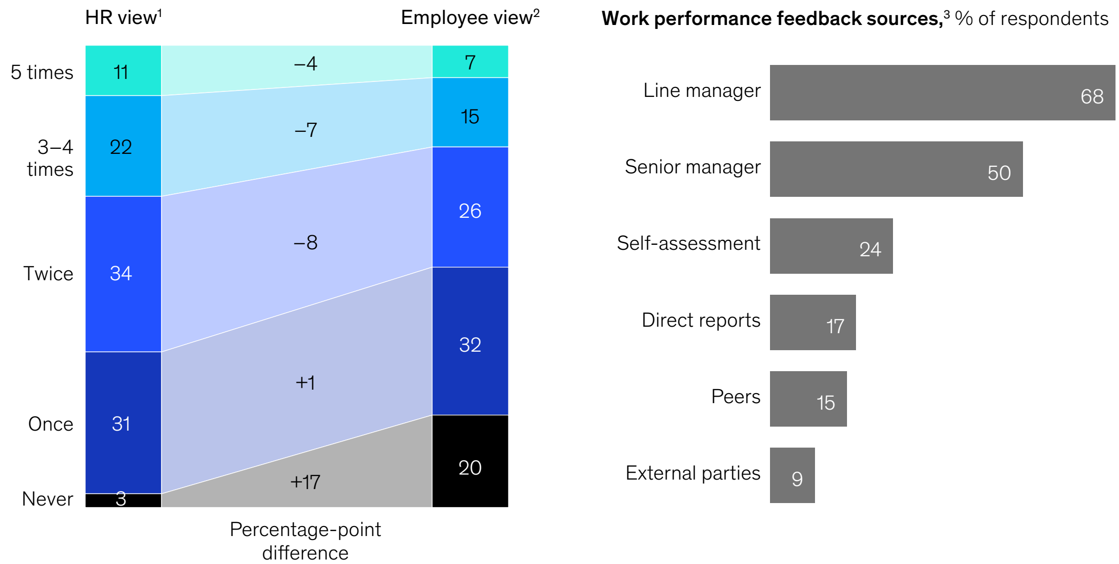
[8] "Performance through people: Transforming human capital into competitive advantage," McKinsey Global Institute, February 2, 2023.

Exhibit 5

HR professionals and employees have differing views on how often feedback is provided.

Frequency of formal employee feedback and career development meetings, % of respondents



Note: Figures may not sum to 100%, because of rounding.
[1]Question: How often did your employees receive formal feedback on their work performance in the last year?
[2]Question: How often did you have career or feedback meetings with your manager or HR in the last year?
[3]Question: From whom do your employees receive feedback on their work performance (formal feedback)?
Source: McKinsey HR Monitor Survey, Jan 2026, n = 5,501 employees and n = 1,303 HR professionals in Belgium, China, France, Germany, Italy, Netherlands, Poland, Spain, UK, and US

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Interviews with HR leaders suggest that performance management is receiving renewed attention. However, our survey data indicates that this focus is not yet reflected in day-to-day behaviors and practices. Overall, performance management remains largely traditional and has evolved only moderately, as evidenced by hierarchical feedback structures and limited feedback frequency—suggesting companies are missing opportunities to use it to drive continuous employee development.

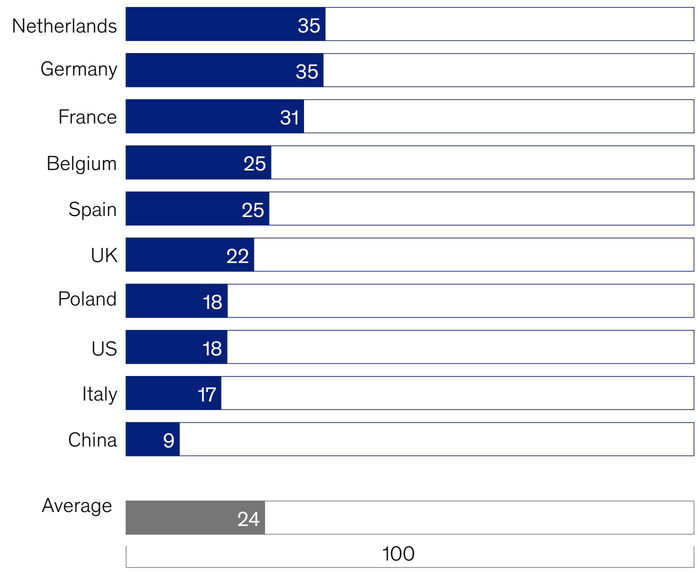
Learning participation remains limited and overestimated by HR

At a time when skill requirements are changing rapidly, learning activity remains low—and is often overestimated by organizations. Employees report an average of 3.4 training days per year, while HR professionals estimate nearly twice as much at 6.2 days. This gap suggests that learning is not happening to the extent organizations believe, potentially because it is deprioritized in day-to-day operations. Across regions, 24 percent of employees report no training participation at all in the past year (Exhibit 6). The share is particularly high in the Netherlands and Germany (both 35 percent). Participation varies across countries, with higher averages in China (5.0 days) and Spain (4.4 days), and lower levels in Germany (2.5 days). Overall, this level of learning intensity remains insufficient to build the capabilities required in a rapidly evolving environment.

Exhibit 6

Almost a quarter of all employees report zero training hours in the past 12 months.

Employees who report they spent zero hours on training,[1]
% of respondents



[1]Question: How much time have you spent on training/additional education with your company in the past 12 months (excluding personal training leave)? Please consider 8 hours for a full training day.
Source: McKinsey HR Monitor Survey, Jan 2026, n = 5,501 employees: Belgium, n = 502; China, n = 501; France, n = 515; Germany, n = 1,006; Italy, n = 515; Netherlands, n = 428; Poland, n = 501; Spain, n = 501; UK, n = 516; US, n = 516

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Satisfaction with learning opportunities is also mixed: Overall, 38 percent of employees report being dissatisfied or neutral; among blue-collar employees, this share rises to 46 percent. This may indicate that learning offerings are still predominantly designed for white-collar roles.

Survey responses also reveal differences in how learning and development are perceived as a driver of attraction and retention. HR professionals rank training opportunities fifth among factors for both attracting talent (29 percent) and retaining employees (27 percent), compared with tenth for attraction (15 percent) and seventh for retention (19 percent) among employees.

AI skill development and usage vary significantly across regions

On average, 71 percent of employees report that they expect AI to affect their work and they anticipate changes in required skills. Employees cite both risks (such as inaccuracies and data-protection concerns) and opportunities (including productivity gains and improved problem-solving capabilities) in using AI in their daily work.

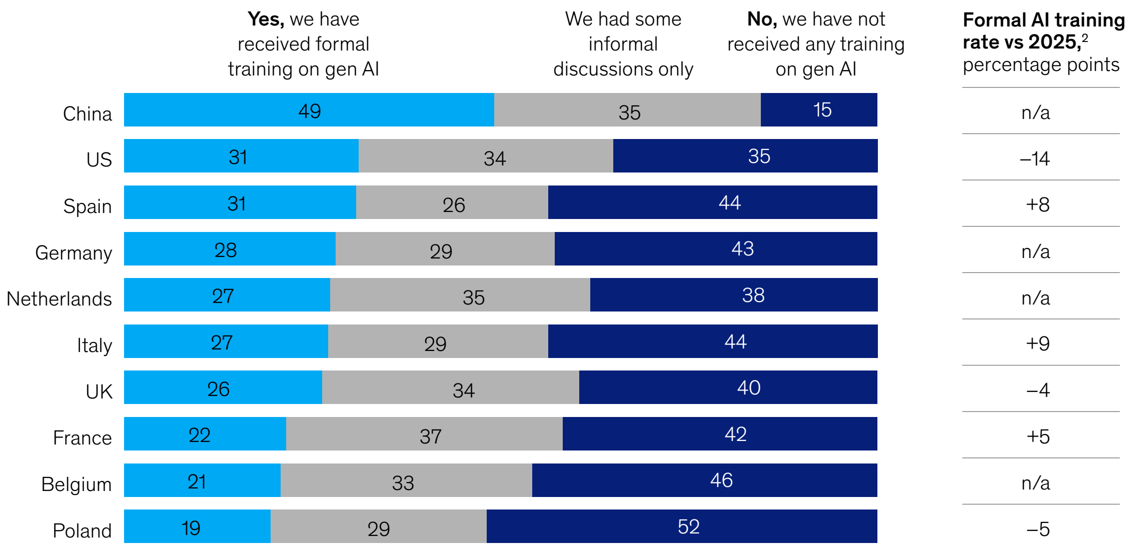
At the same time, formal AI training varies considerably. In Europe, only 25 percent of employees report having received gen AI training (up four percentage points from last year), compared with 31 percent in the United States (down 14 percentage points) and 49 percent in China (Exhibit 7).

Frequency of AI usage also varies substantially. Thirty-six percent of employees in Europe report using AI tools daily or several times per week (up 13 percentage points from last year), compared with 47 percent in the United States (down 17 percentage points) and 77 percent in China.

Exhibit 7

Employees' AI training coverage remains low and uneven, with mixed year-over-year changes.

Learning and development opportunities specific to gen AI,[1] % of respondents



Note: Figures may not sum to 100%, because of rounding.
[1]Question: Has your organization provided learning and development opportunities specific to AI/best use of AI tools?
[2]For Belgium, China, Germany, and the Netherlands, either the country or the question was not included in the previous survey.
Source: McKinsey HR Monitor Survey, Dec 2024, n = 3,069 employees: France, n = 300; Italy, n = 1,000; Poland, n = 170; Spain, n = 200; UK, n = 330; US, n = 1,069; McKinsey HR Monitor Survey, Jan 2026, n = 5,501 employees: Belgium, n = 502; China, n = 501; France, n = 515; Germany, n = 1,006; Italy, n = 515; Netherlands, n = 428; Poland, n = 501; Spain, n = 501; UK, n = 516; US, n = 516

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Employee development recommendations for leaders

To strengthen development outcomes, organizations should prioritize the following actions:

— *Reposition performance management as a driver of skill progression.* Establish regular, calibrated, and multidimensional feedback processes that provide clear expectations for skill development and directly inform learning priorities. AI agents can support this process by translating strategic priorities into individual goals, synthesizing structured 360-degree feedback, and converting performance insights into targeted development actions and personalized learning pathways.

— *Shift from measuring training activity to return on learning.* Move beyond tracking participation or training days toward systematically measuring the impact of learning on skill progression and performance. Define role-specific skill expectations and link learning outcomes directly to business outcomes, performance, and career progression. AI-enabled learning platforms and learning-and-development agents can translate identified skills gaps into individualized, contextualized learning journeys while tracking how employees acquire new skills and apply them in their work.

— *Embed AI skill development and usage into employee development systems.* Introduce mandatory AI training across the organization and systematically track the use of AI tools in daily work. Link AI skill development and demonstrated usage to performance expectations and career progression to ensure employees actively apply AI tools in their work.

4 A cautious workforce: Insights into employee experience and retention

Employee experience (EX) has evolved into a strategic lever for organizational performance. Employees with a positive EX—defined as a personalized and purpose-driven experience that fuels energy and performance—show 16 times higher engagement levels and eight times higher likelihood of wanting to stay at a company than employees with a negative experience, according to previous McKinsey research.[9] Higher levels of employee engagement are also associated with better job performance and lower risk of burnout.[10] In addition, companies that deliver a strong employee experience outperform peers on innovation, customer satisfaction, and profitability.[11]

Measuring EX comprehensively requires combining perceptual and behavioral indicators. Perceptual indicators, such as satisfaction and intent to stay, capture how employees feel. Behavioral indicators, like absenteeism and attrition, reflect how these perceptions translate into action. Together, they provide an integrated view of workforce health, resilience, and organizational stability.

External forces also affect EX. Macroeconomic pressure is increasingly shaping how employees' asses their employers and career decisions. For example, average price levels across OECD countries in December 2025 were more than one-third higher than in December 2019, underscoring sustained pressure on real incomes.[12] In addition, European commission data highlights that 38 percent of EU consumers are concerned about being able to pay their bills.[13] In this environment, competitive and fair compensation can become more important in shaping EX, although it's not the only factor.

Here we highlight key EX themes observed in the *HR Monitor* survey data.

Attrition declines amid economic uncertainty

Employee mobility is declining despite lack of meaningful improvement of employee satisfaction levels and underlying employee value propositions. This suggests that retention may be shaped more by economic caution and constrained external options rather than by rising engagement.

Overall, 11.8 percent of employees globally left their employers in 2025; just under half of those employees (5.2 percent) retired. Voluntary attrition stands at 4 percent globally and 3.7 percent in Europe, a decline of two percentage points from the previous year, indicating that employees perceive fewer external opportunities and are less inclined to change jobs. The electronics industry shows by far the highest attrition rate at 23 percent—nearly double the overall average—driven by elevated retirement rates (10.8 percent) and comparatively high voluntary exits (8 percent). By contrast, in industries such as aerospace and defense, the public sector, and healthcare, attrition is largely driven by retirement. Service-oriented sectors such as the tourism and food industries record 14.2 percent attrition, with more than half of those employees (7.6 percent) being terminated, indicating a rather volatile workforce.

The overall decline in labor market mobility is further underscored by findings from our employee survey. Only 17 percent of surveyed employees plan to change employers within the next six months (down from 23 percent a year earlier). At the same time, 17 percent of employees report concerns about losing their job, unchanged from last year. Both job-change intentions and job-loss concerns decline with increasing age.

Taken together, the data suggests a cautious workforce: Mobility is declining, and employees appear more averse to risk in an uncertain economic environment.

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9 Jonathan Emmett, Asmus Komm, Stefan Moritz, and Friederike Schultz, "This time it's personal: Shaping the 'new possible' through employee experience," McKinsey, September 30, 2021.

10 Daniel Stein et al., "How companies can improve employee engagement right now," *Harvard Business Review*, October 13, 2021.

11 Kristine Dery and Ina Sebastian, "Building business value with employee experience," MIT Center for Information Systems Research, June 2017, Volume 17, Number 6.

12 "OECD headline inflation broadly stable at 3.7% in December 2025," OECD Consumer Price Index news release, February 9, 2026.

13 2025 Consumer Conditions Scoreboard, European Commission, Directorate–General for Justice and Consumers, March 2025.

On average, 11 percent of working hours (equal to 27 working days) are lost due to absenteeism, down from 15 percent a year earlier.

Employee satisfaction holds steady while absenteeism declines

As employees are growing more cautious, their satisfaction levels remain broadly stable. According to HR professionals citing company engagement surveys, 63 percent of employees report satisfaction, a decline of one percentage point from the previous year. However, results from the *HR Monitor* employee survey indicate higher satisfaction levels, with 75 percent of employees reporting they are satisfied with their employer (down one percentage point from 2025).

In other EX-related findings, on average, 11 percent of working hours (equal to 27 working days) are lost due to absenteeism, down from 15 percent a year earlier. This decline may partly reflect the current macroeconomic environment, as uncertainty may lead employees to place greater emphasis on signaling reliability and continuity in their roles. Health-related issues account for the largest share of lost hours globally (60.4 percent), followed by care responsibilities (24.4 percent). Commuting issues make up the smallest part (15.2 percent).

The United States (13.7 percent), the United Kingdom (13.4 percent), and Poland (12.6 percent) record the highest shares of lost working hours (Exhibit 8). The Netherlands (9.9 percent), France (9.5 percent), and China (5.7 percent) report the lowest levels. Interestingly, countries offering more paid vacation days tend to show lower absenteeism rates. France and the Netherlands lead with more than 30 paid vacation days on average, while employees in the United States and China report 18.8 days and those in Poland report 24.9 days.

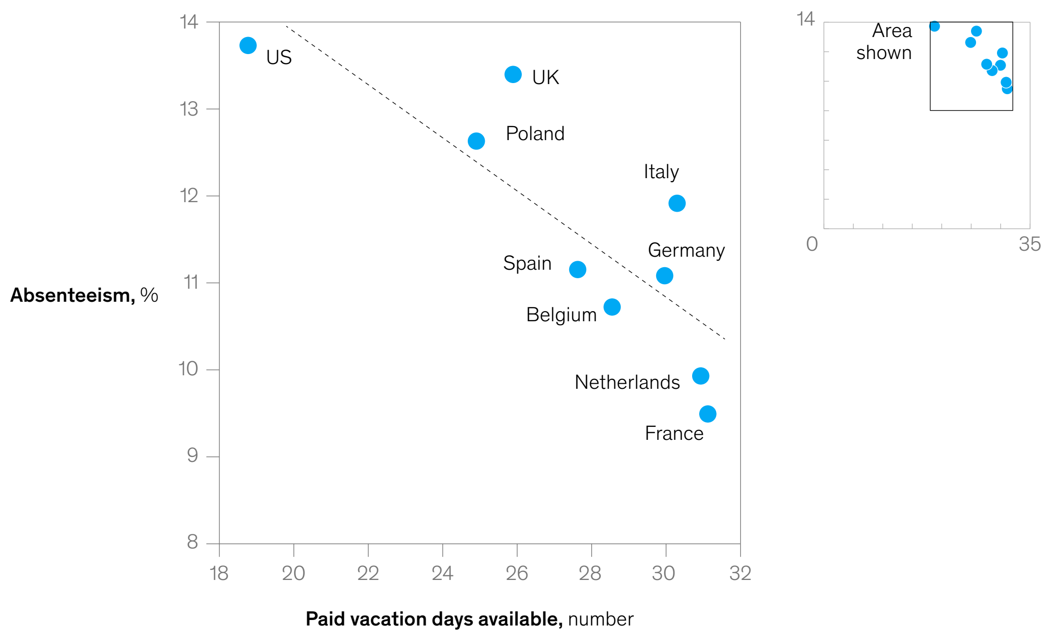
On average, employees take 83 percent of their available paid leave. Utilization is lowest in the United States, where employees only take about two-thirds of allotted time off even though they already have the smallest comparative leaves. US employees take just 12.1 days off per year on average (excluding public holidays). In contrast, employees in Spain (90 percent), Germany (89 percent), and the United Kingdom (89 percent) take the largest share of their available leave.

The countries with fewer paid vacation days also report higher workloads. In Poland, the United States, and China, employees work on average more than 40 hours per week. The Netherlands reports the lowest workload at 35.2 hours per week. This combination of longer working hours, fewer vacation days, and higher absenteeism points to structural workload pressures in some markets.

Exhibit 8

In countries where employees have fewer paid vacation days available, HR professionals report higher absenteeism.

Absenteeism in relation to vacation time available, by country[1]



[1]China removed as outlier.
Source: McKinsey HR Monitor Survey, Jan 2026, n = 1,303 HR professionals: Belgium, n = 101; China, n = 131; France, n = 142; Germany, n = 145; Italy, n = 142; Netherlands, n = 100; Poland, n = 130; Spain, n = 130; UK, n = 141; US, n = 141; McKinsey HR Monitor Survey, Jan 2026, n = 5,501 employees: Belgium, n = 502; China, n = 501; France, n = 515; Germany, n = 1,006; Italy, n = 515; Netherlands, n = 428; Poland, n = 501; Spain, n = 501; UK, n = 516; US, n = 516

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Top factors that make employees stay

Surveyed employees provide insights into the five main reasons driving their decision to stay with their employers (Exhibit 9):

— *Remuneration and additional benefits (52 percent, up 24 percentage points from 2025).* Compensation ranks as the most important retention driver, rising sharply from fifth place in the previous year. In times of economic uncertainty and rising living costs, financial stability becomes more important. Still, McKinsey research consistently shows that compensation functions primarily as a hygiene factor.[14] If employees feel underpaid, they are more likely to feel dissatisfied and leave. If they feel their pay is competitive, other factors such as flexibility become more important retention drivers.

[14] Vincent Bérubé, Dana Maor, Marino Mugayar-Baldocchi, and Angelika Reich, "European talent is ready to walk out the door. How should companies respond?" *McKinsey Quarterly*, December 12, 2022.

— *Work–life balance (46 percent, up 12 percentage points).* Balance between professional and private life remains a central retention factor, underscoring the continued relevance of sustainable workload models (see sidebar “Remote work: Establishing a new equilibrium”).

— *Job security (45 percent, up six percentage points).* Although job security drops from first to third place, it is cited by nearly half of employees as a top driver, indicating that its absolute importance has increased despite the relative shift in rank.

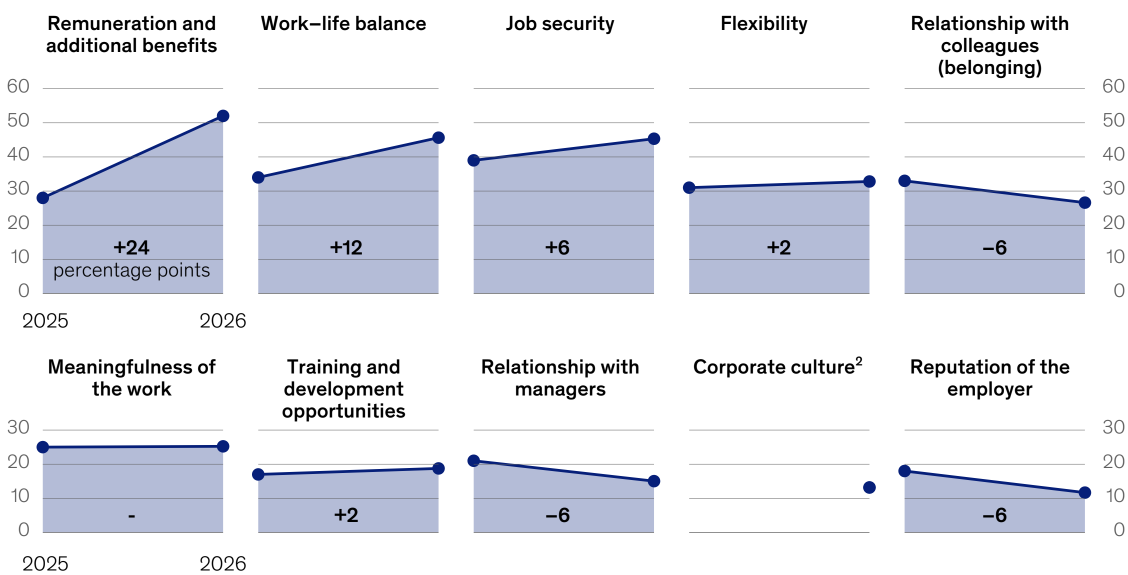
— *Flexibility (33 percent, up two percentage points).* Flexible working hours and remote or hybrid work arrangements remain an important structural retention lever. Greater autonomy over time and place of work increases perceived control and can strengthen long-term retention (see sidebar “Flexibility: More than a perk”).

— *Relationship with colleagues (27 percent, down six percentage points).* A sense of belonging and positive team dynamics continue to matter, even though this category ranks below economic and structural factors.

Exhibit 9

Employees now prioritize remuneration and additional benefits above job security.

Top reasons for employees to work for their employer long term, 2025–26,[1]
% of respondents (top 3 drivers)



Note: Year-over-year differences should be interpreted as directional only, as country coverage changed slightly compared with 2025, with the addition of Belgium, China, and the Netherlands.
[1]Question: Which 3 factors are most important to you in your workplace to work for your employer in the long term?
[2]No data was collected for the corporate culture question in 2025.
Source: McKinsey HR Monitor Survey, Dec 2024, n = 4,069 employees: France, n = 300; Germany, n = 1,000; Italy, n = 1,000; Poland, n = 170; Spain, n = 200; UK, n = 330; US, n = 1,069; McKinsey HR Monitor Survey, Jan 2026, n = 5,501 employees: Belgium, n = 502; China, n = 501; France, n = 515; Germany, n = 1,006; Italy, n = 515; Netherlands, n = 428; Poland, n = 501; Spain, n = 501; UK, n = 516; US, n = 516

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Remote work: Establishing a new equilibrium

Following the pandemic-driven expansion of remote work, some larger employers such as Amazon, JP Morgan Chase, and AT&T have strengthened office presence requirements. In January, Novo Nordisk mandated that office-based employees work on-site five days per week. Still, strict return-to-office policies remain the exception.

Our *HR Monitor* survey results indicate a moderate return-to-office movement: On average, employees eligible for remote work are, per company policies, allowed to work remotely for 2.8 days per week, approximating the typical 60/40 hybrid model with around two mandatory office days (exhibit). In practice, however, they use only 1.9 days per week to work remotely, 0.6 days per week fewer than in 2025.

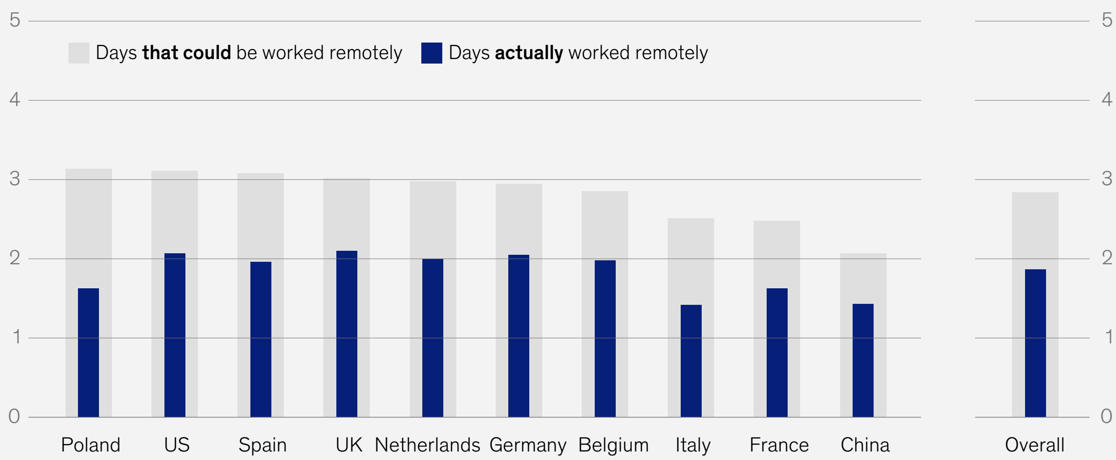
At the same time, satisfaction with current models is rising. Only 30 percent of surveyed employees would prefer to work more remotely (down eight percentage points from 2025), and 46 percent are satisfied with their current working model (up 12 percentage points). Key reasons for working remotely remain stable, led by improved work–life balance (61 percent), reduced commuting time (58 percent), and greater flexibility in working hours (50 percent). On-site work is most valued for in-person exchange with colleagues (48 percent), better-equipped workplaces (40 percent), and increased productivity (38 percent).

The data indicates that companies are still recalibrating their hybrid work models amid ongoing return-to-office dynamics. At the same time, rising employee satisfaction with current arrangements suggests that hybrid models may be moving toward a perceived equilibrium.

Exhibit

Companies offering remote work allow 2.8 days per week, of which employees use 68 percent.

Working remotely for employees who have the option to work remotely,[1] days per workweek



Share of remote days actually used, %

[1]Question: How many days per week do you work from home, on average?
Source: McKinsey HR Monitor Survey, Jan 2026, n = 5,501 employees: Belgium, n = 502; China, n = 501; France, n = 515; Germany, n = 1,006; Italy, n = 515; Netherlands, n = 428; Poland, n = 501; Spain, n = 501; UK, n = 516; US, n = 516

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Flexibility: More than a perk

At the beginning of this year, the topic of "lifestyle part-time" employment gained attention in Germany, raising the question of whether reduced working hours are primarily driven by personal preference. Our data suggests a more nuanced picture. Among employees who actually work part-time, health-related reasons (49 percent) and childcare responsibilities (41 percent) are the most important drivers, followed by improved work–life balance (39 percent). Financial or tax-related motives play only a minor role (5 percent). These findings indicate that part-time work is less of a lifestyle choice and more of a way to sustain performance and reconcile professional and private demands—positioning flexible working models not as a perk, but as a core element of retention strategies.

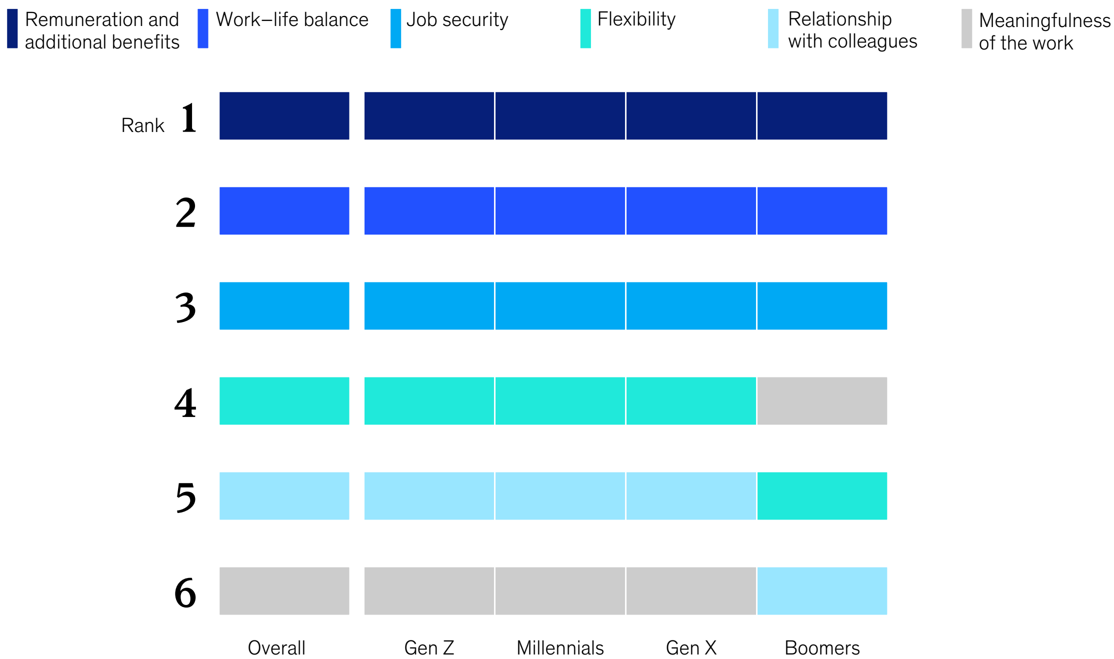
Among full-time employees who would like to reduce their working hours, improved work–life balance is by far the primary driver (74 percent). This suggests that beyond health or caregiving constraints, there is a broader demand for more sustainable workload models, reinforcing the role of working time flexibility as a lever to preserve long-term sustainable performance and strengthen retention.

Contrary to common generational narratives, remuneration and benefits rank first for all generations; work–life balance and job security follow (Exhibit 10). These three factors clearly dominate retention decisions across age groups. Meaningfulness of work ranks sixth across most generations, moving slightly higher only among baby boomers, contradicting myths surrounding Gen Z being the most purpose-driven generation.

Exhibit 10

Remuneration and benefits rank as the top retention driver across all generations.

Top reasons for employees to work for their employer long term, by age group,[1] rank (1–6)



[1]Question: Which 3 factors are most important to you to work for your employer in the long term?
Source: McKinsey HR Monitor Survey, Jan 2026, n = 5,501 employees: Gen Z, n = 618; millennials, n = 2,528; Gen X, n = 2,022; baby boomers, n = 333

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The importance of training and development opportunities in talent retention is overestimated by HR professionals, and the importance of relationships with colleagues is underestimated.

Compared with last year, there is greater alignment between what HR professionals believe is important for retention and what employees say actually matters for staying with an employer over the long term. The top four drivers are consistent across both groups, though the ranking order differs slightly. However, two perception gaps remain: The importance of training and development opportunities in talent retention is overestimated by HR professionals (with an eight-percentage-point gap between HR and employee responses), and the importance of relationships with colleagues is underestimated (with a ten-percentage-point gap between HR and employee responses).

Despite broad awareness of the importance of compensation—recognized as the most important retention driver among HR professionals and employees alike—57 percent of employees report no salary change over the past 12 months (assuming unchanged working hours). In Italy, roughly three in four employees report no change. In contrast, 46 percent of employees in the Netherlands received a salary increase.

Looking ahead, 40 percent of HR professionals expect wage increases in their organizations in the next 12 months, while about half do not expect pay adjustments. This cautious wage outlook may further reinforce the centrality of compensation in retention decisions.

EX and retention recommendations for leaders

Our findings point to these priority areas where organizations can take action to strengthen employee experience and reinforce retention:

— *Revisit compensation.* Compensation and benefits have become the dominant retention driver across all generations. Even where financial flexibility is limited, organizations can strengthen employee experience by increasing transparency around compensation approach, total rewards packages, and links between performance and compensation. Clear communication about how compensation decisions are made and what influences future developments can mitigate uncertainty and build trust.

— *Strengthen flexibility and sustainable workload models.* Flexibility should go beyond remote work policies and address sustainable workloads, predictable scheduling, and autonomy in how work gets done. Clear team agreements, well-structured hybrid setups with task-based flexibility, and active leave management help balance performance with well-being.

— *Reinforce job security and stability.* In a more constrained labor market, perceived security becomes a central retention lever. Transparent communication on business outlook, workforce planning, and long-term career paths can reduce uncertainty and help employees feel more committed.

5 HR's operating model: Rewiring the people function in the age of AI

The HR operating model defines how an organization structures, governs, and delivers its services to execute its people strategy. It serves as the backbone for turning strategic priorities into tangible, measurable impact across workforce planning, talent attraction, learning and development, and employee experience.

HR organizations today operate in a rapidly evolving environment shaped by technological disruption and shifting workforce expectations. But McKinsey research shows that even top-performing companies realize only about 70 percent of their strategies' full potential, in part due to operating model shortcomings.[15] This underscores the need for a more effective operating model for the people function. Innovation in HR operating models today typically follows two vectors: embracing more agile operating models and creating value through technology.

A previous McKinsey study found that more than three quarters of HR functions are still largely organized along the classic Ulrich model (comprising HR business partners, shared service centers, and centers of excellence).[16] The future requires leaner, more human-centric models where experts are flexibly deployed to the highest-value business priorities.[17] In these models, people strategists (acting as coaches for business unit leaders on organizational effectiveness), people scientists (subject matter experts designing effective interventions), and people technologists (responsible for HR data and tech backbone) will collaborate in product squads.

As organizations evolve their HR operating models, they also need to find ways to generate value from technology. The McKinsey Global Institute estimates that two-thirds of current HR tasks can be automated.[18] AI-enabled efficiency gains can allow HR teams to focus on higher-value work while reducing operational overhead. In addition, AI-powered solutions can help create hyperpersonalized, frictionless experiences for employees. Still, only about 5 percent of companies successfully and routinely incorporate new technologies in their HR function, while most are still in the early stages of defining their tech strategy.[19]

These forces create a dual imperative. HR must become more digital and more human at the same time: embedding AI into core workflows, integrating fragmented systems, and leveraging data at scale, while strengthening leadership, coaching, culture, and ethical guardrails for increasingly hybrid human–agent work environments (see sidebar "The dual role of HR in the AI transformation").

Leading organizations are already experimenting with new configurations. For example, Moderna combined its HR and IT functions in 2025 to tightly integrate people and technology capabilities, accelerating its ambition to become an AI-first company. Similarly, AXA Germany has combined HR with data and AI at the executive board level to more tightly link workforce, data, and AI capabilities under a unified "People and Data" function.

Our *HR Monitor* survey data provides insights into the following key themes.

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15 "What is an operating model?" McKinsey, November 13, 2025.
16 "A new operating model for people management: More personal, more tech, more human," McKinsey, February 7, 2025.
17 "A new operating model for people management: More personal, more tech, more human," McKinsey, February 7, 2025.
18 "A new operating model for people management: More personal, more tech, more human," McKinsey, February 7, 2025.
19 "A new operating model for people management: More personal, more tech, more human," McKinsey, February 7, 2025.

Agile HR operating models are emerging but have not fully arrived

For nearly three decades, the Ulrich three-pillar model has shaped HR organizations globally. But our data suggests a gradual shift away from these static functional setups.

Among surveyed HR professionals, 32 percent still primarily operate under the Ulrich model and 18 percent operate under a pre-Ulrich model primarily built around HR generalists who support one organizational unit with limited formal specialization. Now, 34 percent state they operate under at least a partially agile HR model. However, this figure should be interpreted with caution: In practice, most of these organizations combine elements of the Ulrich structure with selected agile practices, such as more flexible resource allocation or cross-functional project teams. Truly agile HR organizations remain the exception.

At the same time, only 15 percent report operating a strongly machine-powered model. But this represents a noticeable increase from previous McKinsey research, in which just 6 percent of people leaders indicated that they had integrated machine-powered elements into their HR operating model.[20]

In practice, most organizations typically operate under a mix of different archetypes rather than adopting only one model. Still, we see that HR appears to be in a transition phase with organizations combining elements of Ulrich with selected agile practices and machine-powered solutions. Few have fully redesigned their structure.

Efficiency as a foundation: Shared services and self-service

HR is one of the corporate functions with the highest share of administrative tasks. Shared service centers (SSCs) have been a cornerstone of HR operating models for decades. As part of the classic three-pillar setup, they centralize and standardize transactional and administrative activities, separating efficiency-driven service delivery from strategic business partnering and expert functions. Our data shows that this model is now firmly established.

The role of SSCs is evolving as a large part of their routine activities is expected to become automated. This is prompting CHROs to fundamentally reassess whether dedicated centralized processing units will remain or whether a significant share of their work will be absorbed by AI-enabled service platforms with limited manual intervention. Today, SSCs are primarily focused on payroll and benefits administration (58 percent), HR administration and data management (51 percent), learning logistics (45 percent), and time management (45 percent).

Self-service solutions represent the next layer of efficiency. While nearly all organizations offer at least one HR self-service solution, utilization remains limited. On average, organizations only offer roughly 40 percent of processes as self-service. Existing self-service offerings focus mainly on transactional tasks such as vacation requests (61 percent), surveys (48 percent), and travel reimbursement, payroll accounting, and time recording (each 45 percent). Access to self-service learning and development solutions is available in only 31 percent of organizations.

AI has the potential to substantially expand self-service offerings. Intelligent assistants and agentic workflows can increase the scope, availability, and personalization of self-service offerings, enabling employees and managers to resolve more complex queries autonomously 24/7. Self-service offerings can provide a low-threshold entry point for implementing AI in HR.

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[20] "HR's new operating model," McKinsey, December 22, 2022.

AI can unlock efficiency and improve EX, but adoption is stagnating

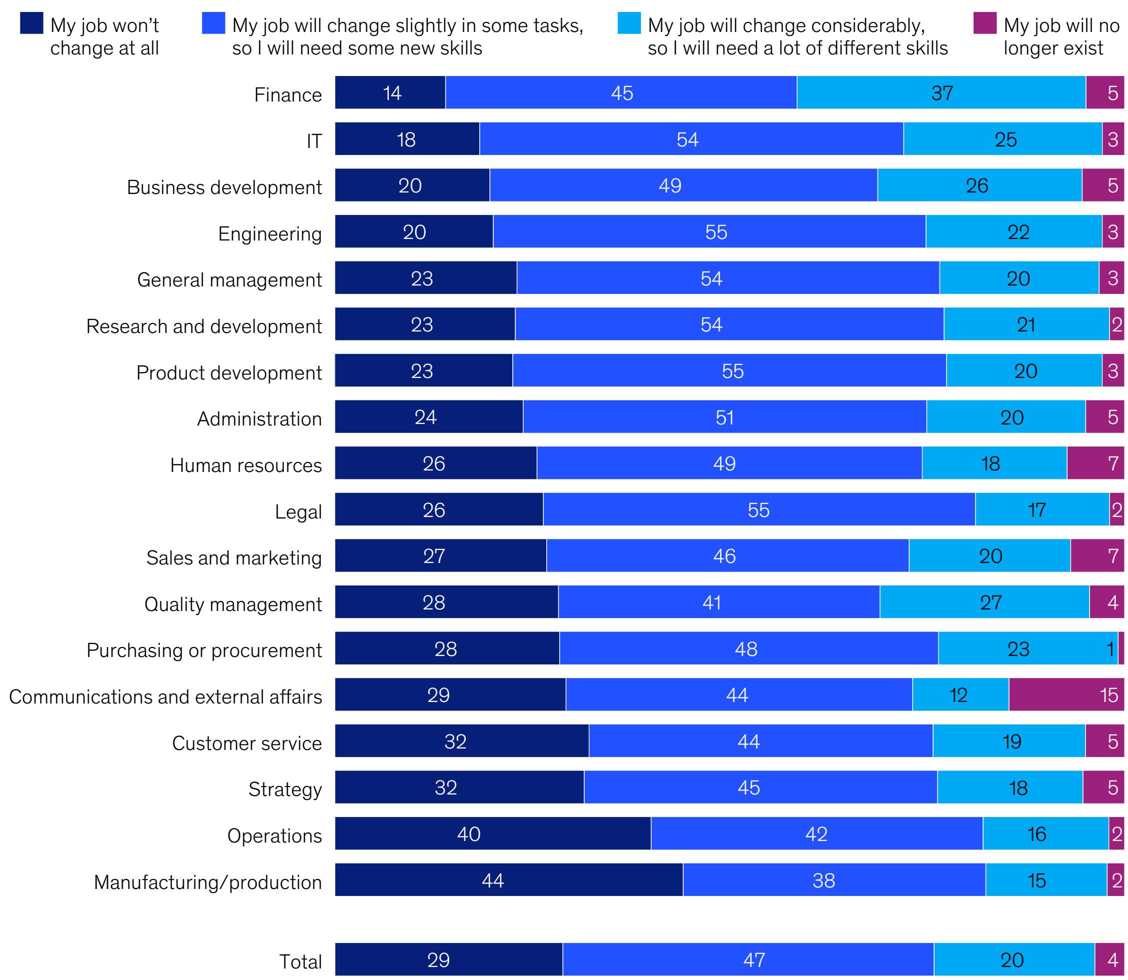
AI's potential in HR goes far beyond self-service. AI can both automate large parts of HR's transactional backbone and elevate EX through intelligent, personalized interactions. It can act as a catalyst for operating model transformation by freeing staff capacity, augmenting expertise, and reshaping service delivery along the entire chain of people processes—from workforce planning to learning, performance management, and employee services.

Seven percent of HR employees believe their job may no longer exist in its current form in the coming years, while 18 percent expect considerable change due to AI (Exhibit 11). Taken together, these figures are slightly above the cross-functional average.

Exhibit 11

Employees in manufacturing and operations feel least exposed to AI.

How employees think AI will change their job in the next few years,[1] %



Note: Figures may not sum to 100%, because of rounding.
[1]Question: How do you think AI (gen AI and agentic AI) will change your job in the next few years?
Source: McKinsey HR Monitor Survey, Jan 2026, n = 5,501 employees: administration, n = 698; business development, n = 112; communications and external affairs, n = 43; customer service, n = 495; engineering, n = 360; finance, n = 332; general management, n = 313; human resources, n = 299; IT, n = 678; legal, n = 54; manufacturing/production, n = 536; operations, n = 426; other, n = 465; product development, n = 73; purchasing or procurement, n = 128; quality management, n = 117; research and development, n = 106; sales and marketing, n = 228; strategy, n = 38

HR professionals estimate that 20 percent of core HR functions can be automated—substantially lower than last year's estimate of over 30 percent.

At the same time, however, we see that HR professionals' perception of AI automation potential has moderated. They estimate that 20 percent of core HR functions can be automated—substantially lower than last year's estimate of over 30 percent. They view recruitment as the function with the highest automation potential through AI (22 percent), followed by employee management, learning and development, and HR analytics (each around 21 percent). The overall decline of expected potential suggests a shift from early AI optimism toward a more realistic assessment of the complexity of implementing the technology. Fragmented technology landscapes and inconsistent data architectures continue to limit end-to-end integration. As organizations shift toward new HR operating models, HR technology is becoming a more strategic question—extending beyond vendor selection and build-versus-buy decisions to the design of a coherent technology and data foundation that can support agentic workflows.

However, modeling-based analyses suggest materially greater potential. According to McKinsey analysis, beyond the roughly 50 percent of HR activities that can be automated through traditional technologies, AI could automate an additional 30 percent of activities across the HR function overall. In selected areas, such as learning and development, HR analytics, and HR compliance, the incremental potential for automation may reach up to 40 percent.[21]

Despite this substantial potential, actual adoption of AI in HR remains low and incremental. According to our survey, companies have operational AI solutions in 28 percent of HR processes globally, while solutions remain in pilot phase for 37 percent of HR processes. Adoption has increased only marginally compared with the previous year (from zero to six percentage points depending on HR domain).

Insights from interviews with HR leaders indicate that even where AI is operational, deployment is typically limited to isolated use cases rather than embedded in a comprehensive, AI-enabled redesign of end-to-end HR processes. Operational use is concentrated in heavily administrative processes such as time and absence management (33 percent), HR process optimization including automation of routine tasks (31 percent), and employee data management (30 percent).

AI deployment differs between regions and industries. China leads in adoption (43 percent of HR processes using operational AI solutions and 45 percent in pilot phase), followed by the United Kingdom and the United States (39 percent and 37 percent operational use, respectively). Continental Europe lags with only 23 percent of AI solutions in operational use and 39 percent of HR processes without any AI solution.

Technology-intensive industries are ahead of other sectors, with operational AI tools supporting 39 percent of HR processes in the semiconductor sector and 37 percent of HR processes in the technology, media, and telecommunications sector. By contrast, the public and social, healthcare, and chemicals sectors are most hesitant in adopting AI solutions.

[21] "The economic potential of generative AI: The next productivity frontier," McKinsey Global Institute, June 14, 2023.

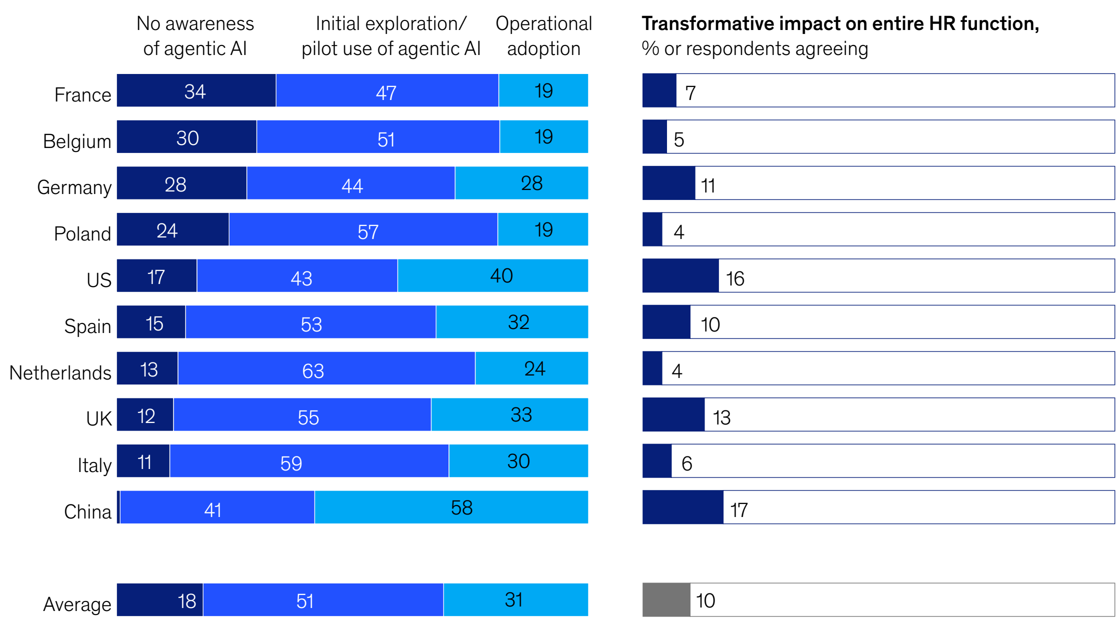
Agentic AI represents the next frontier for HR innovation

Adopting agentic AI systems that can autonomously plan, decide, and execute multistep workflows represents the next stage of innovation in HR. But awareness and adoption remain limited. In some European countries, up to one-third of surveyed HR professionals are not yet familiar with the concept of agentic AI. The highest shares of HR professionals reporting transformative impact from agentic AI in HR are in China and the United States, with 17 percent and 16 percent, respectively (Exhibit 12).

Exhibit 12

China and the United States report the highest levels of transformative impact from agentic AI on HR.

Extent to which your HR department is experimenting with or using agentic AI,[1] % of respondents



Note: Figures may not sum to 100%, because of rounding.
[1]Question: To what extent is your HR department experimenting with or using agentic AI (AI systems that can autonomously execute multistep tasks across tools and workflows)?
Source: McKinsey HR Monitor Survey, n = 1,303 HR professionals: Belgium, n = 101; China, n = 131; France, n = 142; Germany, n = 145; Italy, n = 142; Netherlands, n = 100; Poland, n = 130; Spain, n = 130; UK, n = 141; US, n = 141

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The dual role of HR in the AI transformation

The AI transformation presents a defining moment for people functions globally. HR faces a dual mandate and must position itself in the following ways:

— *HR as copilot of the AI enterprise.* HR plays a central role in enabling the AI transformation. At its core, this means helping leaders redesign work itself—not simply replacing people with technology, but rethinking how tasks are distributed across humans and AI agents and how that mix evolves over time. This includes rethinking workforce planning to anticipate how roles, skills, and capacity needs will evolve in human–agent environments, redesigning organizational structures accordingly, strengthening learning and development to build AI fluency at scale, adjusting performance and incentive systems to reinforce AI adoption, and guiding leadership through workforce transitions. As work increasingly becomes a partnership between people and agents, HR can shape the cultural, structural, and governance foundations that determine whether AI delivers sustainable value.

— *HR as a lighthouse.* At the same time, HR must lead by example. By reimagining its own processes and redesigning its operating model toward expertise-driven and technology-enabled structures, HR can demonstrate what effective transformation looks like in practice and build credibility required to steer the enterprise-wide transformation.

Overall, the value potential of AI in HR is widely acknowledged, but structural and capability barriers prevent scaling. Many organizations appear stuck in pilot mode, reflecting uncertainty around governance, integration, and capability building. Yet pioneering organizations are already moving ahead, approaching the agentic HR journey in meaningfully different ways. Some start from the bottom up, agentifying select pain points across HR to build early confidence and proof points. Others focus on redesigning core end-to-end processes such as payroll or onboarding administration as human-plus-agent systems that serve as replicable templates. For example, a global car manufacturer reimagined two end-to-end processes in parallel and, based on those learnings, developed its North Star vision for a full redesign of the HR function. The most transformative organizations, however, start from a clear target state. For a global technology company, this meant defining the North Star for the entire people function first, then working backward to fundamentally reimagine each HR domain and develop a detailed implementation road map. What distinguishes these approaches from disconnected piloting is a deliberate choice about where to start—and the discipline to ensure that each step builds toward a coherent whole.

Overall, the value potential of AI in HR is widely acknowledged, but structural and capability barriers prevent scaling.

AI recommendations for leaders

Our findings point to four actions leaders should prioritize to accelerate AI adoption and position HR for the next phase of transformation:

— *Move toward an agentic HR operating model.* Redesign HR to operate in human–agent environments, where AI agents take on transactional and analytical tasks while HR professionals focus on orchestration, judgment, and value creation. This shift requires moving from static, role-based structures to an expertise-driven, technology-enabled model, in which people strategists, subject matter experts, and HR technologists are flexibly deployed to strategic priorities through flow-to-work pools.

— *Invest in a unified technology and data backbone.* Build a harmonized HR technology architecture that integrates fragmented systems and enables clean, interoperable, and accessible data across the employee life cycle. A robust digital and governance foundation is the prerequisite for comprehensive self-service, responsible AI deployment, and a scalable, intelligent EX layer.

— *Build data and AI capabilities within HR.* Systematically strengthen AI and data expertise within HR to keep pace with technology change and the function's evolving role. Provide targeted reskilling and upskilling for existing staff, and hire for new talent profiles, to move from the current low baseline to a substantially higher share of HR professionals with relevant tech skills.

— *Move fast and scale AI rapidly.* Shift from fragmented experimentation to systematic scaling of proven use cases, extending toward an end-to-end process redesign. In a rapidly evolving technology landscape, organizations can no longer afford prolonged pilot phases; they must transition swiftly from validation to enterprise-wide deployment.

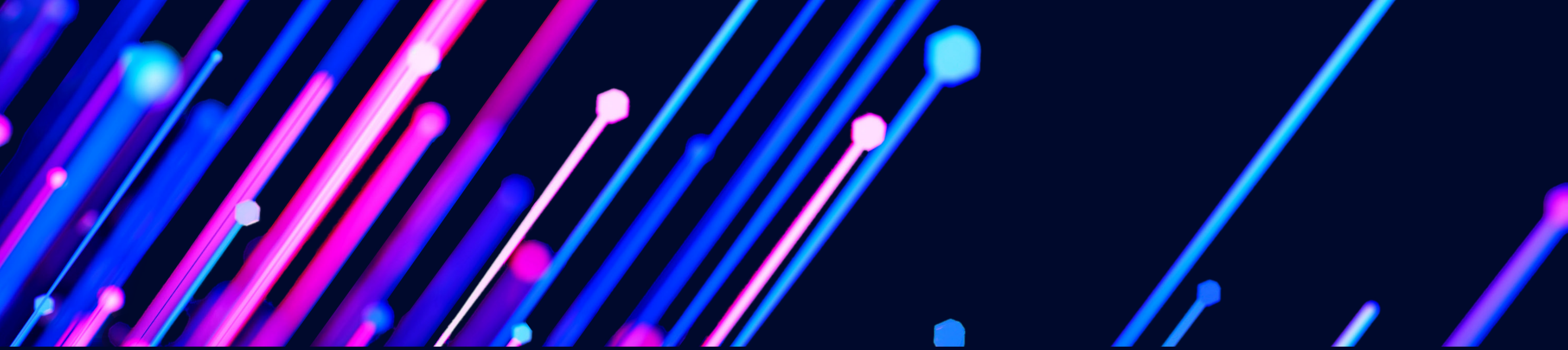
Conclusion

The HR function stands at a defining moment. The shift toward AI-enabled, agentic organizations represents the greatest opportunity the function has had in decades, but also one of its most demanding challenges. The scope of change is substantial, requiring HR to rethink how work is structured, how capabilities are built, and how value is delivered across the enterprise.

From here, two paths emerge. In one scenario, the growing complexity and technological developments outpace the function's ability to respond, leading to an increasing share of HR responsibilities being absorbed by IT or other digital functions. In the other, HR rises to the challenge, stepping into a leadership role in shaping the future of work, potentially in close integration or even merging with technology functions, but with a clear mandate for the people function to define how human and agentic workforces operate together.

Which path organizations take will depend on their ability to build a fact-based view of their maturity and performance and translate it into clear priorities for transformation. The *HR Monitor* supports HR leaders in assessing their current position, identifying gaps, and defining targeted actions to inform their strategies and turn ambition into execution.

The shift toward AI-enabled, agentic organizations represents the greatest opportunity the HR function has had in decades.



Appendix

Methodology of the *HR Monitor* 2026 Survey

This report is based on the *HR Monitor* 2026 HR Professionals Survey and the *HR Monitor* 2026 Employee Survey. Both surveys were conducted in January 2026. Survey respondents spanned ten countries: Belgium, China, France, Germany, Italy, Netherlands, Spain, Poland, the United Kingdom, and the United States.

HR Professionals Survey

Respondents were more than 1,300 managers who are (co-)decision-makers for human resources topics at organizations with at least 100 employees. Participants spanned ten countries and represented companies from more than 18 industries. We asked HR leaders about efficiency and effectiveness indicators of their own HR functions, spanning core HR dimensions (strategic workforce planning, talent acquisition, learning and development, and HR operating model).

Countries represented in survey:

- Germany: 145
- France: 142
- Italy: 142
- United Kingdom: 141
- United States: 141
- China: 131
- Poland: 130
- Spain: 130
- Belgium: 101
- Netherlands: 100

Employee Survey

Respondents were more than 5,000 full-time or part-time employees who are between 18 and 66 years old and work at companies with at least 100 employees. Participants spanned ten countries and represented companies from more than 18 industries. We asked employees about their experience at work.

Age group:

- Gen Z (18–28 years): 618
- Millennials (29–44 years): 2,528
- Gen X (45–60 years): 2,022
- Baby boomers (61 years or older): 333

Countries represented in survey:

- Germany: 1,006
- United Kingdom: 516
- United States: 516
- France: 515
- Italy: 515
- Belgium: 502
- China: 501
- Poland: 501
- Spain: 501
- Netherlands: 428

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