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Secure HR Investments for 2025 and Beyond

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Roadmap

Budget Environment ▶ HR Budget Trends and Benchmarks ▶ HR Technology Trends & Recommendations

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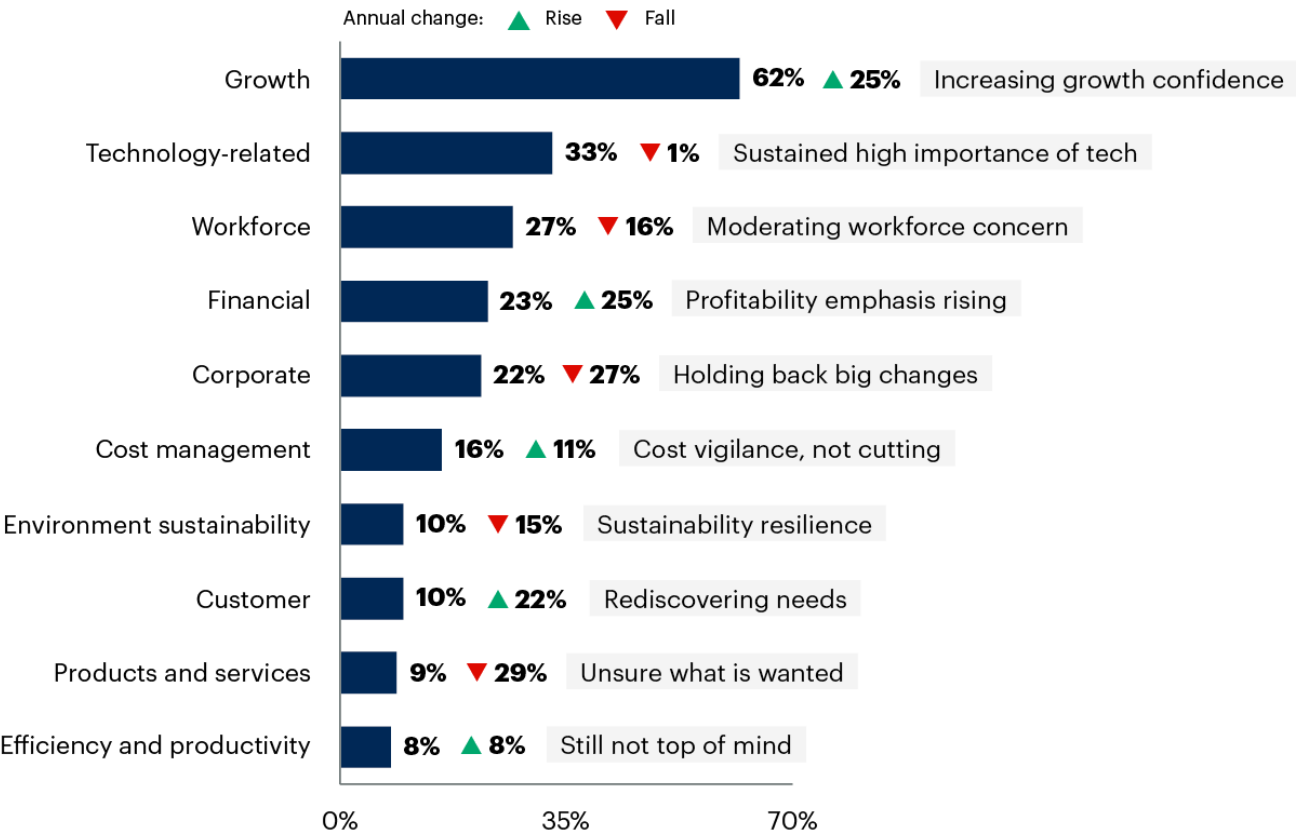
CEOs Prioritize Growth, Workforce, and Technology

Top 10 CEO Business Priorities, 2024 and 2025
Percentage of respondents including their top three mentions, coded responses

Annual change: ▲ Rise ▼ Fall

Priority	Value	Change	Description
Growth	62%	▲ 25%	Increasing growth confidence
Technology-related	33%	▼ 1%	Sustained high importance of tech
Workforce	27%	▼ 16%	Moderating workforce concern
Financial	23%	▲ 25%	Profitability emphasis rising
Corporate	22%	▼ 27%	Holding back big changes
Cost management	16%	▲ 11%	Cost vigilance, not cutting
Environment sustainability	10%	▼ 15%	Sustainability resilience
Customer	10%	▲ 22%	Rediscovering needs
Products and services	9%	▼ 29%	Unsure what is wanted
Efficiency and productivity	8%	▲ 8%	Still not top of mind

0%   35%   70%

n = 416; All respondents
Summary Top Three Mentions, Coded Responses
Source: 2024 Gartner CEO and Senior Business Executive Survey
Please tell us about your organization's top five strategic business priorities for the next two years (2024/2025).

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HR Leaders Are More Cautious in Their Spending in 2024

Percentage of HR Leaders By Anticipated Budget Change
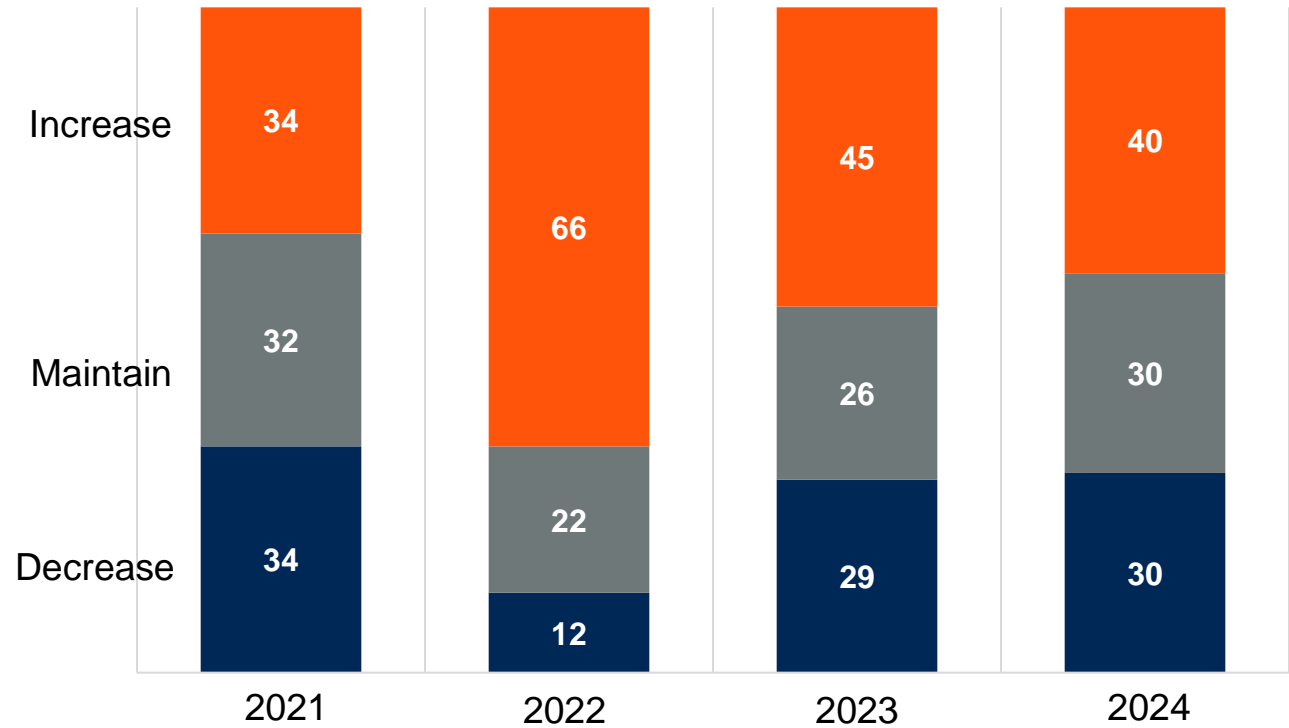
For 2025 expect similar budgetary conditions as in 2024

n = 139 HR Leaders (2021) n = 133 HR Leaders (2022) n = 133 HR Leaders (2023) n = 373 (2024)

Source: 2021 / 2022 / 2023 / 2024 Gartner HR Budget and Staffing Benchmarking Survey

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Roadmap

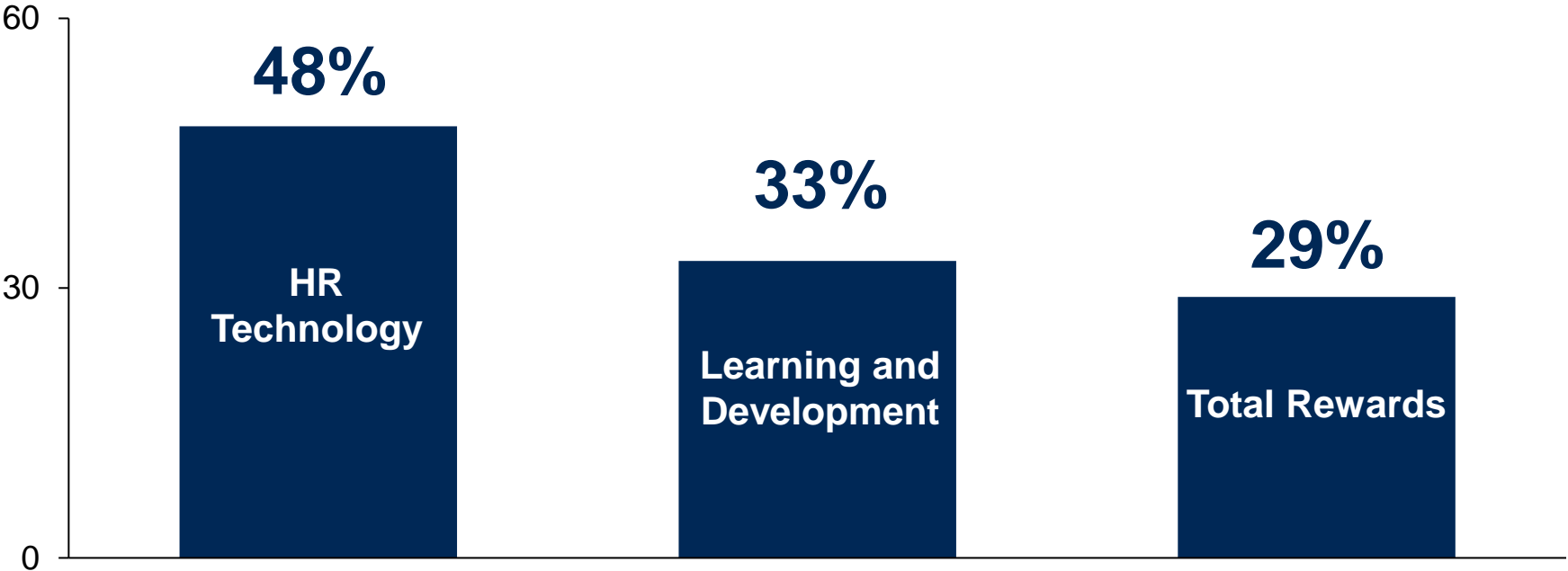Budget Environment ▶ **HR Budget Trends and Benchmarks** ▶ HR Technology Trends & Recommendations
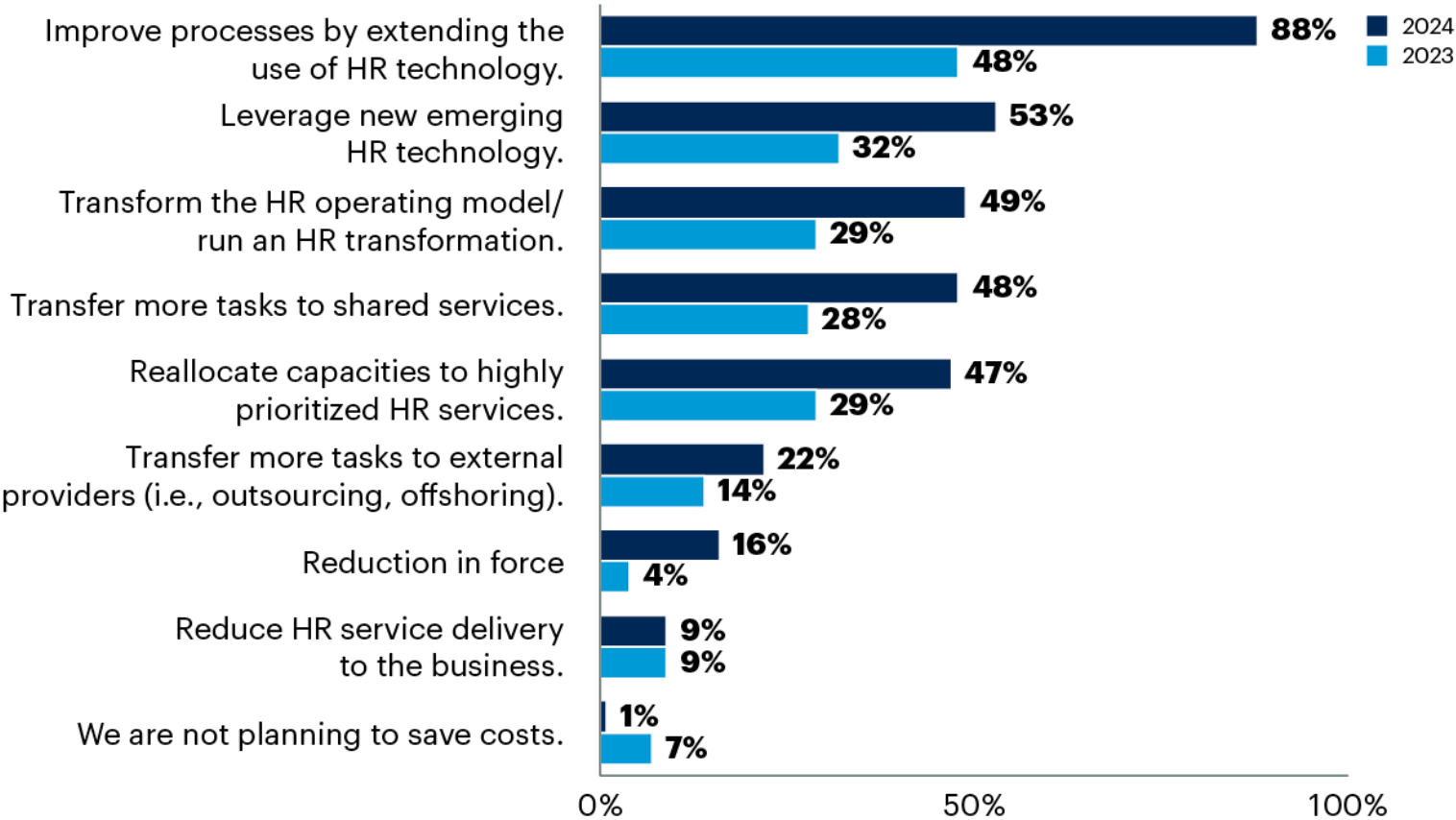
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Top 3 HR Investment Areas

Percentage of HR Leaders Increasing Budget in an HR Area

48%
HR Technology

33%
Learning and Development

29%
Total Rewards

n = 99-113 HR Leaders

Source: 2023 Gartner HR Budget & Efficiency Benchmarking Survey.

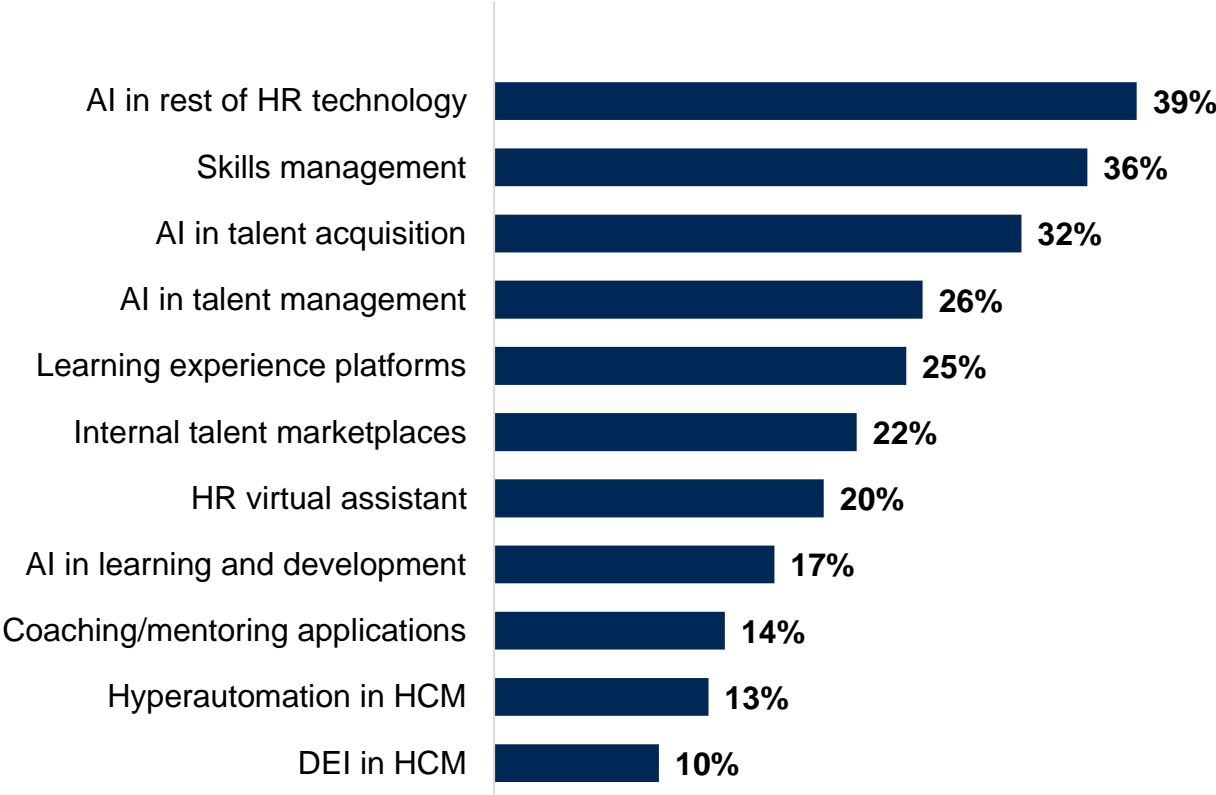**Gartner**

Most Common HR Efficiency Measures in 2024

Percentage of HR leaders

2024
2023

Measure	2024	2023
Improve processes by extending the use of HR technology.	88%	48%
Leverage new emerging HR technology.	53%	32%
Transform the HR operating model/ run an HR transformation.	49%	29%
Transfer more tasks to shared services.	48%	28%
Reallocate capacities to highly prioritized HR services.	47%	29%
Transfer more tasks to external providers (i.e., outsourcing, offshoring).	22%	14%
Reduction in force	16%	4%
Reduce HR service delivery to the business.	9%	9%
We are not planning to save costs.	1%	7%

n = 91 (2024); 203 (2023), HR Leaders

Source: 2022/2023 Gartner HR Budget and Efficiency Benchmark

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Top 3 Important Emerging Technologies

Percentage of respondents; Three responses allowed

Technology	Percentage
AI in rest of HR technology	39%
Skills management	36%
AI in talent acquisition	32%
AI in talent management	26%
Learning experience platforms	25%
Internal talent marketplaces	22%
HR virtual assistant	20%
AI in learning and development	17%
Coaching/mentoring applications	14%
Hyperautomation in HCM	13%
DEI in HCM	10%

n = 349 HR Leaders

Source: 2023 Gartner HR Technology Priorities Survey.

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Benchmarks are Key to Inform Your Cost Optimization and Investments Strategies

If you target Cost Optimization…

If you target HR Investments…

… benchmarks build a data-based foundation to understand:

Which areas are **overstaffed**?
In which areas are we spending **too much**?

Which areas are **understaffed**?
Which areas receive **limited funding**?

HR Leader

Where should I **reduce** spend and staffing?

Where should I **increase** spend and staff?

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Always Take Benchmarks With a Grain of Salt

Factors Impacting HR Efficiency
HR functional maturity
Level of HR technology support
Level of centralization and standardization
Number of countries HR is serving
Size of the Organization
Industry
Share of knowledge vs. frontline workers

Source: Gartner

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Overall Investment Levels into HR
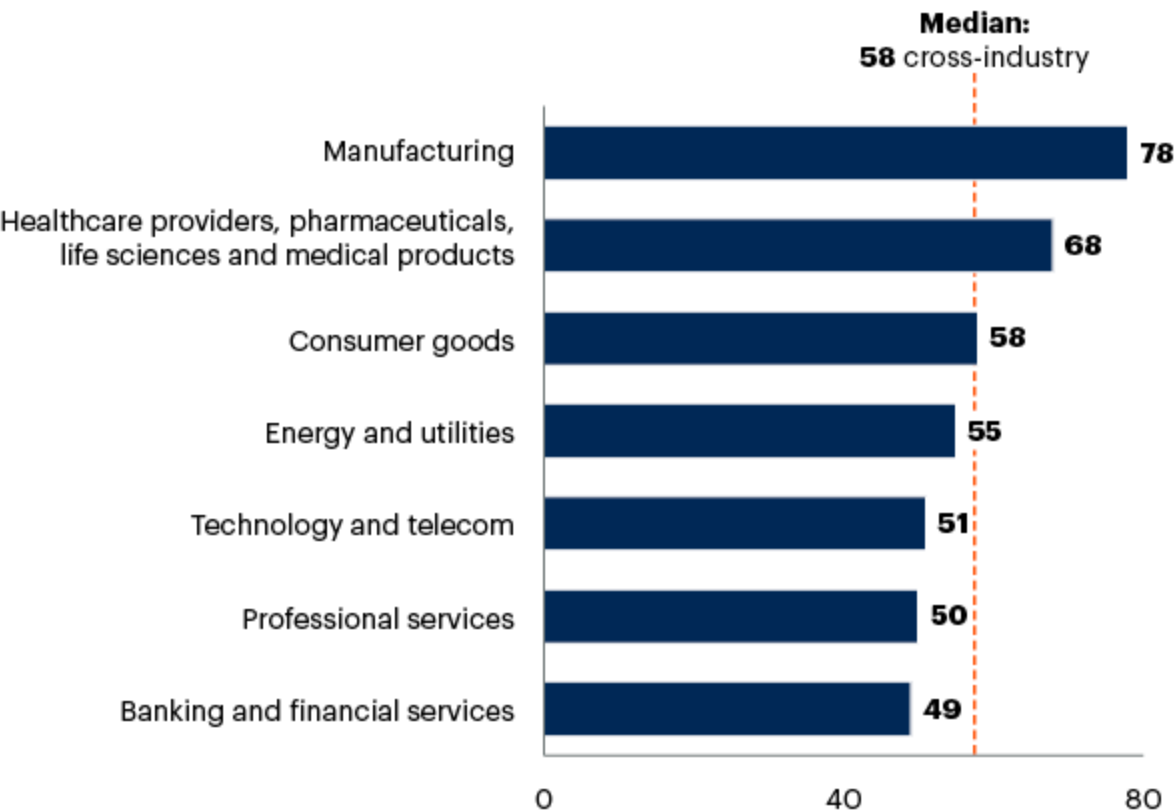
HR Spend as a Percentage of Revenue by Industry

Industry	Value
Professional Services	1.33%
Technology and Telecommunications	1.12%
Healthcare Providers, Pharmaceuticals, Life Sciences and Medical Products	0.80%
Cross Industry Median	0.76%
Banking & Financial Services	0.74%
Manufacturing	0.59%
Consumer Goods (Incl. Food and Beverage Processing)	0.46%
Energy & Utilities	0.22%
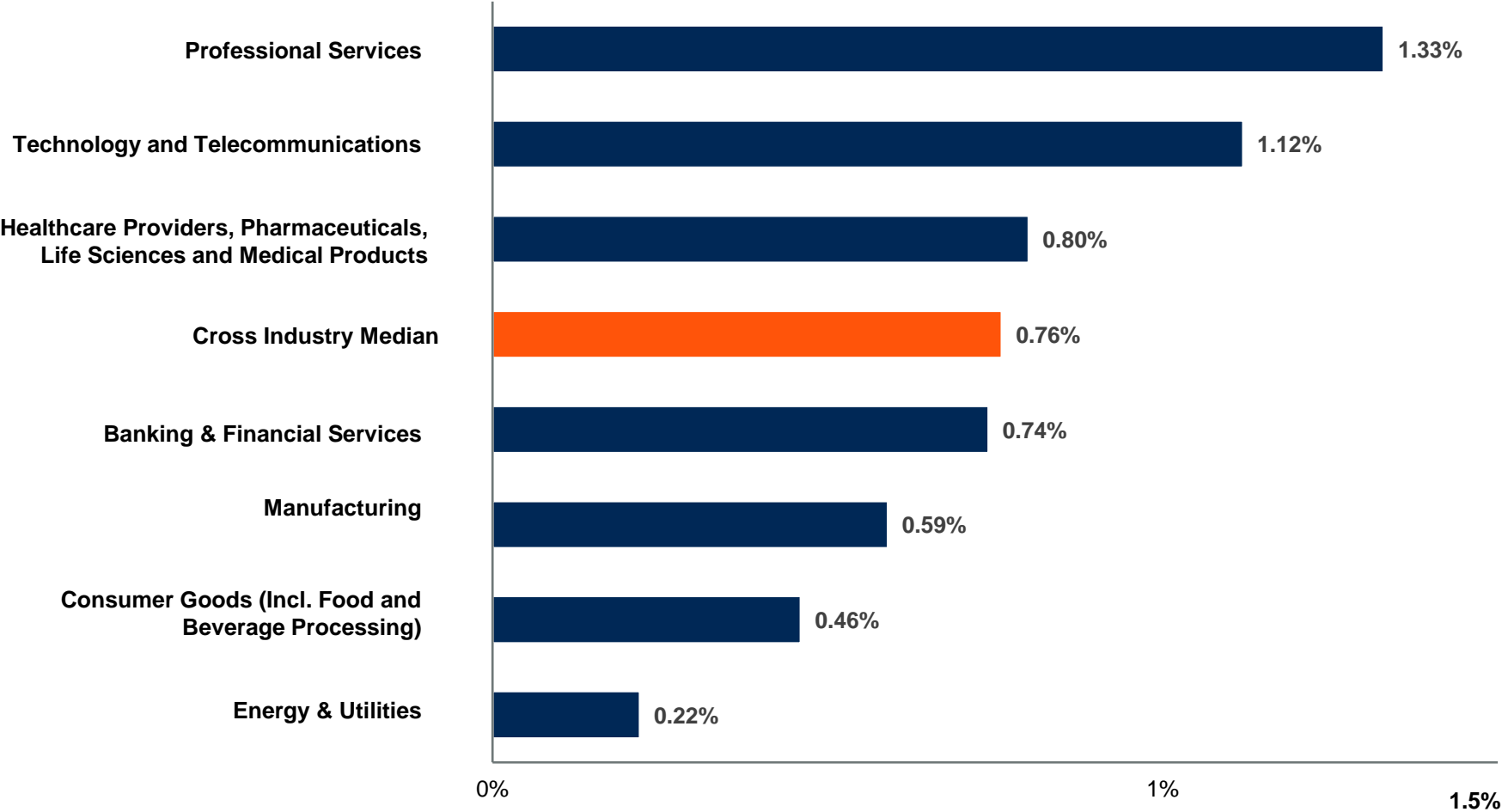
n = 333 HR Leaders

Source: 2023 Gartner HR Budget & Efficiency Benchmarking Survey

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Across All Industries, 1 HR FTE Serves 58 Employees

Number of employees served per 1 HR staff FTE

HR Productivity Ratios

Median:
58 cross-industry

Industry	Employees served per HR FTE
Manufacturing	78
Healthcare providers, pharmaceuticals, life sciences and medical products	68
Consumer goods	58
Energy and utilities	55
Technology and telecom	51
Professional services	50
Banking and financial services	49

n = 442 HR leaders

Source: 2023 Gartner Budget & Efficiency Benchmarking Survey

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Efficiency and Activities by Role

Role	HRBP	HR Shared Services	HR CoE	HR Generalist
Staffing Ratio (HR FTE to Employees Served)	**1:397**	**1:282**	**1:175**	**1:349**
Typical Activities	• Talent Management • Workforce Planning • Change Management • Organizational Design	• HR Administration • Payroll • Recruiting • L&D • HR Technology	• HR Strategy • Recruiting • L&D • Total Rewards • DEI	• Local HR Concerns • Employee Relations • Combination of activities of the other three roles

n = 172-359 HR leaders

Source: 2023 Gartner Budget & Efficiency Benchmarking Survey

Note: Remaining staff allocated to Leadership or Flexible/Project-based HR FTE

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Most HR Staff Involved in Recruiting and HR Administration

Number of HR FTE per 1,000 employees (Median)

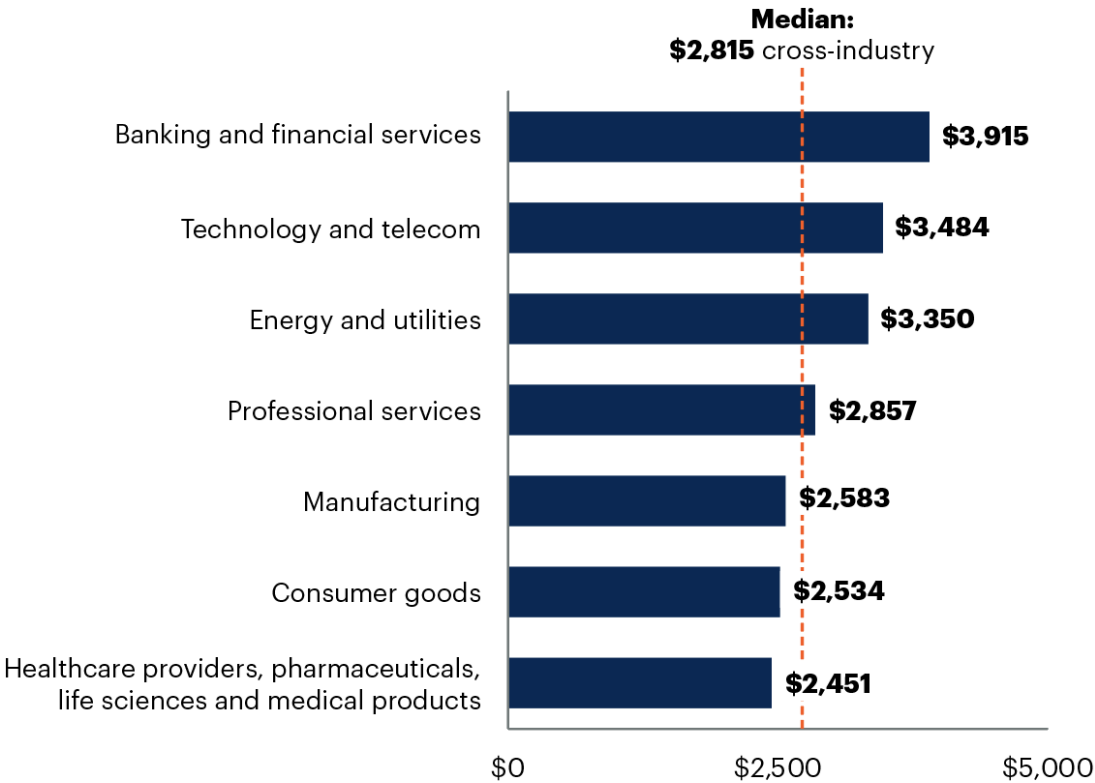| Category	Value
Staffing & Recruiting	3.08
HR Administration	2.29
Employee Relations	1.51
Payroll	1.33
Total Rewards	1.26
L&D	1.18
Talent Management	0.84
HR Technology	0.77
Organizational Development	0.67
Talent Analytics	0.42
DE&I	0.38

n = 88-333 HR Leaders

Source: 2023 Gartner Budget & Efficiency Benchmarking Survey

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Across all Industries, Total HR Spend is $2,815 per Employee

Total HR spend per employee

HR Spend per Employee

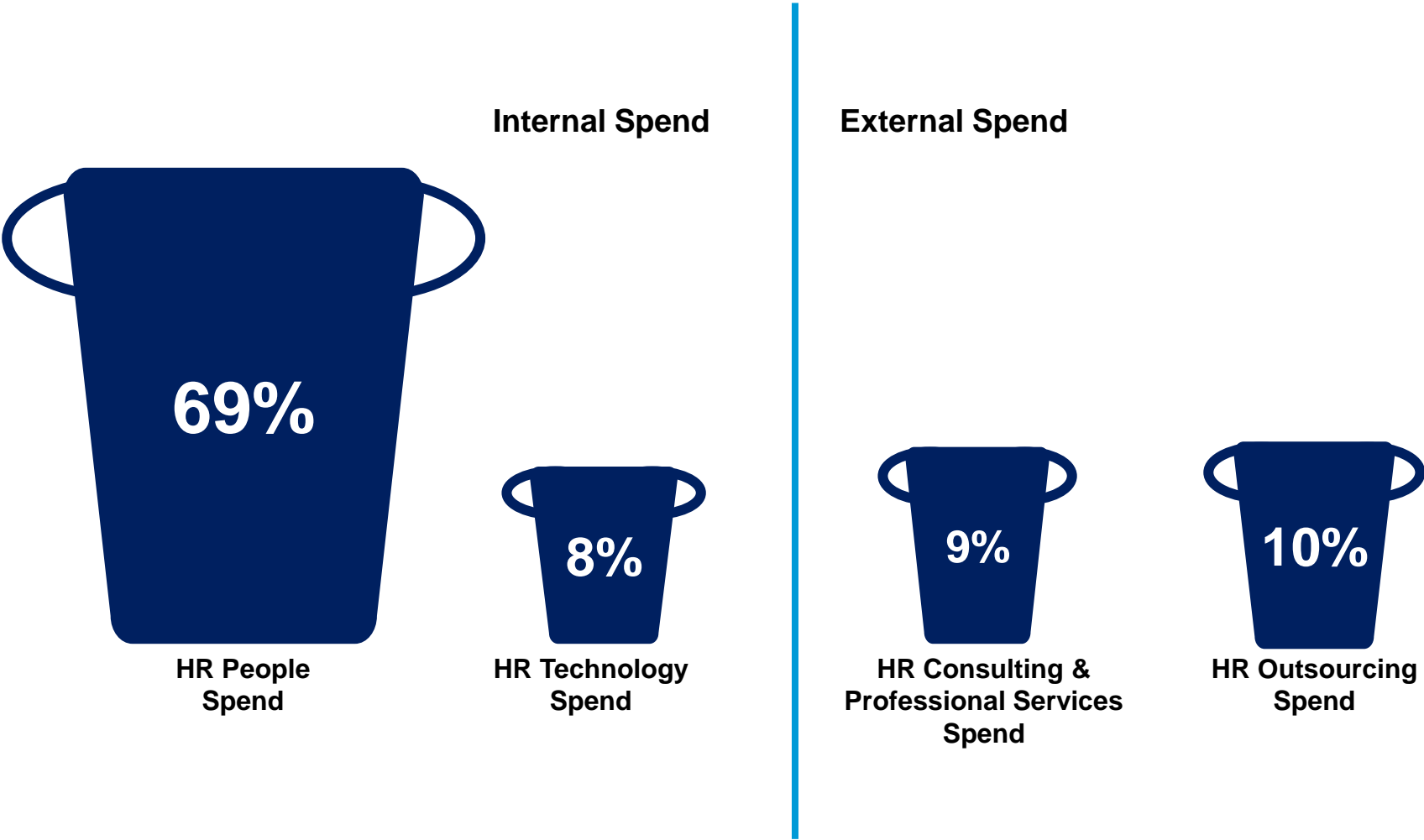

Median:
$2,815 cross-industry

Industry	Spend
Banking and financial services	$3,915
Technology and telecom	$3,484
Energy and utilities	$3,350
Professional services	$2,857
Manufacturing	$2,583
Consumer goods	$2,534
Healthcare providers, pharmaceuticals, life sciences and medical products	$2,451

n = 393 HR leaders

n = 393 HR leaders

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Highest Share of HR Spend Distributed to HR People Spend

Percentage of HR Budget Spend by Category

Internal Spend   **External Spend**

69%

8%

9%

10%

HR People Spend

HR Technology Spend

HR Consulting & Professional Services Spend

HR Outsourcing Spend

n = 167-280 HR leaders

Source: 2023 Gartner Budget & Efficiency Benchmarking Survey

Note: remaining 4% allocated to "other HR spend" which include but are not limited to corporate fees or fines, facility cost or travel expenses.

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Highest Spend in Recruiting, Rewards, L&D and Technology

Annual HR Activity Area Spend per Employee (Median)

Number of HR FTE per 1,000 Employees (Median)

Activity Area	Spend per Employee	FTE per 1,000 Employees
Staffing and recruiting	$401	3.08
Total rewards	$221	1.26
Learning and development	$202	1.18
HR administration	$199	2.29
Employee relations	$189	1.51
HR technology	$184	0.77
Payroll	$139	1.33
Talent management	$138	0.84
Organizational design and change management	$101	0.67
Workforce planning	$77	0.57
Diversity, equity and inclusion	$58	0.38
Talent analytics	$50	0.42

n = 88-333 HR leaders

Source: 2023 Gartner Budget & Efficiency Benchmarking Survey

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Questions You Should Ask Yourself Now

1 Are my organization's investments sufficient to address the current economic pressures? If not, do I know how to secure funding for critical HR investments that help me power through uncertain times, not only respond?

2 How does my organization's current spending and staffing allocation compare to the benchmarks?

3 Can I efficiently and confidently deliver on the services that need to be prioritized?

Would you like to Participate?

- **Gartner HR Budget & Efficiency Benchmark**

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Roadmap

Budget Environment ▶ HR Budget Trends and Benchmarks ▶ **HR Technology Trends & Recommendations**

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The Budgetary Estimate Equation

Opex budgetary estimate		Capex budgetary estimate		Technology solution cost
Total number of users x annual PUPY rate	**+**	Effort to install and deploy technology in terms of hours x hourly rate	**=**	
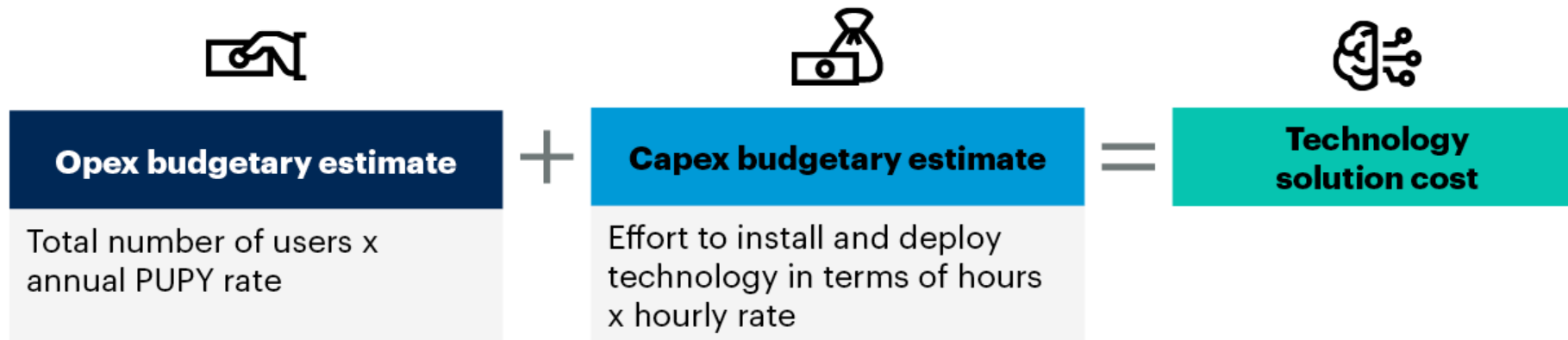
WARNING!! Don't forget to account for internal costs

Source: Gartner – How to Plan and Budget for Your HR Technology Investments

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How Much to Budget for a Cloud HCM Suite

USD

Organization Size (Number of Employees)	SaaS (Opex) Per User Per Year	Typical Implementation Cost (Capex)
100 to 1,000	$200	$250,000
1,000 to 10,000	$175	$1,500,000
10,000 to 100,000	$150	$5,000,000
>100,000	$100	$20,000,000+

Source: Gartner – How to Plan and Budget for Your HR Technology Investments

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Budgetary Cost Estimate for 10,000 Employee Organization investing in a Cloud HCM Suite

USD
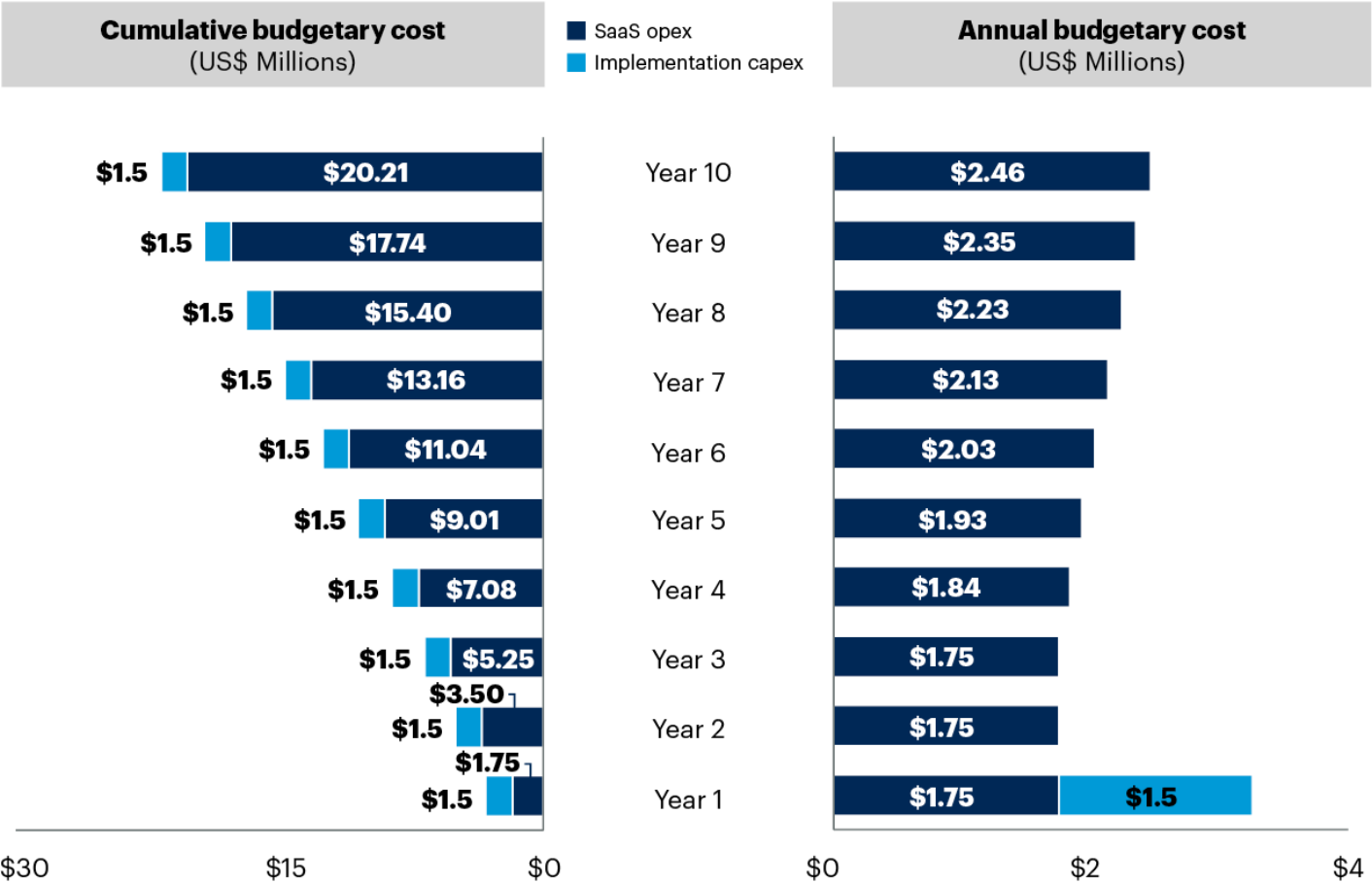
Cumulative budgetary cost (US$ Millions)		Annual budgetary cost (US$ Millions)
	■ SaaS opex	
	■ Implementation capex	
$1.5 / $20.21	Year 10	$2.46
$1.5 / $17.74	Year 9	$2.35
$1.5 / $15.40	Year 8	$2.23
$1.5 / $13.16	Year 7	$2.13
$1.5 / $11.04	Year 6	$2.03
$1.5 / $9.01	Year 5	$1.93
$1.5 / $7.08	Year 4	$1.84
$1.5 / $5.25	Year 3	$1.75
$3.50 / $1.5	Year 2	$1.75
$1.75 / $1.5	Year 1	$1.75 / $1.5

Source: Gartner – How to Plan and Budget for Your HR Technology Investments

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Top 5 HR Domains Based on Investment

Percentage of respondents; five responses allowed
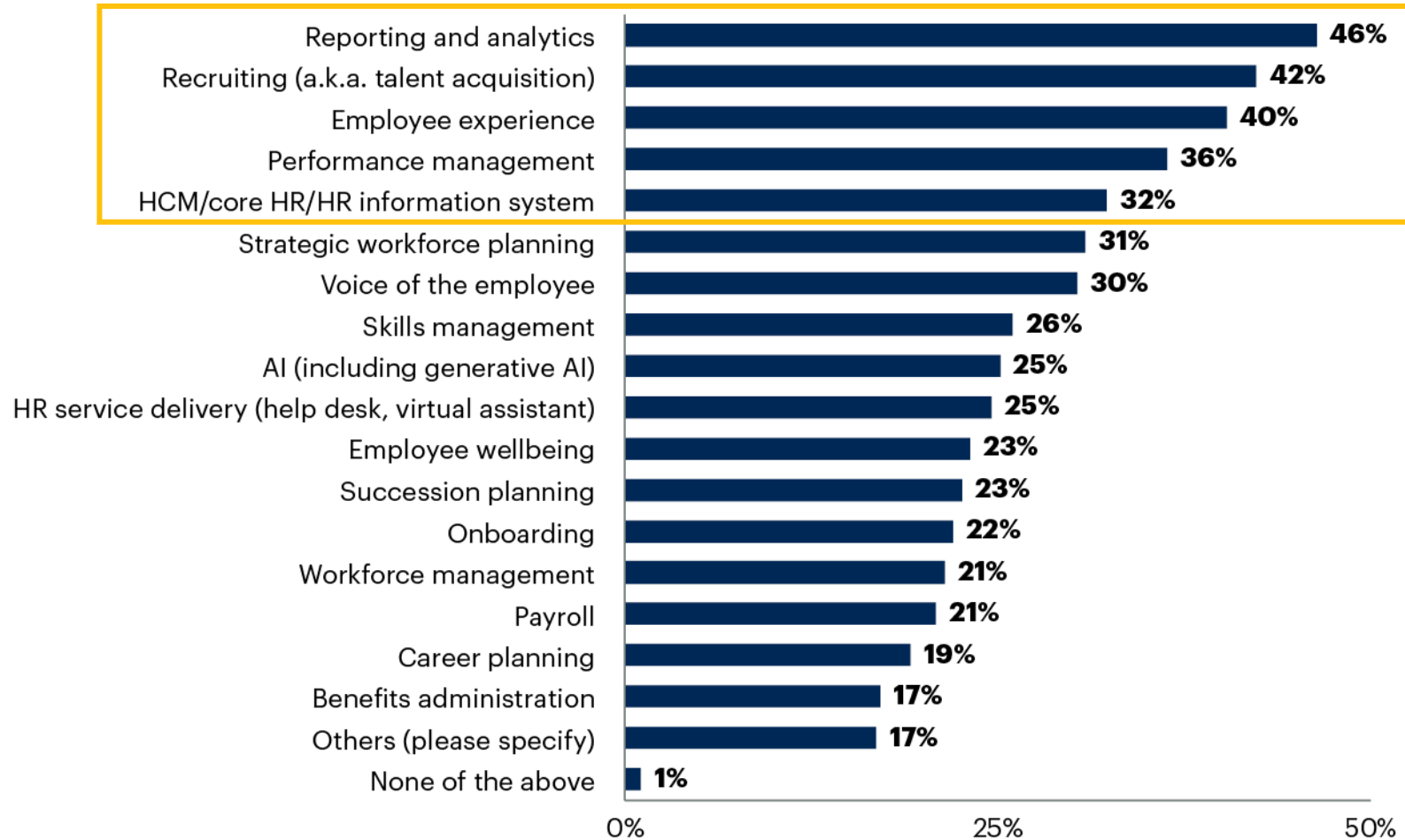
Domain	Percentage
Reporting and analytics	46%
Recruiting (a.k.a. talent acquisition)	42%
Employee experience	40%
Performance management	36%
HCM/core HR/HR information system	32%
Strategic workforce planning	31%
Voice of the employee	30%
Skills management	26%
AI (including generative AI)	25%
HR service delivery (help desk, virtual assistant)	25%
Employee wellbeing	23%
Succession planning	23%
Onboarding	22%
Workforce management	21%
Payroll	21%
Career planning	19%
Benefits administration	17%
Others (please specify)	17%
None of the above	1%

n = 349 HR Leaders

Source: Gartner – How CHROs Are Planning and Managing Technology in 2024

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Talent Analytics Maturity Chasm

Where Talent Analytics Gets Stuck

- Headcount and Recruiting Forecasts
- HR Process Timeliness, Volumes and Outcomes
- Employee Flight Risk Predictions
- Headcount, Movement, Hires, Terminations, Diversity Categories
- Automate Foundational Core

Where Talent Analytics Wants to Be

- Talent Decisions Linked to Business Outcomes
- Business/Operations Data
- Talent Analytics Projects
- Survey Data (Inclusion, Culture, Employee Experience and Engagement)
- More EX Data and Signals
- External Labor Market Data
- Headcount and Recruiting Forecasts
- Employee Flight Risk Predictions
- HR Process Timeliness, Volumes and Outcomes
- Headcount, Movement, Hires, Terminations, Diversity Categories

Source: Gartner – Innovation Insight for Talent Analytics Technology Options

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Technology Option for Talent Analytics

Talent Analytics Category	Sample Vendors
Generic Analytics and BI Platform	Microsoft PowerBI, Qlik, Salesforce Tableau
Cloud HCM Suites Talent Analytics Module	ADP, Dayforce, Oracle, SAP SuccessFactors, UKG, Workday
Packaged Talent Analytics Solutions	Crunchr, One Model, Orgvue, SplashBI, Visier, ZeroedIn
Talent Analytics Services and BPO Providers	Deloitte, IBM

Source: Gartner – Innovation Insight for Talent Analytics Technology Options

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How to Build a Business Case for HR Technology

1   **Establish a Strategic Foundation**

- Align on the business, HR and IT outcomes to be achieved
- Establish a current state baseline
- Conceptualize the future state and craft a roadmap to get there

2   **Create the Business Case**

- Create a financial model
- Tell a compelling story of enhanced business value supplemented by financial metrics and risk considerations

3   **Use as a Governance Tool**

- Track benefits and investments during and after transformation
- Identify deviations from expectations and develop action plans
- Use as a tool to make reasoned investment decisions

Source: Gartner – How to Create a Business Case for HR Technology Transformation

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Strategic Priorities for HR Technology Transformation

Percentage of respondents
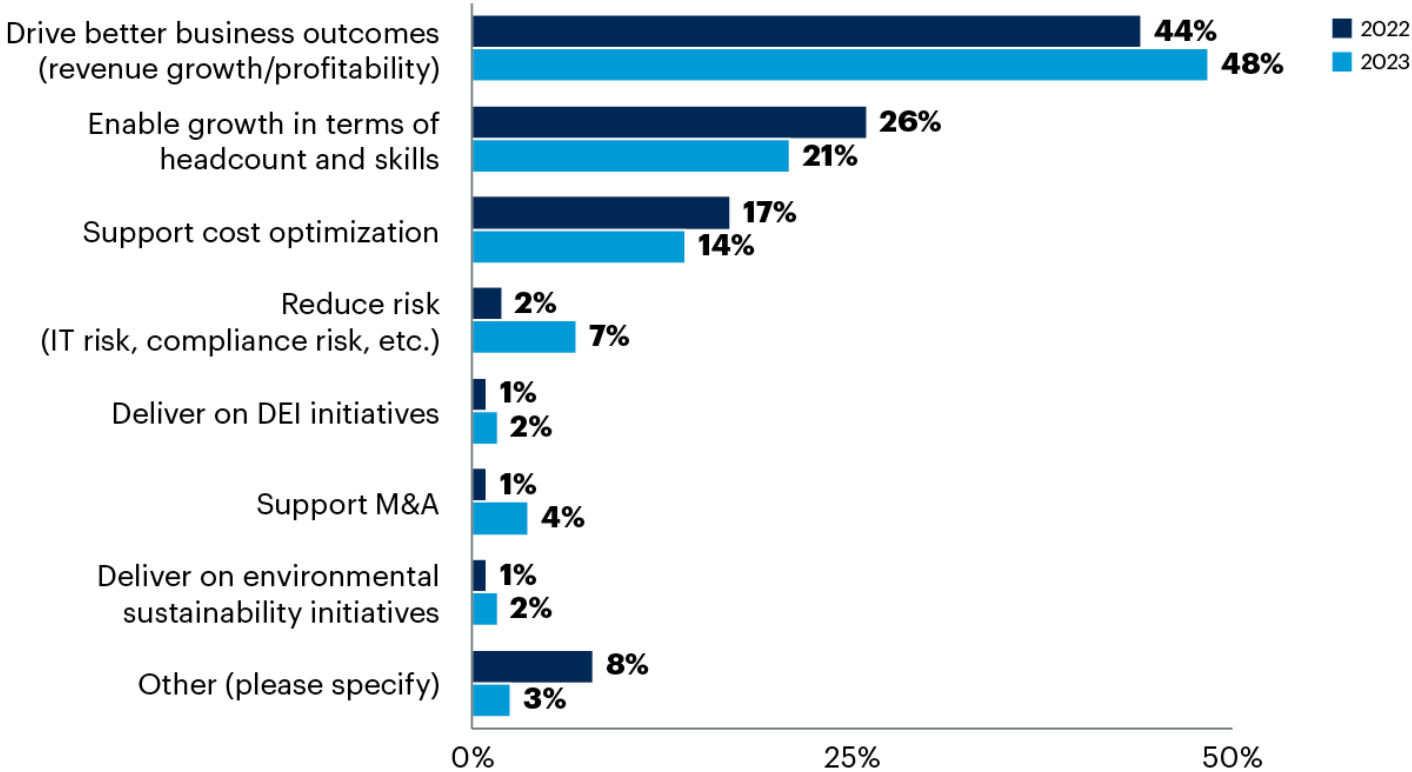
n = 138 HR tech leaders (2022); n = 349 HR Leaders (2023)

Source: Gartner – How CHROs Are Planning and Managing Technology in 2024

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Top 3 Hurdles for HR Technology

Percentage of respondents; three responses allowed

Hurdle	Percentage
Ensuring ongoing employee, manager, and HR adoption of HR Technology	48%
Changing mindsets to embrace new HR technologies	40%
Justifying and securing the investment	37%
Maintaining ongoing support and evolution of the HR technology portfolio	30%
Developing and maintaining a strategic roadmap for HR technology transformation	29%
Acquiring the expertise to implement and manage new HR Technology	26%
Implementation planning and preparation	23%
Preparing data for HR technology transformation	22%
Understanding emerging trends in HR Technology	21%
Matching your requirements to potential vendors	15%
Articulating your requirements	8%
Other (please specify)	1%

n = 349 HR Leaders

Source: Gartner – How CHROs Are Planning and Managing Technology in 2024

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Recommended Next Steps for HR Technology

1   Calculate the external cost of future technology transformation by calculating the OPEX and CAPEX costs. However, do not forget the internal project costs!!

2   Evaluate the capability of your reporting, recruiting, employee experience, performance management, and HCM technology to ensure you are competitive for peers, and as a starting to point when evaluating your technology.

3   When building a business case start with your technology strategy, your top strategic priorities, and your biggest challenges.

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Ask the speaker
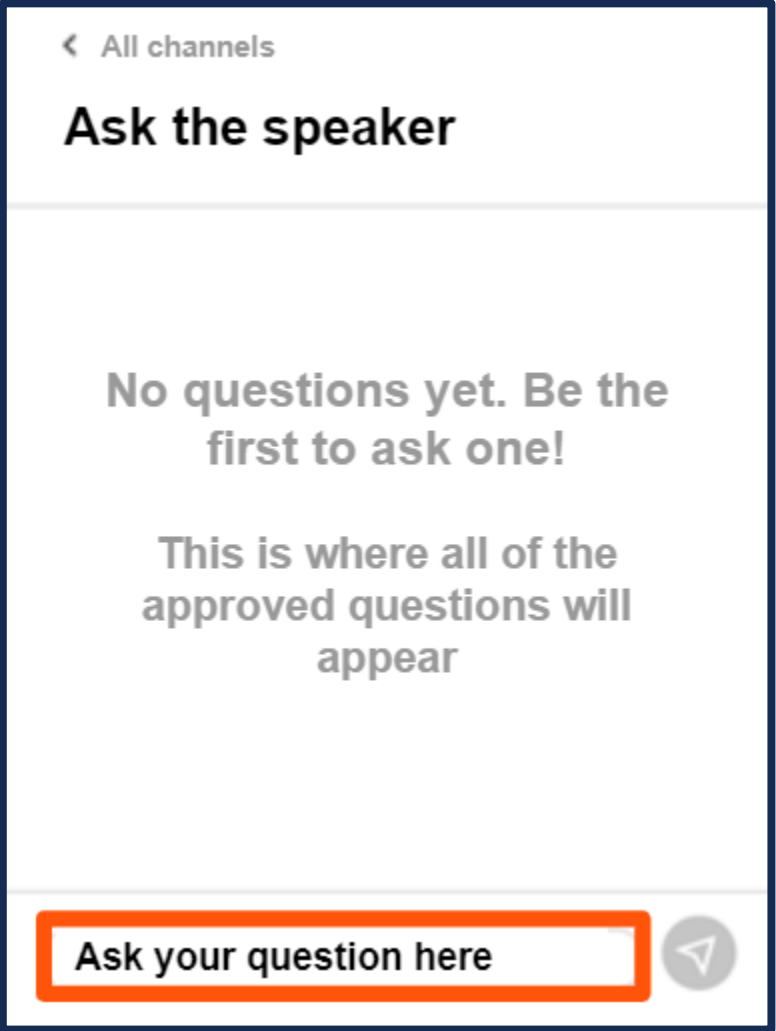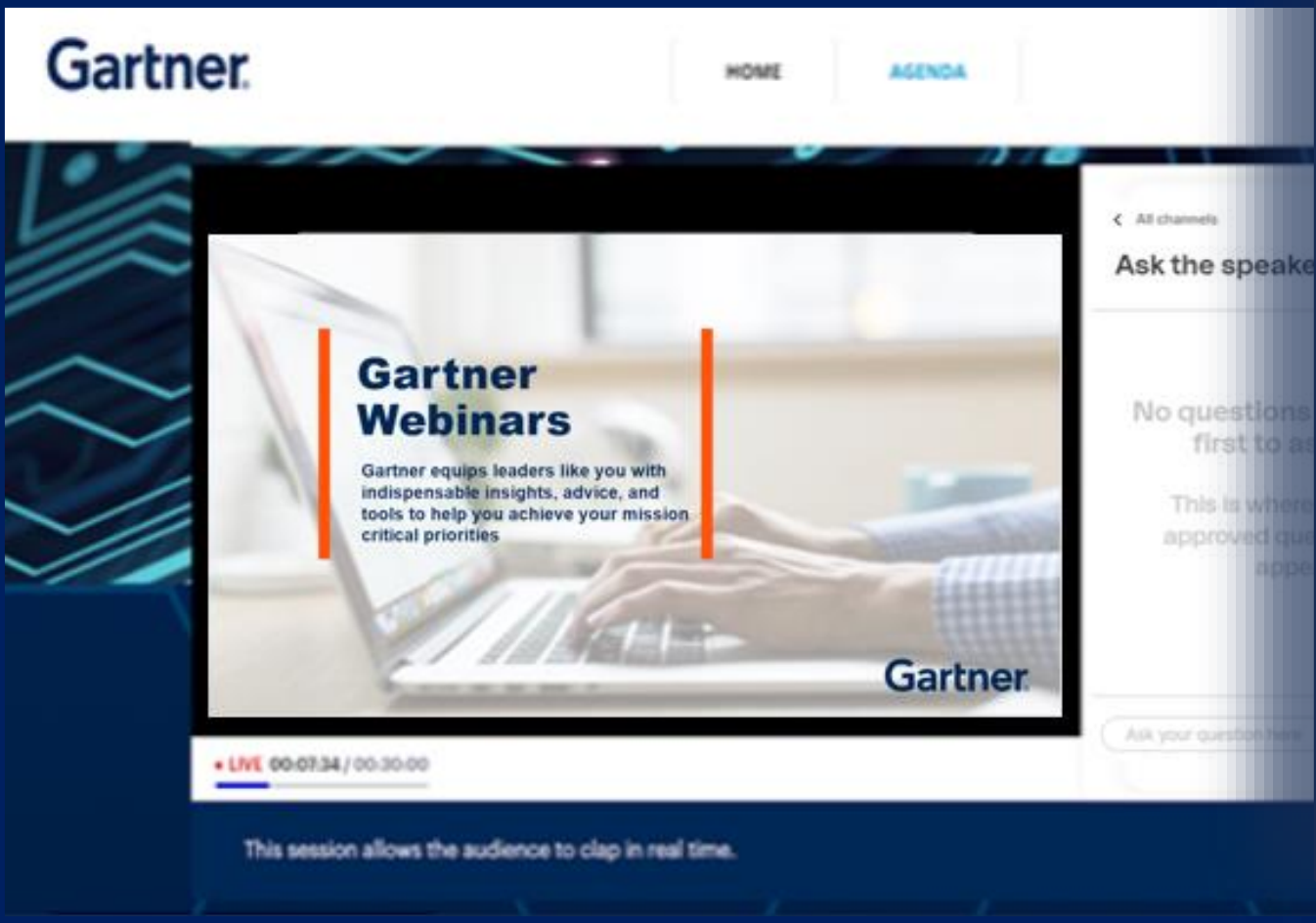
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Strategies on how to transform the HR function to deliver greater business impact

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Download the Gartner HR Strategic Planning Guide to discover 5 actionable steps to create an effective HR strategy that supports enterprise business goals:

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2. **Identify** critical capabilities and skills
3. **Evaluate** skills and capability gaps between the current state and future needs of the organization
4. **Develop** HR goals to resolve gaps and establish criteria for measuring successful strategy execution
5. **Communicate** your HR strategy

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5 Steps to Building an HR Strategy

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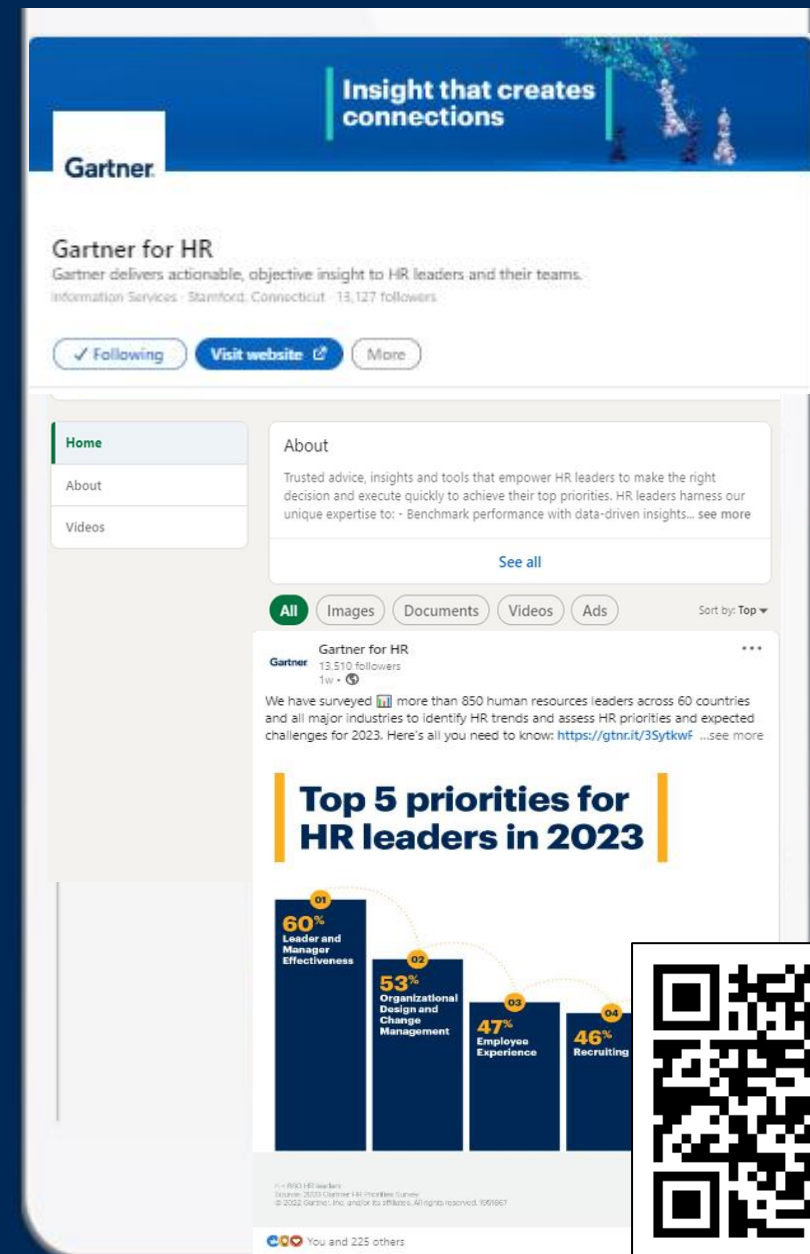
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