



# HR & Payroll Pulse 2026

**A Reality Check for Europe**

# Rethinking work in a Europe under pressure

Europe has entered 2026 with a stack of pressures that hit the same weak points at once: skills, cost, compliance and trust.

This year's HR & Payroll Pulse report shows how these pressures are reshaping the workplace:

AI is moving from trial to real use, workforce planning is now a priority for most organisations, and payroll and reward now play a central role in how employees judge fairness and trust. These changes sit at the heart of how work runs.

This is a reality check for Europe's employers and employees.

In many organisations, HR and payroll decisions now show up fast in compliance outcomes and workplace trust. When the basics slip, people feel it.

That's why this report matters now. HR's influence is growing as organisations look for stronger foundations that keep work predictable and fair.

# 62%

of organisations now see HR as part of strategic decision-making and expect HR leaders to take on broader responsibility over the next decade.

**Across five focus areas** in this report, we show what organisations can do to strengthen the backbone of work.

Our mission is simple: give leaders a clear view of what's happening inside European workplaces, and the practical steps that will help them build a more stable, future-ready system of work.

## Executive summary

European workplaces are being reshaped by overlapping pressures, from talent shortages and rising costs to fast-moving regulation and accelerating technology.

This year's Pulse highlights where organisations are building stronger foundations for stability and trust, and where gaps in capability are creating new risks for HR leaders and employees.

01

### **AI is everywhere, but is it adding value?**

54% of organisations say they are actively exploring AI's potential for the workplace, yet only 40% have already seen significant outcomes from using AI in HR.

02

### **Workforce planning is now unavoidable**

51.4% say workforce planning is a critical or high priority, and 48.2% say it's essential for ensuring adequate staffing levels and scheduling efficiency.

03

### **Payroll must be at the core of how work runs**

67% of employees say their organisation handles payroll accurately and reliably, but 32% of employers say they experienced payroll related compliance issues or audit findings in the past 12 months.

04

### **Build trust and engagement with pay transparency**

62% of employers say they have everything in place to comply with the EU Pay Transparency Directive, but just 34% of employees say they are aware of the directive and what it means for their rights.

05

### **Employee experience: one in four are dissatisfied at work**

While many employees feel positive, a significant minority are not, which is where the risk concentrates. 27% say they are dissatisfied overall, 48% are dissatisfied with their work-life balance.

## About the report

This report is based on new findings from Europe's largest annual HR research project, conducted by the SD Worx Research Institute.

In January and February 2026, we surveyed:

**16,500**  
employees

**5,936**  
HR decision-makers

**16**  
countries  
across Europe

The study focuses on five key themes: **HR challenges, Payroll, Time & Planning, Reward, and AI**, examining how organisational strategies affect both employers and employees.

The SD Worx Research Institute is a strategic research entity focused on delivering clear, evidence-based insights into the world of work, HR and payroll.

Its mission is to support clients, prospects, and internal teams with high-quality, pan-European (global with local relevance) insights that move the HR and payroll landscape forward.

## The biggest HR challenges in 2026

In 2026, HR leaders across Europe are still grappling with the same core pressures as last year: employee wellbeing, retention and turnover, and talent acquisition remain the top three challenges, signalling that these are structural issues.

### What HR challenges do you consider the most urgent for your organisation?

	2025	2026
Employee well-being	27.6% ↓	26.8%
Employee retention and turnover	24.8% ↓	23.8%
Talent acquisition and recruitment	24.1% ↓	22.0%
Employee experience and engagement	23.3% ↓	21.6%
Flexible working	21.5% ↓	20.2%
Compensation and benefits	21.7% ↓	19.2%
Workforce planning	16.1% ↑	18.7%
Skill gaps, upskilling and reskilling	17.2% ↑	18.5%
Conflict resolution and employee relations	17.5% ↑	18.1%
Internal communications and transparency	20.8% ↓	17.8%

The more notable change is what's rising underneath: workforce planning is becoming more urgent (18.7% vs 16.1%), alongside skills gaps and upskilling (18.5% vs 17.2%), pointing to a growing need to stabilise capacity and capability rather than relying on reactive hiring.

Other topics have also risen since last year, even if they did not enter the top 10, include automation and digital transformation, organisational change, the application of AI in

HR, the personalisation of HR, and data-driven decision-making in HR.

These areas closely connect to the themes explored in the following chapters.

Overall, the 2026 pattern suggests HR challenges are becoming increasingly 'backbone' problems, rooted in how work is designed, planned and supported.

# Chapter 1: AI is everywhere, but is it adding value?

AI adoption in the European workplace has reached a new stage of maturity in 2026. Across Europe, it's been embedded in various processes, from payroll and reporting to recruitment and performance management. However, despite its rapid acceleration, the value is not what was hoped for.

# 40%

of organisations say they are seeing real results from AI.

While over half of organisations are already exploring or investing in AI, far fewer have translated this into measurable outcomes.

As shown in the chart below, AI adoption itself is not the issue. The challenge is making AI work in practice.

## AI adoption and outcomes

54% exploring

51% investing

42% scaling

40% seeing results

Despite the high adoption rate, the impact is taking longer to land. Many organisations still use AI in isolated tasks rather than redesigning full workflows, which is where momentum is lost.



“

“AI has moved beyond pilots, but value creation remains constrained by old ways of working.”

**Gille Sebrechts**  
Chief Digital Officer at  
SD Worx

### What this means for leaders

- Redesign workflows before expanding AI use
- Focus AI on clear business outcomes
- Scale only where value is already proven

## People readiness is unequal

As pressure on organisations continues to rise, leaders are looking for more predictable ways to run work. With skills shortages and rising costs impacting ways of working, AI seems like the perfect solution. However, people experience it very differently.

### Younger workers move fast

37% of under 25s regularly use AI

41% say their usage is increasing

### Older workers move slower

21% of employees aged 50 to 64 use AI regularly

17% feel their organisation has helped them build AI skills

### Leaders and employees view skills differently

44% of HR directors say they're investing in upskilling employees for AI

23% of employees agree



“We risk losing valuable knowledge and experience if everything is embedded into AI.”

**Jason Pridmore**  
Professor of Human Centric AI and Society at Erasmus University Rotterdam

#### What this means for leaders

- Expect uneven confidence levels across age groups
- Focus training where capability feels weakest
- Align internal views on readiness before scaling AI further

## Europe prefers human-led, AI-enabled work

Across Europe, organisations draw a clear line between areas where automation helps and areas where people must stay closely involved. The split is shown in the graphs below:

### Where the human-tech blend is preferred

Learning and development: **41% prefer hybrid**

Payroll management: **40%**

Workforce planning: **39%**

Performance management: **38.7%**

Careers and mobility: **37.4%**

**These are areas where judgement and context matter.**

### Where human leadership remains essential

Wellbeing: **51% prefer fully human**

Engagement and experience: **44%**

Recruitment: **44%**

Onboarding: **43%**

**These areas depend on empathy and communication, which AI cannot replicate.**

### Where full automation is embraced

Time and attendance: **44% prefer full AI automation**

Reporting and analytics: **37%**

**These are areas where efficiency gains are most beneficial.**



“AI delivers the most value when organisations repurpose human capability, not when they simply automate existing tasks.”

**Gille Sebrechts**  
Chief Digital Officer at SD Worx

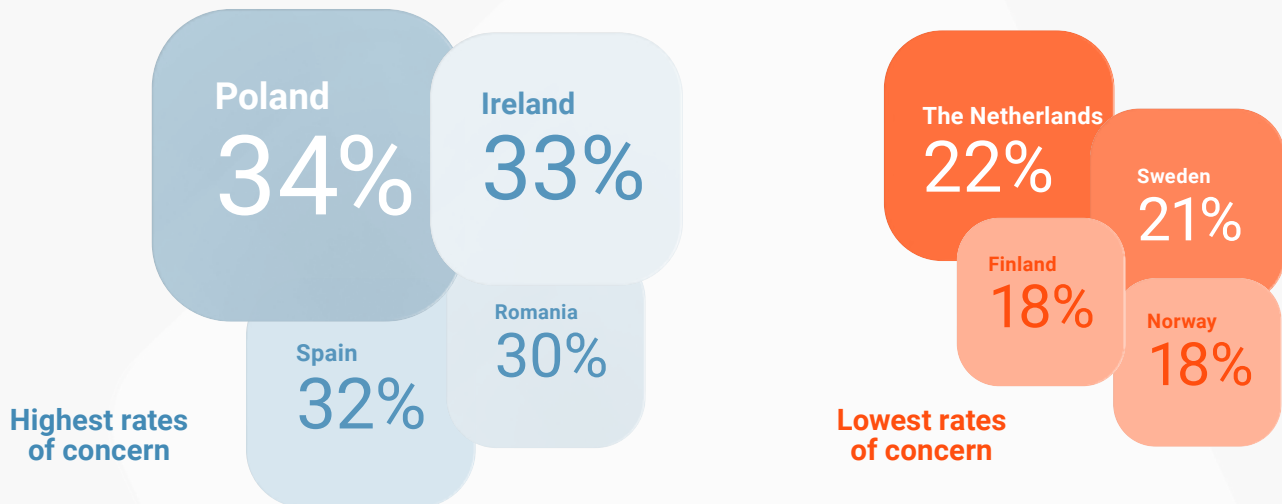
### What this means for leaders

- Automate where rules are clear and errors are costly
- Keep people central where judgement and care matter.
- Let the nature of the work guide AI use

## AI affects the way people feel about work

Employees say AI changes the type of work they do more than the actual amount of work they do. Teams now spend more time creating prompts and reviewing outputs to validate decision-making. This reshapes workload and introduces new concerns such as job security and the responsibilities moving forward.

## Fear of AI-related job redundancy differs strongly by country



## Acceptance of AI also varies

Only **1 in 2** employees are confident about how their organisation uses AI.



“The promise of AI has not yet turned into demonstrable value because it doesn’t always have a strategic place within the organisation.”

**Jason Pridmore**  
Professor of Human Centric AI and Society at Erasmus University Rotterdam

### What this means for leaders

- Prepare managers to explain how work may change
- Address uncertainty early, especially in high-concern markets
- Link AI changes to practical improvements in daily work

## Governance is the backbone of responsible AI

AI use in HR and payroll is most effective in pay, performance, staffing and careers. These decisions must be fair, explainable and accountable and this is where many organisations are still early in their journey.

HR leaders in Norway (67%) and the UK (60%) are most confident about their responsible AI governance. Employees show highest trust in Spain (58%), Romania (58%) and Ireland (60%).

The lowest maturity countries also show lower trust, indicating governance is the basis of credibility.



“The question isn’t ‘can AI do this?’ but ‘should AI do this and with what controls?’”

**Gille Sebrechts**  
Chief Digital Officer at SD Worx

## Good governance is built on 4 essentials

01

**Reliable,  
clean  
data**

02

**Simple  
workflows  
AI can  
follow**

03

**Human  
accountability  
at every  
decision point**

04

**Explainability  
so employees  
understand  
outcomes**

### Key takeaways for HR leaders

These insights reveal how differently AI is being experienced across roles, age groups and countries. Adoption is advancing, but understanding of its impact is not always universal. What leaders do next will determine whether AI strengthens everyday work or adds new friction.

## Key takeaways for leaders

01

### **Start with outcomes**

Define measurable improvements, such as speed, accuracy, quality and experience before deploying AI. Be clear about what better work looks like for people and the organisation.

02

### **Redesign workflows**

Break roles down into tasks. Automate what slows people down and keep the parts that rely on human judgement.

03

### **Treat AI adoption as a behaviour change**

Support managers and involve employees early and clearly communicate how work will shift.

04

### **Preserve human expertise**

Keep critical knowledge inside the organisation and avoid over-embedding it into the systems.

05

### **Build governance and transparency**

Make AI observable and accountable by setting rules and showing how AI makes decisions.

## Chapter 2: Workforce planning is now unavoidable

### What workforce planning means in this report

In this report, workforce planning refers to how organisations align demand, capacity, cost and skills over time.

Operational workforce planning focuses on short-term capacity and scheduling, while strategic workforce planning looks ahead to ensure the organisation has the right skills, roles and capabilities for future business goals.

Workforce planning has moved to the centre of leadership discussions. Many organisations are still using tools and assumptions that no longer fit how work actually happens.

Over half

# 51.4%

of organisations now see workforce as a high or critical priority.

Another

# 35.3%

say it is a moderate priority.

Only

# 13.3%

still treat workforce planning as low priority.

Pressure is increasing from all directions, including staffing shortages, rising labour costs, continuity risks and uncertainty around how AI will change tasks. However, planning models often remain static.

This gap explains why workforce planning feels harder at the same time as it becomes more urgent.



“That whole ‘and-and-and’ story creates quite a lot of pressure.”

**Jan Laurijssen**  
HR Evangelist at SD Worx

## Top reasons workforce planning is urgent in 2026

48.2%

Ensuring sufficient staffing levels and scheduling efficiency

40.1%

Optimising workforce costs

39.2%

Improving service continuity and customer satisfaction

33.8%

Dealing with talent shortages and turnover

31.2%

Meeting compliance requirements

Workforce planning has not risen by accident. These drivers are practical and immediate. Leaders are responding to daily operational risk.



“How do we make sure the talent supply chain keeps running, so decisions don’t become ad hoc?”

**Jan Laurijssen**  
HR Evangelist at SD Worx

Without adequate workforce planning, organisations rely on short-term fixes. These decisions may feel manageable at first but create risk at scale.

## Urgency is rising faster than capability

Many organisations recognise the importance of workforce planning. Fewer feel fully equipped to act on it.



The charts suggest that organisations report decent progress. In practice, planning often remains high level.

Many organisations still rely on manual inputs and limited forecasting capability.



“Although the pressure is very real, HR is not yet well equipped to respond to it.”

**Jan Laurijssen**  
HR Evangelist at SD Worx

Without reliable data or forecasting models, workforce planning stays high-level. Many organisations still use planning approaches built for a more stable world of work.

### What this means for leaders

- Do not mistake awareness for readiness
- Check whether managers have access to timely, usable planning data
- Invest in forecasting and scenario skills before raising expectations

## Skills-based planning is visible, but uneven

As roles evolve and job titles become less precise, organisations are exploring skills-based planning. The intent is clear, but execution can be mixed.



“Skills-based planning is probably overestimated. The concept is visible, but execution is much less mature.”

**Jan Laurijssen**  
HR Evangelist at SD Worx

### What this means for leaders

- Be realistic about current skills data quality
- Focus first on a small number of critical skills or roles
- Link skills insights directly to staffing and resourcing decisions

For many organisations, skills-based planning exists as an idea but has not yet become practical process. As a result, workforce plans continue to focus on headcount and cost, rather than capability and workload.

## Internal mobility remains difficult to scale

Internal mobility should help solve shortages, but in practice it remains difficult.



“You need guardrails. Without them, it gets out of hand.”

**Jan Laurijssen**  
HR Evangelist at SD Worx

Only

**1 in 3**

Only one in three employees finds it easy to move roles internally.

Mobility works when organisations set expectations, from time-in-role rules and rotation levels to visibility of skills and shared ownership across departments.

### What this means for leaders

- Set clear rules for internal movement to protect continuity
- Align managers on shared responsibility for talent, not local ownership
- Track mobility outcomes, not just intentions

## Where planning breaks down

Many teams manage workload well within their own boundaries. Employees rely on direct managers and close colleagues to adjust schedules and priorities when pressure rises.

The gaps appear between teams.



“The flexibility is there within the team, but less across teams.”

**Jan Laurijssen**  
HR Evangelist at SD Worx

Without cross-team visibility and coordination, pressure shifts instead of easing. Organisations may appear staffed on paper, but bottlenecks begin to appear internally.

### What this means for leaders

- Look beyond individual teams when reviewing capacity constraints.
- Identify where work dependencies create pressure between teams.
- Create shared planning forums for cross-team coordination.

### Key takeaways for HR leaders

Effective workforce planning focuses on preparedness rather than prediction. It combines structure with flexibility and is grounded in shared responsibility. A small number of clear planning steps can help leaders move from intent to action.

01

**Start with the business need.**

Define the staffing and cost outcomes the organisation must achieve.

02

**Build a granular view of work.**

Teams plan better when they understand the tasks people do, the skills those tasks require and how workload changes over time.

03

**Make planning continuous.**

Rolling updates and live signals should replace static annual plans that become outdated too quickly.

04

**Plan for multiple outcomes.**

Scenario planning helps leaders act faster by setting clear triggers and responses for different possible conditions.

05

**Share accountability**

Planning works best when the business defines demand, finance sets boundaries, and HR turns this into a practical plan.



“People are being challenged on it by their CEO: what is the plan for the coming years?”

**Jan Laurijssen**  
HR Evangelist at SD Worx

**A practical workforce planning starting point**

- Project workforce size and cost five years ahead if nothing changes
- Check whether those people have the right future skills
- Decide where you hire, retrain or flex the workforce

## Chapter 3: Payroll at the core of how work runs

Payroll is one of the clearest ways organisations demonstrate reliability. Every employee interacts with it, every month.

In 2026, payroll has become a core part of organisational infrastructure. It sits at the point where pay, time, compliance and trust meet.



“Payroll is the trust checkpoint where your people systems converge. It powers the flow of work, data and accountability across the business.”

**Tarryn Lewis**  
Head of Portfolio International at SD Worx

When payroll works, it should go unnoticed. When it fails, the impact is immediate.

### Payroll is accurate for most employees

67% say payroll is accurate and reliable

69% say payslips are clear

yet risk remains for many organisations.

32% faced compliance issues in the past year

Reliability is the baseline expectation. What leaders do next will determine whether payroll quietly supports trust or creates avoidable risk.

#### What this means for leaders

- Treat payroll accuracy as a baseline requirement
- Address small inconsistencies before they scale into risk
- Recognise payroll as a visible test of organisational reliability

## Organisations don't feel ready for compliance

Many organisations report that there is a confidence gap in their ability to keep up with compliance requirements.

### Compliance readiness in European organisations

17%

rank labour law and compliance amongst their most urgent issues

32%

don't feel ready to adapt to new legislation

75%

prioritise data protection

but **only 63%** feel protected in the event of a breach

Compliance readiness is becoming a core capability test for organisations, covering how well they keep up with legal change and how confidently they protect sensitive workforce data.



“Compliance isn't a differentiator; it's the entry ticket. What sets providers apart is how deeply it's built into their systems and how quickly they adapt to change.”

**Tarryn Lewis**  
Head of Portfolio International at SD Worx

#### What this means for leaders

- Make compliance a routine with clear owners and audit-ready evidence
- Build legislative change into your operating rhythm with regular impact checks and controlled updates
- Treat data protection as an operational capability by testing access controls and breach response

## Why integration matters

Integration is one of the biggest opportunities in payroll. When systems do not connect, bottlenecks can build quickly.



“The biggest gap today is system connectivity. When payroll data hits a fragmented environment, trust erodes and you lose the ability to unlock value from it.”

**Tarryn Lewis**  
Head of Portfolio International at SD Worx

Aligned systems reduce errors, cut down reconciliation work and give teams the consistency they need to work confidently. Integration is how payroll becomes part of a single, reliable flow of people, time and pay data.

## Payroll delivery moves from services to outcomes

As payroll becomes more visible, more organisations are changing how they interact with it.

### Payroll sourcing models are changing

#### Managed Payroll Services (MPS)

43.9%  
today

47.2%  
in the next 3 years

#### Full BPO

6.2%  
today

10.2%  
in the next 3 years

#### Own software and people

18.8%  
today

14.4%  
in the next 3 years

This shift changes what payroll teams need to be good at. When more of the delivery is shared or external, internal capability moves towards oversight, governance, and performance management.



“It’s less about outsourcing services and more about outsourcing the outcome. Today’s organisations aren’t buying services, they’re buying certainty.”

**Tarryn Lewis**  
Head of Portfolio International at SD Worx

### What this means for leaders

- Choose a payroll model based on governance and accountability
- Set clear outcome measures for accuracy, timeliness, compliance, and employee experience
- Build internal capability for oversight and control

## Key takeaways for HR leaders

Payroll is a visible test of organisational reliability because it sits where pay, time, compliance and trust meet. The takeaways below summarise the most important actions HR leaders can take to improve reliability and make payroll a stronger part of the backbone of work.

01

### **Treat payroll as core infrastructure**

Position payroll alongside HR and finance systems as business-critical

02

### **Strengthen trust through clarity and consistency**

Ensure payslips, communication and processes are easy to understand and reliable

03

### **Build compliance and cyber security readiness**

Invest in systems and expertise that can adapt to regulatory change and protect sensitive data

04

### **Integrate payroll across systems**

Connect payroll with HR, time and finance platforms to reduce fragmentation

05

### **Use payroll data to inform decisions**

Leverage payroll insights to support workforce planning, cost control and reward strategy

## Chapter 4: Build trust and engagement with pay transparency

Pay transparency is becoming a defining factor in how people understand fairness at work. It influences how employees judge their employer, how managers hold conversations about pay and how organisations prepare for regulation.

Many organisations believe they are prepared for the EU Pay Transparency Directive, and investment levels reflect this confidence.

### Compliance readiness and investment levels

62%

of employers say they have everything in place to comply

54%

say they are actively investing in greater pay transparency

### The employee awareness gap

Employee confidence does not match employer readiness.

34%

of employees say they understand the Pay Transparency Directive or their rights.

This gap weakens trust before transparency is fully implemented.

When people do not understand what transparency means, they fill the gaps themselves.



“

“Many people still think they will be able to see colleagues’ salaries or their manager’s salary. That is not the case. The absence of clear explanation creates false expectations.”

**Virginie Verschooris**

Reward & Data Content Manager at SD Worx

### What this means for leaders

- Explain transparency in plain, practical terms.
- Address what transparency includes and what it does not
- Repeat explanations consistently to reinforce knowledge

## Pay transparency and retention

Employees want clarity about how pay is set and how decisions are made. Transparency influences whether people stay with an organisation or choose to join it.

### How important is pay transparency to you when choosing to join or stay at an organisation?

25.3%

rate it as very important

38.6%

say it is important

25.9%

are neutral

6.2%

say it is unimportant

4%

say very unimportant

This positions transparency as a key driver of attraction and retention, alongside pay itself.



“Companies assume they pay correctly. Employees do not experience it like that, and that gap is exactly where transparency becomes critical.”

**Brecht Mangelschots**  
Reward Manager at SD Worx

#### What this means for leaders

- Treat transparency as part of the employee value proposition
- Ensure external messaging matches internal reality
- Recognise transparency as an ongoing process

## Fixing the gender pay gap

Perceptions of fairness remain uneven. While employers often believe they pay fairly, employees are less certain.

**2 in 5**

organisations  
acknowledge having  
a gender pay gap.

That recognition matters, because it shows gaps are being identified internally. Employee awareness, however, is lower. **Only 27%** of employees believe there is a gender pay gap in their organisation.

Confidence in action is also limited. **39%** of employees believe their employer is committed to closing pay gaps. Recognition and belief vary strongly across countries and between gender groups, reinforcing how differently pay fairness is experienced across Europe.

This perception gap matters. Transparency does not create fairness on its own. It reveals whether fairness is experienced consistently.

### What this means for leaders

- Use transparency to identify trust gaps
- Combine data disclosure with visible corrective action
- Track perception as closely as pay outcomes

## Managers carry the weight of transparency

As transparency increases, managers play a central role. They are expected to explain pay decisions, handle questions and manage disappointment within limited budgets.

This is why manager preparation is critical.



“You can fix a lot with communication, but you can also destroy a lot. Managers need the language and confidence to explain pay decisions properly.”

**Brecht Mangelschots**  
Reward Manager at SD Worx

Without clear guidance and support, managers become a pressure point in the transparency journey.

### Key takeaways for HR leaders

Pay transparency is becoming a core trust mechanism in organisations. While many employers feel prepared for regulation, employee understanding and confidence lag behind. Transparency works when it is built on structure and explained clearly by capable managers.

## Key takeaways for leaders

01

### **Build clear job and pay structures**

Create consistent job families, levels and ranges.  
Transparency depends on structure.

02

### **Strengthen governance**

Define decision rules, review pay data regularly and assign clear ownership.

03

### **Prepare managers**

Help managers understand how pay decisions are made and give them the language to explain them clearly.

04

### **Communicate early and openly**

Explain what transparency includes and what it does not. Set realistic expectations for employees.

05

### **Balance fairness with affordability**

Use targeted, cost-controlled adjustments that enhance fairness. Support financial wellbeing with guidance and clarity.

## Chapter 5: Employee experience: one in four are dissatisfied at work

Employee experience is where the pressures across AI, planning, payroll and reward become visible in people's day-to-day reality.

If the backbone of work is strong, employees feel it in the basics: manageable workloads, clear priorities and a sense that work is sustainable. But the data suggests those foundations are shaky for a significant minority.



These results are an early warning signal that the day-to-day system of work isn't holding consistently for everyone.



“Work will always have positives and negatives. Technology should help people do their work better, but it will not remove the challenges.”

**Jason Pridmore**  
Professor of Human Centric AI and Society at Erasmus University Rotterdam

## The hidden strain at work

Employees report several areas where their wellbeing and experience remain vulnerable.

### Experience pressure points

22%

say work is having a negative impact on their mental health

23%

say their manager's behaviour is toxic or damaging to their work

46%

feel their talents are fully used

These results show that leadership behaviour and underutilisation continue to shape how people feel inside the organisation. They also explain why workforce planning, clarity in pay, and stronger systems directly influence the employee experience.

#### What this means for leaders

- Set clear expectations for manager behaviour and communication
- Strengthen the basics employees value most, including fair pay, security, and workable workloads
- Track and address mental health impact and harmful manager behaviour early

## What matters most for employees

Employees report the following factors, based on stability, fairness, recognition and support, create a positive experience.

### Top 10 drivers of employee experience



Employees place fair pay and job security at the top because these are the clearest signals of stability and fairness in day-to-day working life.

The next tier in the list focuses on what makes work sustainable, including supportive colleagues, recognition, work-life balance and respectful culture.

Overall, this points to a preference for reliable foundations rather than headline benefits.

#### What this means for leaders

- Focus first on the foundations employees value most, such as fair pay and job security
- Set expectations for recognition and workload planning
- Build for consistency, then track whether people feel used well and sustainable

## Key takeaways for HR leaders

Employee experience is less about perks and more about whether work feels sustainable day to day. When workloads and manager behaviours aren't consistent, dissatisfaction rises even if the overall sentiment is 'everything is fine.' The takeaways below outline the actions leaders can take to stabilise experience and protect performance.

01

### **Diagnose work design and workload**

Assess where roles, expectations and capacity are misaligned and take action to rebalance work

02

### **Strengthen manager capability and accountability**

Equip managers to support wellbeing, set clear expectations and create safe team environments

03

### **Clarify priorities and performance expectations**

Reduce ambiguity by defining what matters most and how success is measured

04

### **Act on talent underutilisation**

Identify where skills are not being fully used and redesign roles or pathways to improve deployment

05

### **Align rewards and benefits with employee priorities**

Focus on fair pay, security and financial wellbeing alongside broader experience initiatives, such as building consistent recognition and feedback

# Conclusion: Strengthening the backbone of work

**This report shows a European workplace that is shifting, and organisations are looking for steadier ground.**

The five areas in this report give leaders a practical way to strengthen the backbone of work: redesign tasks with AI in mind, plan with better data, treat payroll as core infrastructure, explain pay decisions clearly and keep a close eye on how people experience work.

None of these steps are complicated on their own, but together they help organisations stay steady in a year where the ground continues to shift.

This is the reality check for Europe – stability is built through disciplined delivery of the basics.

Reliable payroll and workable workforce plans reduce avoidable disruption, and clear pay decisions help protect trust when conditions stay tight.

A stronger backbone doesn't remove the pressure, but it does give organisations more confidence to handle whatever comes next.

## Interested in learning more?

Check out the [SD Worx Research Institute website](#) for more insights about the European workplace.

# Appendix

**Table 1. Sample Size**

	Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
Number of HR leaders	5936	335	300	301	300	460	301	313	575	304	300	300	300	581	589	322	305
Number of employees	16500	1011	1013	1029	1014	1516	1017	994	1003	971	989	978	987	1000	990	990	998

**Table 2. Industry Sector Breakdown**

employers	Total
Agriculture, Forestry, Fishing, and Mining	2.8%
Manufacturing & Industry	25.4%
Commercial Services	42.5%
Public Sector & Non-Profit	22.9%
Other	6.4%
<b>employees</b>	
Agriculture, Forestry, Fishing, and Mining	2.0%
Agriculture, Forestry, Fishing, and Mining	2.0%
Manufacturing & Industry	22.0%
Commercial Services	37.2%
Public Sector & Non-Profit	28.9%
Other	9.9%

**Table 3. Geographical Focus**

employers	Total
International	44.2%
Domestic	55.8%
<b>employees</b>	
International	32.6%
Domestic	67.4%

**Table 4. Organisation Size**

employers	Total
<250 employees	41.7%
250-2499 employees	25.9%
2500+ employees	32.4%
<b>employees</b>	
<250 employees	45.9%
250-2499 employees	20.7%
2500+ employees	17.6%
Don't know	15.8%

**Table 5. HR's growing strategic role opens a path to organisational leadership – Employer Agreement**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
61.5%	59.5%	43.3%	62.3%	60.2%	57.1%	68.7%	63.6%	69.4%	64.5%	65.9%	62.0%	66.1%	60.8%	58.7%	54.8%	68.0%

**Table 6. Which HR challenges do you consider the most urgent for your organisation?**

	2025	2026
Employee well-being	27.6%	26.8%
Employee retention and turnover	24.8%	23.8%
Talent acquisition and recruitment	24.1%	22.0%
Employee experience and engagement	23.3%	21.6%
Flexible working	21.5%	20.2%
Compensation & benefits	21.7%	19.2%

**Table 6. Which HR challenges do you consider the most urgent for your organisation?**

	2025	2026
Workforce planning	16.1%	18.7%
Skill gaps, upskilling and reskilling	17.2%	18.5%
Conflict resolution and employee relations	17.5%	18.1%
Internal communication and transparency	20.8%	17.8%
Compliance with labour laws and regulations	16.9%	17.1%
HR and personnel budget constraints and cost control	14.0%	14.0%
Diversity, equity and inclusion	13.8%	13.7%
Automating HR processes and digital transformation	12.4%	13.6%
Payroll optimisation	14.2%	13.4%
Performance management and feedback systems	13.9%	12.8%
Organisational and cultural change	11.7%	12.7%
Internal mobility and career management	12.7%	12.0%
Application of AI in HR	10.8%	11.6%
Personalisation of HR	10.6%	11.4%
Ageing and senior citizens' policy	12.2%	10.4%
Data-driven decision-making in HR	9.5%	9.9%
Staying ahead of legal changes	10.8%	9.8%
Mobility (commuting) and accessibility	11.8%	9.8%
Cross-generational workforce dynamics	11.1%	8.7%
Employer branding	8.7%	7.1%

**Table 7. AI adoption vs Impact Across Europe – Employer Agreement**

The organisation is actively exploring the potential of AI for the workplace.

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
54.0%	52.7%	31%	55.1%	45.8%	48.4%	62%	53.8%	64.6%	59.5%	53.7%	40.3%	59.2%	52.2%	57.1%	57.9%	64.8%

The organisation is investing in AI to support the workplace.

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
50.5%	49%	30.9%	45.4%	43.7%	47.8%	59.4%	46.8%	67.8%	55.3%	50.2%	33.9%	50%	50.1%	55.8%	50.1%	58.6%

The organisation has scaled AI, with solutions now implemented and operational across different business units.

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
42.0%	34.7%	24.6%	45%	26.9%	40.3%	44.2%	42.5%	57.9%	45%	44.8%	32.9%	41.9%	46.3%	48.5%	32.1%	46%

The organisation has seen already significant outcomes from using AI in HR.

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
40.1%	32.3%	25.8%	29.8%	33.5%	31.6%	47.1%	39.9%	58.9%	42.8%	44.8%	35.3%	36.5%	43.7%	44.6%	34.2%	41.6%

**Table 8. AI Use and Readiness Across Age Groups**

I regularly use AI tools to support my work.	Total	I am increasingly using AI tools in my daily tasks.	Total	My organisation helps me build the skills needed for an AI-driven future.	Total
<25	36.9%	<25	40.6%	<25	26.6%
25-34	38.3%	25-34	40.3%	25-34	29.7%
35-49	29.9%	35-49	32.4%	35-49	23.2%
50-64	21.1%	50-64	24.3%	50-64	17.0%

**Table 9. The organisation is investing in reskilling and upskilling its employees to prepare for the AI-driven future.**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
43.8%	44.8%	32.3%	40.3%	36.6%	45.8%	49.7%	44.4%	53.3%	48.2%	42.0%	30.9%	39.5%	44.5%	44.6%	42.8%	50.8%

**Table 10. My organisation helps me build the skills needed for an AI-driven future.**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
22.9%	21.4%	14.6%	24.2%	20.0%	23.8%	30.6%	21.2%	23.5%	29.7%	30.3%	15.0%	20.6%	18.8%	18.2%	24.7%	30.1%

**Table 11. Ideally, what should be the balance between automation and human involvement in each of the following HR and payroll areas? Please indicate the approximate share of each – the three percentages should add up to 100% per row.**

	Fully automated	Human + technology	Fully human
Recruitment	20	36	44
Employee onboarding	22	35	43
Learning and development	25	41	34
Internal mobility and career management	22	37	40
Employee engagement and experience	21	34	44
Performance management	26	39	35
Workforce planning and scheduling	26	39	35
Time & attendance / Time tracking	44	33	23
Compensation and rewards	27	38	35
Diversity and inclusion initiatives	23	35	41
Employee well-being and mental health support	19	30	51
Payroll management	35	40	24
Compliance management	29	40	31
HR support and service delivery to employees	24	39	37
Organisational design	26	40	33
Reporting and analytics	37	38	24

**Table 12. I am concerned that AI could make a significant part of my tasks redundant.**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
25.4%	24.4%	19.3%	18.4%	29.1%	23.3%	32.8%	30.0%	17.6%	34.4%	30.1%	22.7%	21.2%	31.5%	21.3%	22.4%	29.5%

**Table 13. I trust my organisation to use AI in a fair and ethical way.**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
52.1%	48.3%	49.2%	57.0%	41.2%	53.3%	59.7%	38.3%	60.0%	56.8%	58.0%	43.0%	51.2%	57.5%	48.9%	55.8%	54.3%

**Table 14. The organisation has governance in place to ensure AI is used ethically and responsibly in HR**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
47.1%	40.2%	34.3%	41.1%	36.3%	44.2%	56.8%	48.6%	66.8%	48.9%	46.9%	37.5%	42.3%	47.5%	46.5%	42.0%	59.9%

**Table 15. How important is workforce planning in your organisation today?**

**Critical/High priority**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
51.4%	49.30%	47.6%	34.8%	38.5%	53.70%	59.50%	61.40%	55.80%	50.30%	54.30%	45.9%	44.9%	49.30%	56.80%	53.00%	59.70%

**Moderate priority**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
35.3%	38.4%	43.10%	53.10%	39.1%	34.3%	29.1%	26.0%	31.4%	35.8%	31.3%	42.20%	41.80%	34.2%	32.3%	31.4%	28.6%

**Low/no priority**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
13.3%	12.2%	9.2%	12.1%	22.40%	12.0%	11.4%	12.6%	12.9%	13.8%	14.4%	11.9%	13.2%	16.5%	10.9%	15.6%	11.6%

**Table 16. What are the main reasons why workforce planning is a priority for your organisation?**

Employers	Total
Ensuring adequate staffing levels and scheduling efficiency	48.2%
Optimising workforce costs	40.1%
Improving service continuity and customer experience	39.2%
Talent shortages and rising turnover	33.8%
Meeting regulatory and compliance requirements	31.2%
Balancing permanent and flex workers	30.3%
Anticipating retirements and demographic changes	27.0%
Adapting to flexible and hybrid work models	26.8%
Preparing for automation and AI	26.1%
Expansion into new markets	25.2%

Managers have the tools and data they need to plan workforce capacity effectively. (employers)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
60.8%	49.2%	46.6%	50.7%	52.4%	57.5%	70.40%	58.1%	73.90%	61.70%	68.90%	56.3%	56.2%	65.40%	61.80%	62.10%	67.90%

The organisation shifts its workforce planning from job roles to skills and capabilities. (employers)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
55.3%	47.9%	46.2%	41.4%	55.1%	51.4%	61.90%	54.0%	68.50%	59.40%	60.50%	53.0%	54.2%	54.3%	55.10%	52.7%	63.10%

Our workforce planning is aligned with business strategy and future growth priorities. (employers)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
63.5%	54.3%	54.8%	58.2%	57.8%	59.8%	67.1%	56.4%	76.40%	65.4%	71.20%	63.7%	55.1%	65.0%	59.8%	68.0%	75.70%

My organisation makes it easy to explore internal jobs, roles or projects that match my skills and interests. (employees)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
34.0%	30.4%	28.5%	32.2%	30.6%	32.6%	47.3%	31.4%	32.3%	28.3%	41.7%	30.3%	33.3%	24.4%	33.0%	42.0%	46.2%

**Table 17. Payroll**

My organisation handles payroll accurately and reliably. (employees)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
67.2%	68.3%	67.5%	74.7%	57.2%	76.7%	77.9%	60.5%	67.2%	63.8%	60.9%	63.7%	57.5%	60.8%	64.7%	72.8%	75.7%

My payslip is easy to read and understand. (employees)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
68.6%	67.0%	64.4%	73.5%	57.7%	72.0%	80.5%	57.2%	76.1%	67.9%	73.4%	64.1%	56.9%	63.7%	72.8%	70.0%	79.0%

The organisation experienced payroll-related compliance issues or audit findings in the past 12 months (employers)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
31.9%	28.5%	22.6%	26.5%	22.2%	27.0%	45.3%	33.1%	48.4%	29.5%	32.6%	22.6%	32.7%	30.3%	29.9%	29.3%	42.1%

**Table 18. Compliance and Security**

The organisation can adapt effectively to new legislative and compliance requirements in payroll and HR. (employers)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
68.4%	66.9%	69.6%	67.7%	64.3%	64.0%	67.9%	64.2%	75.5%	74.3%	75.2%	65.6%	67.4%	69.5%	64.6%	63.1%	78.2%

Protecting employee data is a top priority for our HR and payroll function. (employers)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
75.2%	73.8%	73.2%	71.7%	74.3%	77.0%	80.2%	70.7%	82.0%	73.5%	78.5%	76.7%	70.8%	76.0%	70.0%	69.9%	82.9%

**Table 19. Pay transparency**

The organisation has everything in place to comply with the EU Pay Transparency Directive. (employers)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
62.0%	58.3%	50.7%	56.8%	53.4%	65.8%	67.8%	63.6%	69.5%	64.0%	65.9%	54.3%	65.5%	64.4%	59.1%	64.7%	63.0%

The organisation is investing in greater pay transparency.. (employers)

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
54.4%	51.8%	46.2%	32.8%	47.0%	43.2%	68.9%	55.1%	67.7%	65.3%	60.0%	44.2%	56.8%	56.7%	53.8%	55.4%	61.0%

**Table 20. I am aware of the EU Pay Transparency Directive and what it means for my rights.****(employees)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
34.2%	29.6%	44.8%	29.4%	33.3%	31.1%	40.8%	40.1%	23.6%	41.7%	55.7%	30.0%	40.7%	22.8%	25.9%	30.2%	29.4%

**Table 21. How important is pay transparency in your decision to stay with or join an organisation?****Very important (employees)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
25.3%	17.0%	31.2%	15.4%	17.9%	18.7%	34.4%	21.2%	17.2%	31.8%	43.7%	29.7%	32.4%	31.5%	17.2%	16.1%	32.4%

**Important. (employees)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
38.6%	41.5%	37.6%	42.1%	34.7%	39.4%	39.0%	37.4%	33.6%	42.0%	34.2%	40.4%	40.2%	37.4%	34.4%	44.4%	39.8%

**The organisation acknowledges having a gender pay gap.(employers)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
38.9%	28.4%	27.9%	35.9%	33.4%	31.2%	49.3%	44.8%	56.5%	36.3%	40.1%	30.2%	35.7%	40.6%	42.1%	34.8%	42.2%

**I believe the organisation is committed to closing pay gaps. (employees)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
38.7%	35.6%	33.2%	33.7%	30.8%	35.9%	50.4%	31.9%	59.9%	38.5%	37.5%	35.6%	34.2%	38.9%	35.1%	41.9%	46.8%

**Table 22. Employee experience****Overall, I am not fully satisfied with my work (employees)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
27.1%	31.4%	32.5%	29.1%	32.6%	24.0%	23.7%	37.2%	22.0%	27.1%	22.1%	22.8%	26.1%	32.7%	24.6%	20.4%	27.0%

**I am not fully satisfied with my work-life balance. (employees)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
47.9%	46.5%	54.3%	43.0%	45.8%	51.9%	43.1%	51.8%	41.1%	42.2%	46.5%	60.6%	56.7%	53.4%	48.4%	33.8%	44.9%

**Working in this organisation is negatively affecting my mental health.(employees)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
21.7%	22.4%	21.9%	17.9%	23.3%	19.1%	23.2%	22.2%	20.9%	29.9%	19.6%	20.6%	20.1%	23.7%	24.0%	18.7%	21.8%

**My manager's behaviour has a toxic or damaging impact on the team.. (employees)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
22.8%	22.2%	22.9%	16.7%	26.1%	19.9%	21.4%	27.5%	23.4%	24.0%	22.8%	24.3%	23.3%	26.6%	22.4%	20.8%	22.2%

**I feel my talents and potential are being fully used in my current role. (employees)**

Total	BE	HR	FI	FR	DE	IE	IT	NO	PL	RO	RS	SL	ES	SE	NL	UK
46.0%	43.7%	42.1%	44.3%	44.2%	40.1%	57.2%	38.3%	49.2%	46.5%	56.5%	49.0%	42.3%	39.4%	44.9%	50.6%	51.1%

**Table 23. What are the five things that matter most to you at work?**

Employees	Total
Fair and competitive pay	53.0%
Job security and stability	49.9%
Supportive colleagues and team atmosphere	43.4%
Recognition and appreciation for good work	38.8%
Support for work-life balance (e.g., reasonable workload, flexibility, time off)	37.8%
A healthy and respectful workplace culture	36.0%
Convenient commute / workplace location	34.7%
A sense of purpose or meaning in my work	31.5%
Autonomy in how I do my work	26.5%
Opportunities to learn and develop	25.6%
Fair, transparent, and supportive leadership	24.5%
Clear communication about goals, expectations, and changes	23.6%
Opportunities for career progression	23.2%
A workplace culture that aligns with my values	19.7%
Tools and technology that make my job easier	16.6%
A voice in decisions that affect my work	15.2%