

HR & Payroll Pulse 2026

A Reality Check for Europe

Designing AI-Enabled Work



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Introduction

AI adoption in Europe has moved from the experimental, ad-hoc phase to more strategic and day-to-day implementation. Companies across Europe are embedding generative tools in their processes. However, there is growing uncertainty around the tangible value of this investment.

There is no doubt in 2026 that organisations are using AI, but faced with the question of whether AI is worth it, HR and payroll leaders now have to figure out how they can redesign work, governance and capabilities to make this accelerating technological adoption sustainable.

While many organisations see AI as a way to add efficiency and output with fewer people, long-term success may come from using AI to repurpose human capability towards higher-value work, motivation, creativity, and growth.

This report uses data from the 2026 HR & Payroll Pulse to highlight the current gaps between exploration and scale, investment and impact, and intention and adoption. It provides insight into how organisations are embedding

AI into workflows and the gulf between ambitions and measurable outcomes.

About the research

The HR & Payroll Pulse Report is the largest annual research project on HR in Europe. As the flagship resource from SD Worx Research Institute, it provides evidence-based insights to help HR and payroll specialists enhance their day-to-day operations and long-term strategies. It also helps leaders and teams understand the field now and anticipate critical trends.

The 2026 report focuses on five key themes: HR challenges, payroll, time & planning, reward, and AI, plus how each trend affects organisations and their people.

Based on the research, SD Worx Research Institute is also releasing four specialised reports to give more detail into several of these topics. This report provides a unique and detailed perspective on generative AI's impact on HR and payroll and best practices for sensible AI implementation.



“I think we’ve hit the moment where hype has shifted to the reality of a much more practical and pragmatic approach to AI in the workforce.”

Jason Pridmore

Professor of Human Centric AI and Society at Erasmus University Rotterdam

2026 research scope

Scope: Belgium, Croatia, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Romania, Serbia, Slovenia, Spain, Sweden, and the United Kingdom.

Target groups: Decision-makers in HR management and employees, covering 5,936 HR leaders and 16,500 employees.

Data collection: Anonymous online survey conducted among the international panel of Bilendi Group and analysed by our SD Worx Research Institute experts.

Key takeaways

In 2026, **54%** of organisations are actively exploring the potential of AI in the workplace and **50.5%** are investing in it. That's a marked change from **41.7%** and **38.4%** in 2025, respectively.

01

For the first time, most organisations are exploring AI (54%) and investing in it (50.1%) to support the workplace. AI is also becoming part of daily work gradually.

02

While around 40% of organisations report significant outcomes from AI use, most are struggling to turn investment in AI into impact.

03

AI's real value comes from redesigning work. More than four in 10 organisations are actively redesigning workflows to fit AI adoption, shifting people towards higher-value work rather than automating what's already there.

04

More than half of HR leaders say their organisations encourage AI use, but only 46% believe employees have the skills to work with AI tools and only 29% of employees use AI regularly in daily work. Adoption depends on proper enablement and change guidance.

05

Governance is finally catching up, but trust still lags. Half of organisations have established governance structures to ensure ethical and responsible AI use. Only one in two employees trust their organisations to use AI fairly.

AI as digital ally in the workplace

Over the past 12 months, AI adoption has matured in two key ways. Instead of using AI as a tool, people are embedding it into workflows as a teammate. It now acts as a copilot, assistant, and, increasingly, autonomous agent.

40% of organisations report seeing significant outcomes from using AI in HR already

At the same time, leaders are expecting more from AI use cases and applications. There's increased pressure on measurable outcomes, rather than pilots.

These trends seem to reinforce one another. Embedding AI in work makes it easier to track impact like improved service quality and manager capacity. It also reveals whether organisations are anchoring AI in real workflows and implementing it at scale.

So, while a substantial share of companies report favourable outcomes from AI use, the majority still aren't seeing meaningful results.

Why organisations aren't seeing tangible outcomes from AI yet

Company culture and ways of working not yet compatible with AI	35.6%
Insufficient internal skills or expertise to implement and manage AI effectively	31.6%
Lack of a clear AI strategy or business case	29.7%
Resistance to change among employees or leaders	26.5%
Outdated organisational or work designs not suited to AI-driven ways of working	23.6%
AI initiatives not aligned with business priorities	23.2%
Legacy systems that block or slow AI integration	21.3%
Poor data quality or access to the right data	19.9%
Difficulty measuring the ROI or business impact of AI	17.7%
No focus on AI in general	13.3%

Even though there is clear excitement around AI and automation, there are many factors keeping individuals and organisations from gleaming tangible value from the technology, despite its ongoing integration into varying systems and flows.

More than 1 in 3 (35.6%) organisations say their company culture and ways of working are not yet compatible with AI, and 31.6% cite insufficient skills and expertise internally. There is also considerable resistance to change among stakeholders and legacy systems at work. Also, a substantial share of companies are finding it challenging to measure AI's actual business impact.



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“AI is no longer a future topic or a buzzword, but a reality of today’s business landscape. What is surprising is the persistent gap between ambition and impact: only 40% report significant outcomes.

This suggests that while AI has moved beyond pilots, value creation remains constrained by old ways of working. It reinforces the view that non-technical factors such as skills, culture, operating models and change readiness, are often the biggest barriers to progress.”

Gille Sebrechts
Chief Products & Technology at SD Worx

Redesigning work while maintaining trust

Most value from AI comes from redesigning work end-to-end, rather than automating isolated tasks. In many cases, implementing AI can lead to fewer handovers, smarter case routing, and clearer ownership.

However, bringing AI into operational processes, especially in HR and payroll where work becomes real for many employees, is not always so smooth. People need to trust the systems in which they work. AI can promise productivity, but remove agency from decision-making and more generally change the perception of those systems from human-made and transparent to a bit of a technological black box.

However, while AI can make these and other processes faster and in some cases smarter, the technology can also add a layer of uncertainty. You risk building a black box around human-made systems.

Employees and leaders both need to understand how processes work and what may cause problems. AI can fix problems, of course, but explanations are often missing, which leads to dependencies on the technology and potential further issues.

If employees don’t trust the system, AI adoption grinds to a halt and the chance of risk increases. Explainable AI is an important step here.

43% of organisations are redesigning their HR operating model for better human and AI collaboration, while **45%** are redesigning work and workflows due to AI and automation.

It's key to note that HR domains are all different in terms of risks and precision. AI can help employees understand payslips and spot payroll issues, for instance, while also providing payroll professionals with more robust toolkits to extract insight from all this data.

Core processes like calculating salary and tax are rules-based and non-negotiable in terms of accuracy and accountability, so they need humans at the helm. Results have to be consistent, traceable and compliant. In contrast, tasks like answering employee questions and spotting anomalies are ideal jobs for AI. Using AI to track payroll decisions can also help uncover potential inconsistencies for future audits.

The point isn't choosing to use AI or not, it's selecting the right AI for each job and designing reliable, transparent, and accountable systems.

Practical steps:

- **Focus on what you can do with the time AI frees up for you and make human-centric decisions.**
- **Onboard AI platforms that you can explain to your employees.**
- **Bring your employees into AI development discussions.**
- **Break down tasks to see what you can automate and augment, and what should remain primarily human.**

HR's highest priorities for AI use and development

Time & attendance / Time tracking	31.3%
Reporting and analytics	28.2%
Payroll management	27.2%
Workforce planning and scheduling	26.9%
Learning and development	25.3%
HR support	23.3%
Recruitment	22.9%
Performance management	22.5%
Compensation and rewards	21.8%
Compliance management	21.5%

Presently, organisations are planning to use AI for time & attendance (T&A) tracking, payroll, workforce planning, and learning & development, while some have already started using AI for these tasks.

Nearly one in three organisations prioritise applying AI to time tracking, 28.2% of organisations list reporting and analytics as a high priority. There is also an increased reliance on AI, with many organisations saying that AI and automation have reduced the need for certain roles and tasks.

More specifically:

- **45.1%** of organisations expect to operate with a smaller workforce in the coming years.
- **40.8%** of organisations expect to reduce the size of their HR function over the next year.
- **47%** say AI and automation have reduced the need for certain roles or tasks.
- **36.5%** say their organisation relies increasingly on AI to boost productivity, rather than hiring more staff.

Of course, these trends don't suggest that HR leaders or organisations in general are looking to replace human workers immediately or in earnest.

While certain tasks may become obsolete or be automated, new tasks will arise for employees. Also, the pervasive narrative of AI taking away jobs en masse hides the other factors impacting the decision to cut workforces, including too much growth in previous years and other cost pressures.

Pulse data shows that there is an increased focus on balancing human and AI in the workplace, at least in sentiment. In making the shift towards extensive AI and automation adoption, organisations need to think deliberately about how roles, skills, and ways of working can be redefined. Retaining a human workforce is part of that deliberation.



"If your foundations are not in the right state—your workflows, your governance, your data—AI will amplify the problems. You [may] actually increase your risk."

Tarryn Lewis
Head of Portfolio International at SD Worx

HR departments want to balance AI and human work

As organisations embed AI into daily work, deploying the technology ceases to be the main constraint. What's more important to watch is whether employees actually change how they work, which in turn reflects how well AI is introduced into workflows.

Nearly half organisations believe their people have sufficient AI skills already.

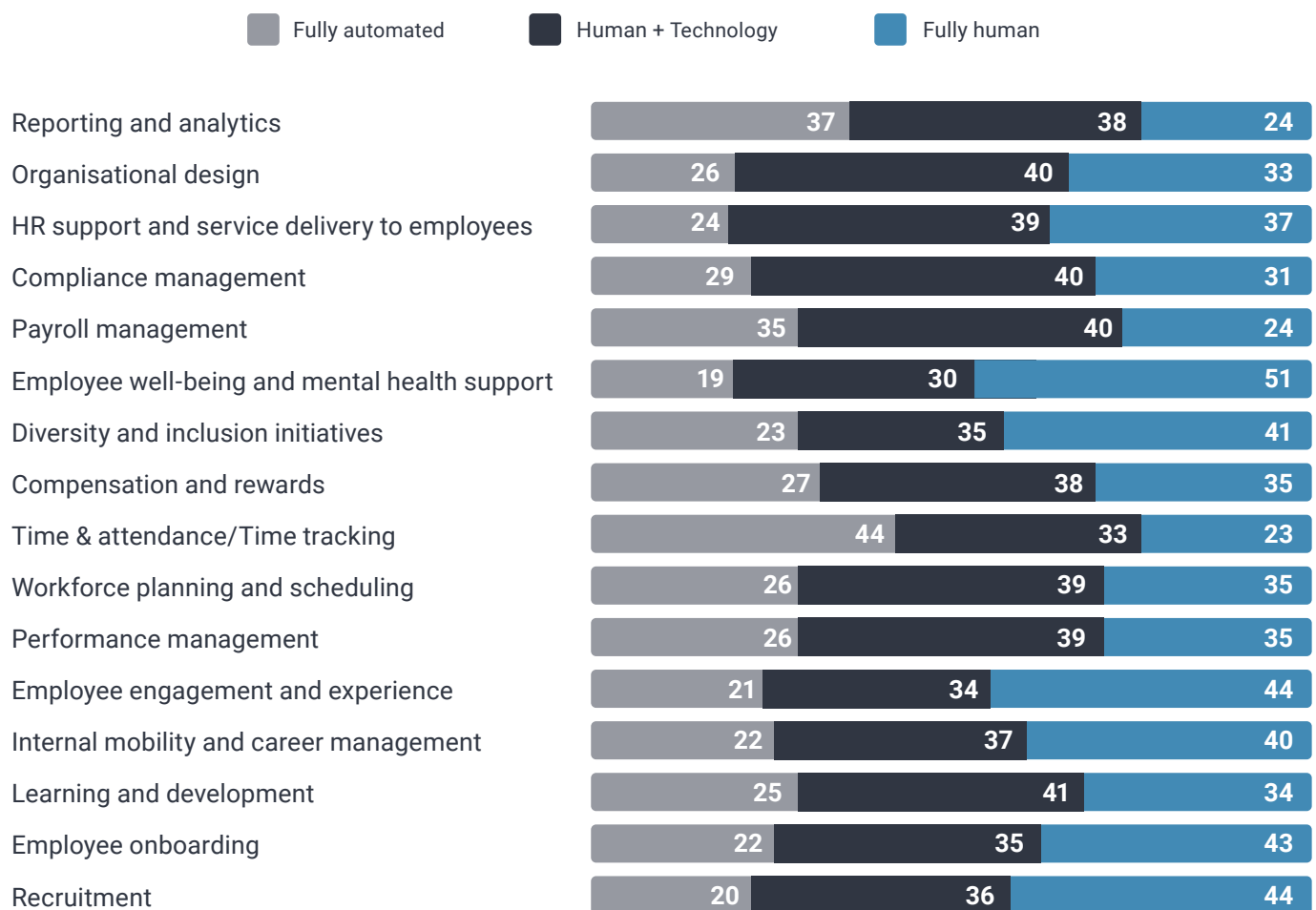
- **52.6%** of organisations encourage the use of AI in the workplace.
- **46%** say their employees have the skills to work with AI tools effectively.
- **43.8%** are investing in reskilling and upskilling employees to prepare for the AI-driven future.

Building AI teammates, redesigning ways of working, and building robust governance frameworks are all well and good, but value only comes when employees understand how to use it all confidently and responsibly.

The disconnect between intention and application could be why organisational intent is high, with adoption remaining uneven across Europe.

Organisations finding the balance between automation and human work

What balance between automation and human involvement do you prefer?



On the employee side, there are now more use cases and people are increasingly using AI. Confidence in the technology and how it's being implemented varies, though.

How employees use AI and perceive its implementation

I regularly use AI tools to support my work	29.3%
I am increasingly using AI tools in my daily tasks	31.9%
AI has improved the ability to perform my job effectively	26.7%
I sometimes feel insufficiently skilled in using new technologies at work	27.2%
My organisation offered AI-related training which I attended last year	20.8%
My organisation helps me build the skills needed for an AI-driven future	22.9%
The organisation is actively guiding employees through the AI transition	22.5%

Only around three in ten employees say they use AI tools regularly, and a smaller share of employees feel AI has improved how effective they are at their work. At the same time, nearly a third of employees admit they sometimes feel they lack sufficient skills with AI, though 20.8% attended AI training in the past 12 months.

These shares are substantially higher among employees who define themselves as AI users. For instance, 77% of AI users are bringing AI into daily tasks more and more, and 67.9% say that AI has improved their ability to perform their jobs effectively.

The gulf between AI users and non-AI users tends to be quite high when looking at daily AI use and job effectiveness. These two camps are closer in how they perceive redundancy and their unique human skills. 38.1% of AI users and 19% of non-AI users are concerned that AI could make a significant part of their tasks redundant, while around 3 in 4 (74% and 72.8%, respectively) believe AI can't replace their unique human capabilities.

HR leaders and departments are uniquely positioned to offer training, guidance, and workflow integration that will help define how people use and derive value from AI.



“HR could play a huge role in balancing the two worlds: supporting business objectives while also making sure people are better equipped and supported. A competitive organisation needs both good systems and good people.”

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

Proper governance builds confidence and trust

Governance around AI and its fast-moving integration into daily operations has to go beyond principles. The aim for organisations should be to make governance a working system with clear rules, controls, audit trails, monitoring, escalation paths and oversight of third-party vendors.

“We use AI responsibly” is no longer enough. Companies have to prove this responsible usage, manage it and be ready to correct any issues.

Governance is also more than a compliance play. It gives leaders and employees confidence that their organisations are employing AI with robust boundaries, especially when it comes to sensitive processes with real impact on people.

The question remains of how far along companies in Europe actually are in terms of AI governance.

A large, bold, dark blue '47%' is displayed on a light blue background with abstract geometric shapes. To the right of the percentage, there is a block of text explaining the statistic.

47%

of organisations say they have governance in place to ensure AI is used ethically and responsibly in HR. Around half (52%) of employees trust their organisation to use AI in a fair and ethical way.

Proper governance also translates to more trust and clarity for the people potentially at risk from sweeping automation. Despite the fact that many employees feel confident in their human capabilities, 25% are concerned about task redundancy.

Curiously, a majority (54%) of employees expect to be doing most of their current tasks with little AI involvement in the near future, which may suggest that clear plans for AI have yet to materialise, at least at the day-to-day employee level.

Recommendations for HR leaders

- **AI adoption should not be an ad-hoc process and requires business alignment. Define clear business outcomes and success metrics for AI use, and tie it to real-world value. Also, use AI to gain insights into where work and workflows can be optimised towards these goals.**
- **Redesign work for high-value tasks. Break jobs into tasks and automate what is repetitive, while elevating unique human work.**
- **Build robust and scalable governance structures. Make rules and boundaries clear and ensure that people still hold responsibility for their work.**
- **Upskill your people in AI and automation. AI fluency for many may be a long way off, but you can still provide role-specific training and tools so employees, managers and leaders can work confidently with AI.**
- **Define the future of roles in your organisation and communicate how they will evolve with increased AI adoption. People lack clarity on what work will remain human, so you can set those parameters as an organisation.**
- **Treat AI adoption as a behavioural change, and ardently support that change with knowledgeable champions, guidelines and continuous learning opportunities.**



“Work will always have positives and negatives. Technology should help us do our work better, but it won’t remove the challenges. Work is part of life, it is not the whole identity.”

Jason Pridmore

Professor of Human Centric AI and Society, Erasmus University Rotterdam

Conclusion

For most companies across Europe, AI adoption is more of a given than a hype-driven discussion. Many firms are moving past ad hoc experiments in favour of more strategic integrations, at least in how organisations state their intentions and priorities.

As the technology moves far faster than most organisations of nearly any size can follow, actual execution and value remain disjointed. There is still a lot of work to be done on rebuilding ways of working and governance to accommodate AI and extract real value. At the same time, people at every level require more training and knowledge.

What to do with AI is just one of the challenges HR leaders are reckoning with this year. Our 2026 HR & Payroll Pulse explores this and other critical pressures surrounding people operations and strategy in Europe now and in the coming years.

You can download the full report for free for the most expansive look at where AI adoption and smarter use sit among other challenges and what organisations should do to future-proof the world of people work. For the latest evidence-based insights, head to the SD Worx Research Institute hub to better understand and address your unique HR and payroll challenges.

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