

**2026**

# HR Industry Benchmark Report

**AUSTRALIA**

Trends, opportunities and  
challenges for the year ahead

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# Executive Summary



Welcome to ELMO's seventh annual HR Industry Benchmark Report, focusing on what matters most to HR professionals across Australia.

The promise of AI in HR has never been louder, but the gap between adoption and impact has never been clearer.

Four in five Australian organisations are now using AI, and HR leaders are among the strongest adopters at over 90%. But beyond the headline, the picture is more complex. Over half of HR professionals use AI only occasionally. Most use it for operational tasks. And of those who expected AI to be transformative in 2025, fewer than half say it delivered.

This year's report highlights three key workforce themes:

## 1. **AI Readiness vs Effectiveness**

HR professionals are individually strong with AI, but organisational foundations, data, systems, and integration haven't kept pace. Until they do, individual capability can't translate to organisational impact.

## 2. **Leadership Expectations vs HR Reality**

HR is expected to be accountable for AI behaviour and impact but overall ownership is unclear and resources don't match the ambition. The result: a confidence gap that's holding back progress, even as senior leadership rates HR's performance more positively than HR rates itself.

## 3. **AI Adoption vs Impact**

Adoption is high – but depth is shallow. The organisations bridging the gap are doing three things differently: investing in capability, targeting specific workflows, and ensuring leaders model AI use themselves. The shift from admin automation to strategic AI is the defining challenge of 2026.

For many HR teams, getting the data together is still the hard part. Using AI tools to help get your data in better shape is one of the most valuable things HR teams can do right now.

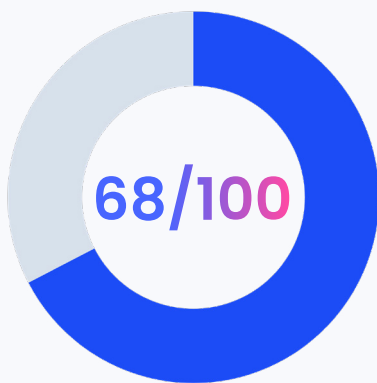
AI can't deliver value unless employees are confident, supported and clear on how to use it responsibly.

**Joseph Lyons,**  
President | ELMO Software

# 2026 Key HR Trends

## The AI capability gap

As adoption grows, the AI capability gap becomes more apparent. HR professionals are personally effective with AI, but organisational readiness, leadership alignment and measurable impact haven't kept pace. The gap between what HR can do individually and what organisations are set up to deliver is the biggest challenge of 2026.

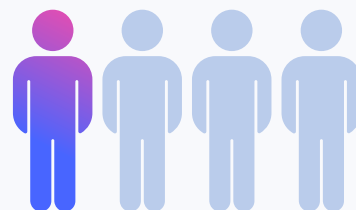


### Australian HR leaders score 68/100 on AI Maturity.

This index combines individual capability, organisational integration and measurable impact into a single benchmark. Australia's score is buoyed by strong individual effectiveness but pulled down by lagging organisational readiness and outcome measurement – signalling organisations are early-to-mid stages of turning AI capability into business value.

32% > 15%

At the start of 2025, 32% of HR leaders predicted AI would be 'transformative'. Twelve months later, only 15% said it delivered on that promise.



Only 1 in 4 Australian HR leaders feel fully equipped to meet leadership's expectations around AI.



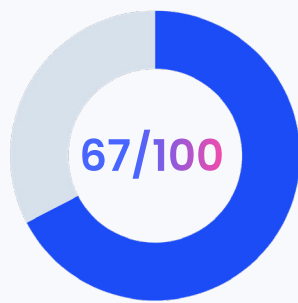
## KEY TRENDS

# AI Readiness vs Effectiveness

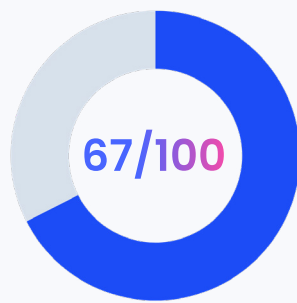
Australian organisations are investing heavily in AI technology – yet the question is whether they're set up to use that technology to drive results.

This year's report maps both AI readiness and effectiveness, assessing how prepared individuals and organisations are and how this translates to impact. While Australia's AI effectiveness is strengthened by strong individual capability, it's pulled down by lagging organisational integration.

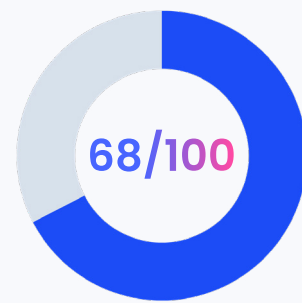
AI Readiness Index



AI Effectiveness Index



AI Maturity Index



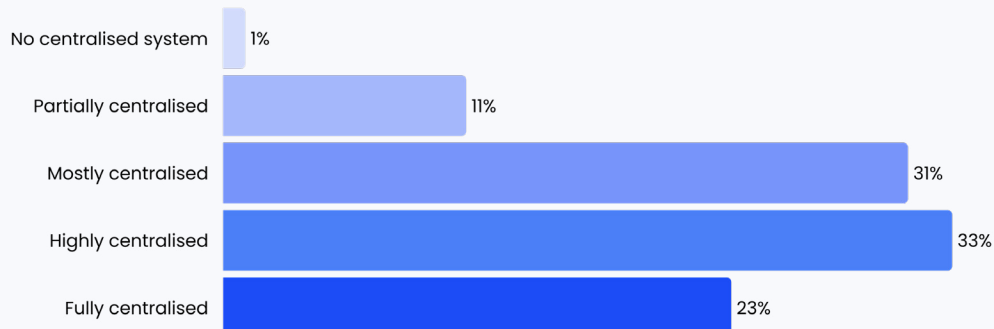
# Are the foundations in place?

While HR teams are looking to embrace AI for complex use cases, many still lack the data foundation and technology infrastructure to make this a reality.

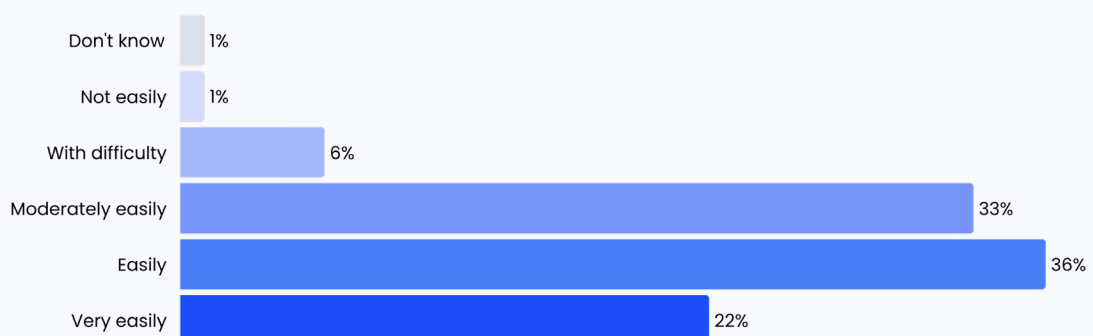
- Only 23% have a fully centralised, single platform across HR, payroll and workforce management.
- Almost one-third (32%) still rely on manual processes to gather HR metrics.
- Just over one in four (27%) are advanced in how they use these metrics, down from 30% in 2025.

Without streamlined access to data, many HR teams struggle to find the answers they need. It takes manual work for 40% to answer questions from leadership, while only 22% say they collect insights very easily.

## How centralised is your data across HR, payroll & workforce management?



## How easily can your HR team answer workforce questions from leadership?



# Strong individuals, constrained organisations

As individuals, HR professionals are widely adopting AI in everyday workflows.

Almost half (45%) say it's very effective at drafting, editing and summarising content.

A similar proportion find it most impactful turning data into insights.

However, limitations emerge when turning insights into action – only 37% find AI very effective for workforce modelling and scenario planning.

Organisationally, the picture is further constrained. Only 6% have more than three-quarters of the workforce using approved AI tools. The ambition is there – HR teams want to use AI for workforce design and planning – but without organisational readiness, they're stuck using it for admin tasks rather than strategic ones.

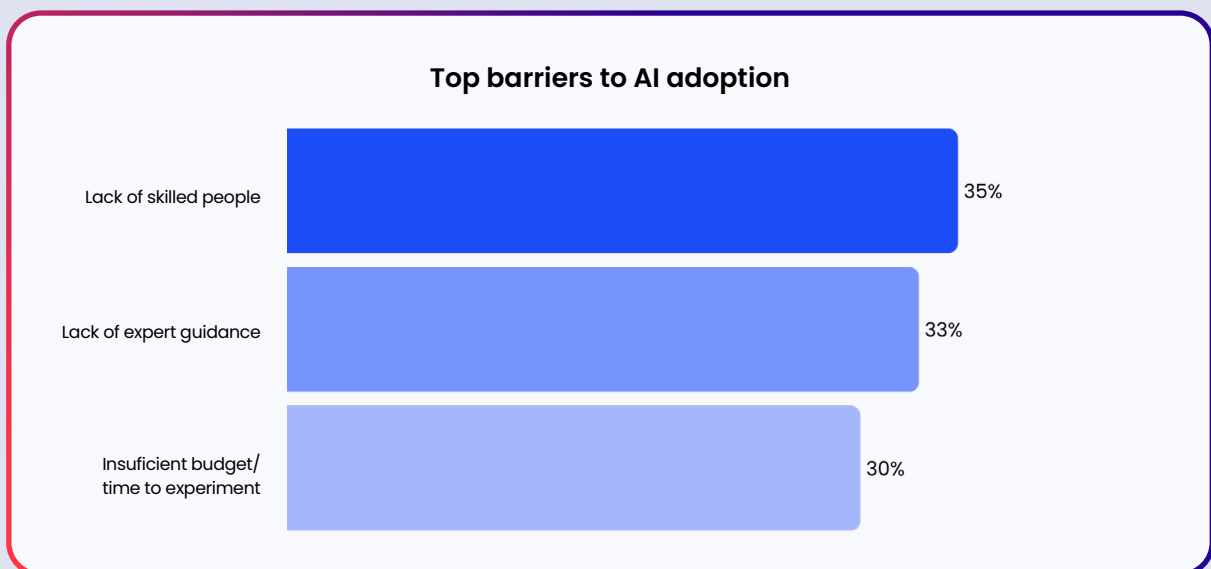
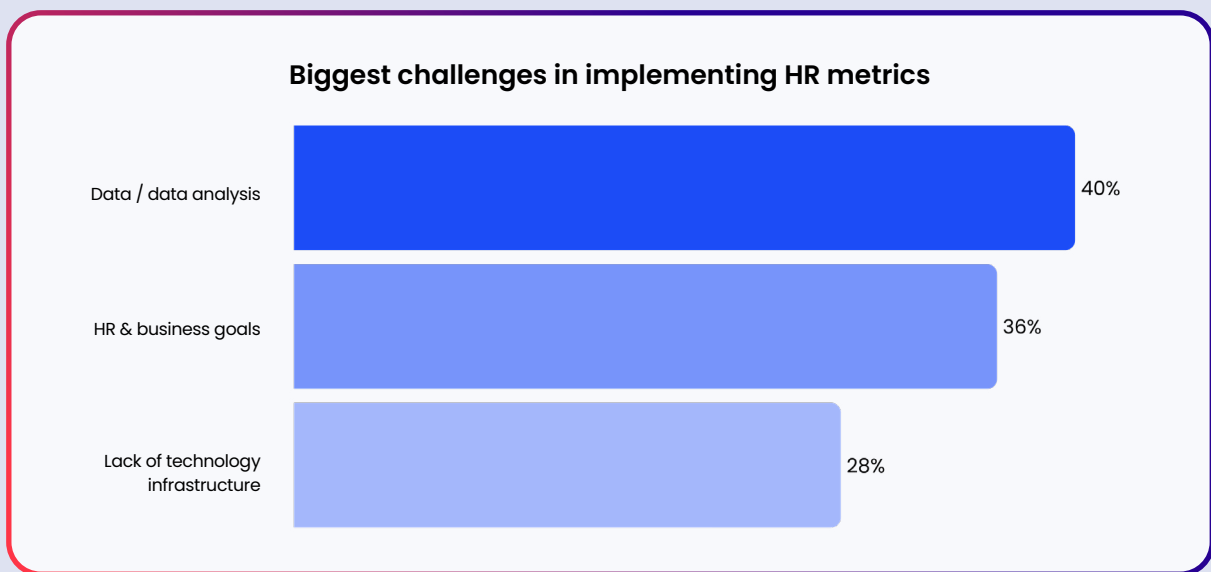


**Only 6%**  
of Australian organisations  
have more than three-  
quarters of their workforce  
using approved AI tools.

# What's holding readiness back?

What's holding organisations back operates on two levels. First, the foundations: data quality, difficulty linking HR metrics to business goals and lack of technology infrastructure. Second, the capacity to act on them: a lack of skilled people, expert guidance and insufficient budget and time to experiment.

These aren't AI problems, they're infrastructure and capability gaps that AI makes impossible to ignore.



Without solid foundations, even high individual capability won't translate to organisational impact. Closing this gap starts with getting the right data connected, the most foundational step most organisations can take right now. But data alone isn't enough. The organisations that move fastest will pair connected systems with the skilled people to turn that data into action.

# What the experts are seeing

To put this year's findings in context, we asked Dr Amantha Imber, organisational psychologist and AI consultant of the year, how the AI Capability Gap is playing out in the organisations she works with.



“Many HR teams have individuals who are highly capable with AI tools, but they’re operating in environments where data is fragmented across multiple systems, key metrics require manual extraction, and insights are difficult to translate into action. When those foundations are missing, AI tends to get used for small efficiency gains rather than strategic decision-making.

The organisations seeing the strongest results from AI typically focus on readiness before scale. They prioritise connecting core data sources, clarifying the workforce metrics that matter most to leadership, and ensuring HR teams can access those insights quickly. Once those foundations are in place, AI becomes far more powerful - not just summarising information, but helping leaders model workforce scenarios, forecast capability gaps, and make faster strategic decisions.

The companies seeing the biggest impact are the ones that first invest in getting their data, systems and decision-making processes in order.”

**Dr Amantha Imber**

**Organisational Psychologist and AI Consultant of the Year**

## KEY TRENDS

# Leadership expectations vs HR reality

AI is increasingly standard for improving productivity. HR leaders are tasked with turning this vision into reality — but who's ultimately driving it?

Only 12% of HR leaders see themselves as the primary owner of AI adoption, with 19% saying it's in partnership with IT. Two in five (39%) think AI should lie entirely with IT, unsurprising given their ongoing challenges around unifying systems and accessing clean data.



# Where expectations align

HR and business leaders broadly agree on what matters — both rank education and training as the top priority for AI adoption, and both see HR as accountable for governance, change management and measuring impact.

# Where alignment breaks down

But agreeing on accountability hasn't translated to clear ownership. Leadership most commonly points to the C-Suite (39%) or IT (35%) as the ultimate owner of AI transformation. This creates a grey area: HR is expected to deliver, but rarely empowered to lead.



# The confidence gap

Two-thirds (68%) of HR leaders feel at least well-equipped to meet leadership's AI expectations – but only one in four (26%) feel fully prepared. That confidence gap matters at a time when the pace of AI expectations is accelerating faster than the support structures around them.

And here's a counter-intuitive finding: business leaders actually rate HR's performance more positively than HR rates itself. Leadership consistently scores HR higher across education, change management, governance and measurement.

This suggests HR teams may be underestimating their own progress, an opportunity to reframe the conversation with the C-Suite, building on recognised strengths rather than focusing solely on gaps.



# The barriers are real, but so is the recognition

HR teams see a lack of skilled people (35%) and expert guidance (33%) as the top barriers to AI adoption, along with insufficient budget (30%) and lack of time to experiment (30%).

These aren't excuses – they're structural constraints. But the fact that leadership recognises HR's contribution more than HR recognises it themselves creates a window: HR leaders can use this alignment to secure the resourcing and mandate they need to move from operational AI use to strategic impact.

## Who ultimately owns AI?

Senior leaders are most likely to say the C-Suite (39%) or IT (35%). This grey area causes disconnects. Without clear ownership, both sides end up hitting roadblocks – and adoption slows.

HR leaders and the C-Suite need to work in tandem: a strategic map of who holds accountability for what, with ongoing buy-in to equip HR with the budget, skills and mandate for measurable change. IT owns the foundations – data, systems, security. HR leads the human side – capability, governance, behaviour change and impact measurement. The C-Suite sponsors and unblocks.



**Dr Amantha Imber**  
**Organisational Psychologist and AI Consultant of the Year**

“When AI ownership sits in a grey zone between the C-Suite, IT and HR, adoption stalls. Everyone expects progress, but no one is truly empowered to drive it end to end. The fastest path forward is a clear responsibility map: IT owns the foundations (data, systems, security), while HR leads the human side of change (capability, governance, behaviour change and impact measurement) with explicit C-Suite sponsorship. The fact leadership rates HR more positively than HR rates itself is a useful lever – it’s an opportunity to secure resources by building on strengths, not just spotlighting gaps.”

## KEY TRENDS

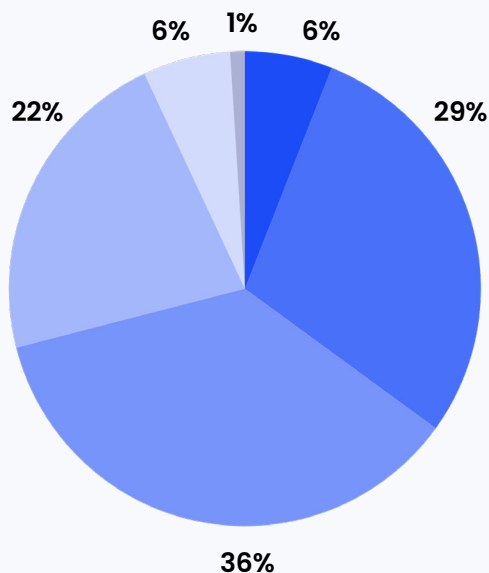
# AI Adoption vs Impact

AI adoption across Australia is high. Four in five organisations (80%) are now using AI, and among HR teams, that figure rises to 93%.

But these headline numbers mask a more complex reality.

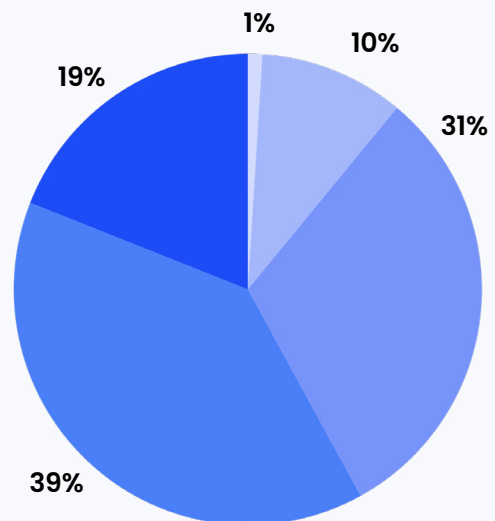
Over half (55%) of HR professionals use AI only occasionally, and almost two-thirds (64%) of organisations report that half or fewer of their workforce is actively using AI-embedded tools day-to-day. When HR professionals are using it, it's largely for operational tasks – efficiency gains and basic automation – rather than the strategic, business-changing work many expected.

Approximately what proportion of your workforce is actively using organisationally-approved AI-embedded tools in their day-to-day work?



● 76% to 100% ● 51% to 75% ● 26% to 50%  
● 11% to 25% ● 0% to 10% ● Don't know

To what extent are AI-enabled tools integrated into day-to-day workflows across your organisation?



● Not at all ● Slightly ● Moderately  
● Mostly ● Extensively

# When expectations outpace reality

As the data shows, AI expectations have significantly outpaced reality. This gap is the core challenge: translating adoption into measurable business impact.



Australian organisations have a solid foundation of familiarity – employees increasingly see AI as a functional, everyday tool rather than a novelty. The challenge now is pushing beyond surface-level usage to real impact.

# From usage to outcomes

Using AI day-to-day is one thing. Translating that into measurable outcomes is another.

Less than one in five (17%) say they can measure AI outcomes extensively. Yet almost all (96%) HR professionals report tangible improvements from AI adoption. So what's going on?

The answer lies in what kind of improvements. The most commonly cited gains are performance and development support (46%), reporting automation (44%), predictive analytics (38%) and drafting content (38%). These are meaningful, but they're efficiency gains, not strategic transformation. They represent the floor of AI value, not the ceiling.

The barriers to going further fall into two categories:

- **Compliance and infrastructure:** data security and privacy concerns (37%) and issues integrating AI with current systems (34%).
- **Trust in AI outputs:** excessive rework (32%), difficulty validating outputs (31%), inaccuracy (29%), and AI slowing tasks down (18%).

Until organisations can trust the outputs and connect the systems, AI will remain stuck at the operational layer.



# Where the real opportunity lies

If HR teams can overcome these blockers, AI could deliver far more meaningful impact. Almost half (46%) see the greatest opportunity in workforce forecasting and planning – a clear signal that ambitions are shifting from admin automation to strategic work. HR teams also want AI to handle more predictive analytics (43%) and employee development and support (42%).

## Top 5 skills for greater impact

- ✓ Strategic workforce planning
- ✓ Ability to predict trends / insights based on historical data / predict future challenges
- ✓ Ability to support AI adoption or automation of HR processes
- ✓ Understanding of business goals and alignment with HR metrics
- ✓ Ability to use AI tools in day-to-day HR work (generative AI)

To get there, teams need the right skills internally – supporting AI adoption in HR processes, using generative AI tools, and interpreting AI outputs are all seen as critical.

# What differentiates organisations that bridge the gap

The shift from operational to strategic AI doesn't happen by accident. It requires deliberate investment in three areas: building genuine capability (not just providing access), identifying the specific workflows where AI creates disproportionate value, and ensuring leaders visibly model AI use to normalise experimentation across the organisation.



**Dr Amantha Imber**  
**Organisational Psychologist and AI Consultant of the Year**

“AI adoption numbers can be misleading. In most organisations Inventium. ai works with, the majority of employees have access to AI tools, but very few are using them in ways that meaningfully change how work gets done. Early use tends to focus on small efficiency gains, such as drafting emails, summarising documents or automating reports. These are all useful, but rarely transformative.

The organisations that **successfully bridge the gap between adoption and impact tend to do three things differently**. First, they invest heavily in **capability building** so employees understand not just how to use AI, but when and why it adds value. Second, they move quickly from general training to **identifying specific workflows where AI can save significant time** or improve decision-making. And third, **leaders actively model how they are using AI themselves**, which normalises experimentation across the organisation.

When those pieces are in place, AI stops being a novelty or productivity hack and starts becoming a strategic tool that fundamentally reshapes how teams work.”

# Benchmark Findings



# Workforce growth predictions

Confidence in headcount growth has waned. This year, 79% of Australian HR professionals anticipate workforce growth, a 4% drop compared to 2025. On average, they expect a 15% increase to workforce size (down from 19% in 2025). The biggest shift: only 13% predict growth of 26–50%, compared to 24% in 2025.

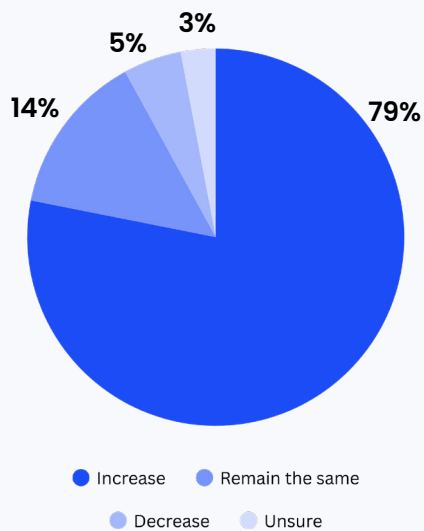
**79%**

of HR professionals say their workforce will increase in size over the next year.

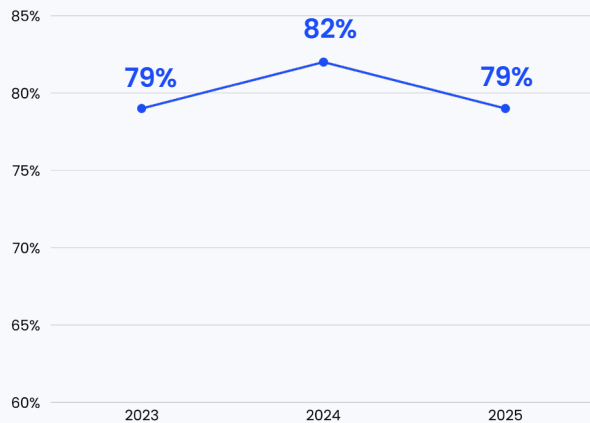
**5%**

of HR professionals say their workforce will decrease in size over the next year.

**Workforce growth prediction in Australia**



**Workforce predictions YoY**



# Turnover and new hire turnover

Turnover rates have dropped for the first time in four years.

Average turnover has decreased to 11% (from 14% in 2025) while new hire turnover during probation has dropped to 9%.

In 2025, probationary and overall turnover sat at roughly the same level – meaning this year's gap reflects a genuine improvement in early engagement and retention.

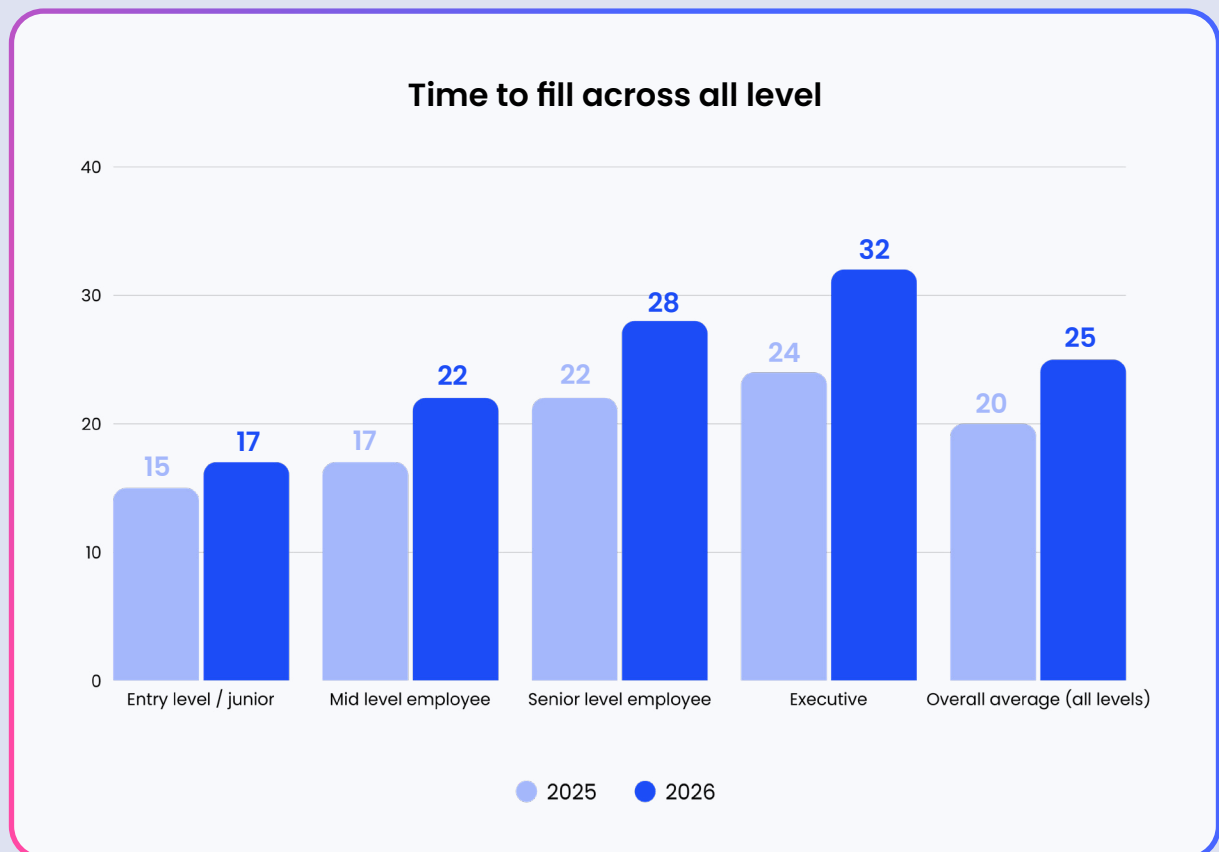
Organisations appear to be doing a better job of supporting new employees through their first few months – a trend that could be reinforced further with structured, technology-enabled onboarding.



# Time to fill

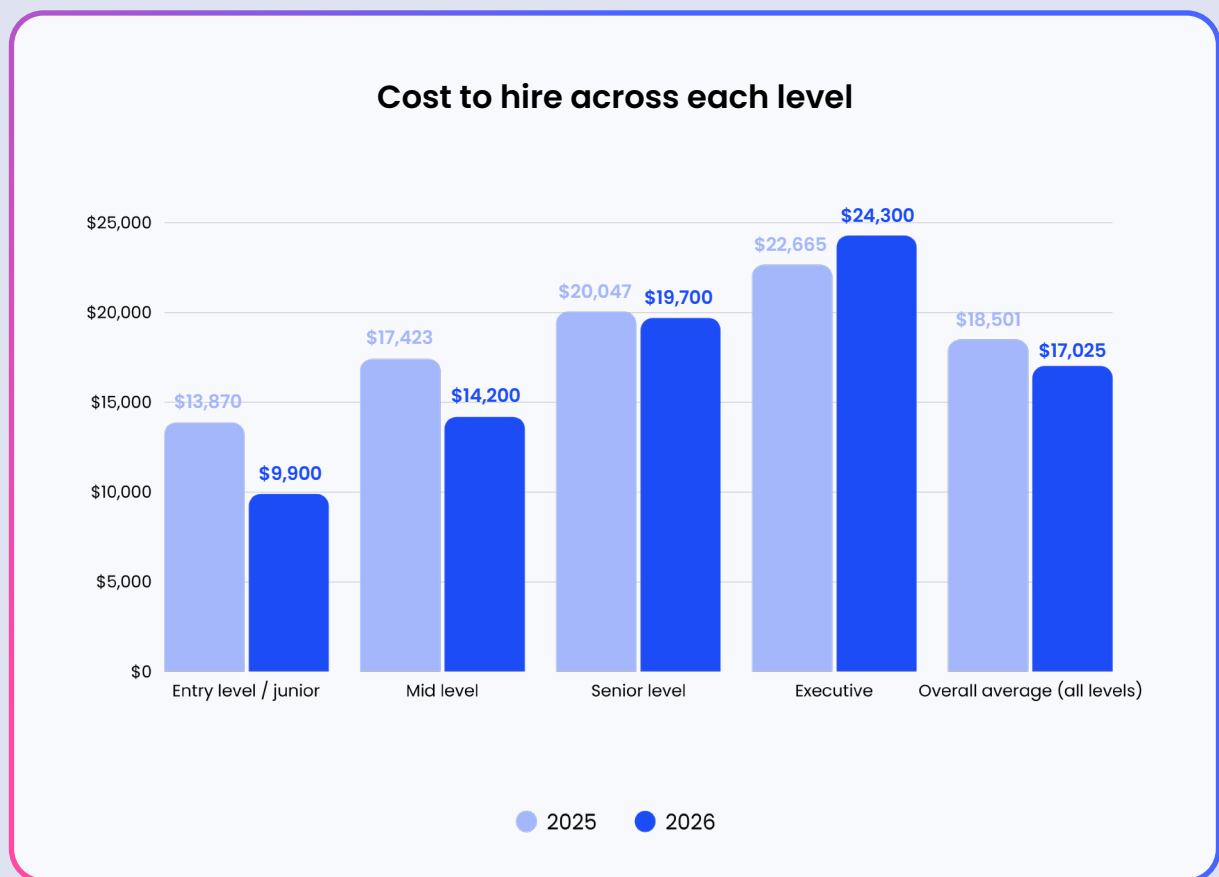
Australian organisations are taking more time to fill vacant roles across every level. It now takes 25 days on average (up 25% from 20 days in 2025).

The increases are disproportionately higher at senior levels. Executive hires now take almost 10 days longer, with 19% taking over 51 days (vs 9% in 2025). As screening expectations intensify, organisations without AI-enabled hiring tools may find these timelines stretching further still.



# Cost to hire

Average cost to hire has decreased to AUD\$17,000, down \$1,500 compared to 2025 — suggesting a shift towards lower-cost sourcing tools and AI-assisted screening. Savings are felt across all levels, except executive hires (\$24,300), where cost and time to fill are both rising, consistent with more rigorous and extended selection processes at the senior level.



# Cost to train

Per-employee training spend has dipped slightly to \$1,952, despite over half of HR professionals reporting increased AI training and L&D budgets.

This suggests one of two dynamics: AI may be reducing the per-unit cost of training delivery through automation and self-directed learning tools, or headcount growth is absorbing budget gains before they show up in per-employee figures. Either way, the efficiency of training spend, not just the volume, will be worth tracking as AI-enabled learning scales.



# Time to productivity

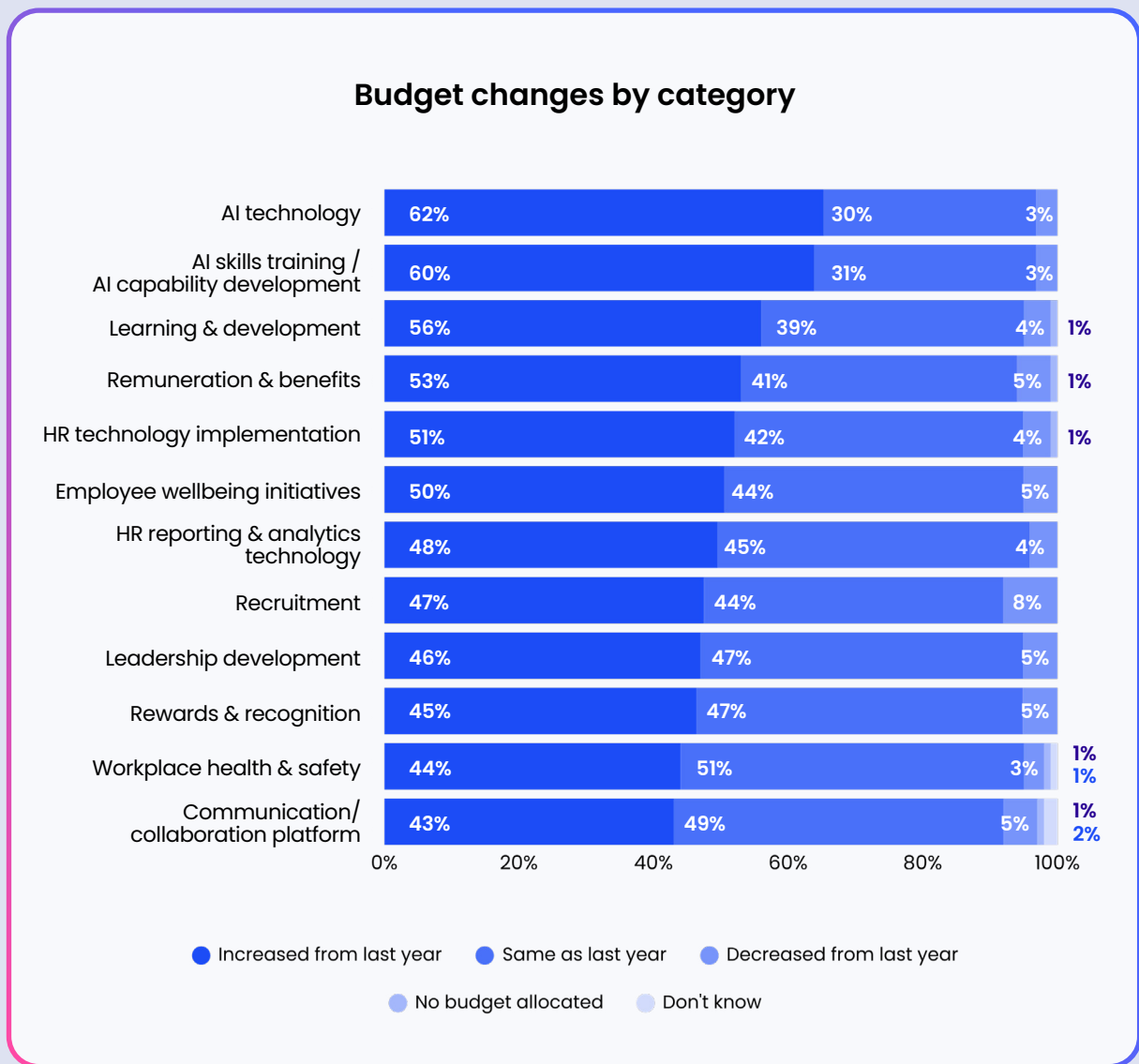
New employees are taking longer to reach productivity – 44 days on average, up 29% from 34 days in 2025. The proportion taking 3+ months also jumped to 18% (from 10% in 2025). Factors like hybrid onboarding environments, increasing role complexity, and inconsistent onboarding processes are likely contributing, highlighting the need for structured, technology-enabled onboarding programs.



# Budgets

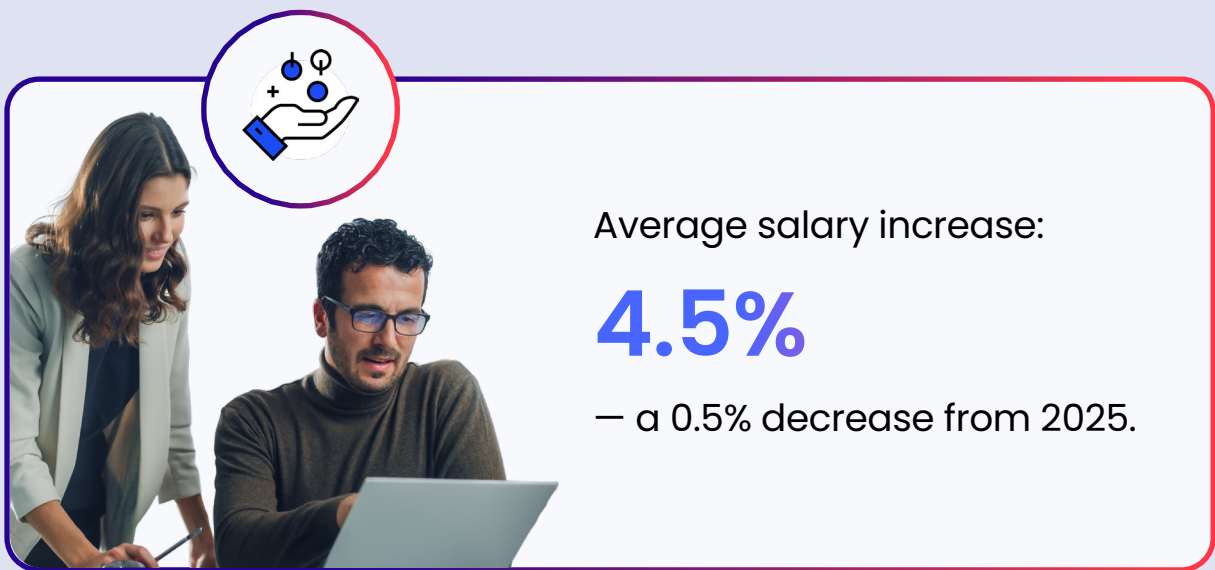
AI remains the top area for budget growth, with 62% of HR professionals planning to increase AI technology spending this year (up from 57% in 2025). AI training and skills development follows closely (60%), alongside HR technology consolidation (51%) and reporting/analytics technology (48%).

As investment accelerates, organisations will need to ensure spending is targeted where it drives measurable impact, particularly given that less than one in five can currently measure AI outcomes extensively.



# Salary movements

Almost all (95%) Australian HR professionals expect salary increases in the next remuneration cycle, consistent with 2025. With the average expected increase of 4.5% outpacing current inflation (3.8% CPI, ABS January, 2026), employees stand to see modest real wage growth – a positive signal for retention and morale after several years of cost-of-living pressure.



# HR Challenges & Opportunities



# Future ready workforces

The challenges, priorities and barriers Australian HR professionals face in 2026 reinforce the themes explored throughout this report.

## Top 5 Organisational Challenges

- ✓ Adopting AI
- ✓ Upskilling employees
- ✓ Expanding AI use
- ✓ Cyber/data security
- ✓ Economic outlook

## 2026 Priorities

- ✓ Increasing productivity
- ✓ Adopting AI
- ✓ Expanding AI use
- ✓ Performance management
- ✓ Employee wellbeing / HR reporting & analytics / strategic workforce planning

While priorities span productivity, performance and wellbeing, the message from HR teams is clear: AI is the defining focus for 2026. It appears in multiple forms across the priority list – from first-time adoption to expanding existing use – and underpins the productivity gains organisations are chasing. Whether the lens is efficiency, capability or strategic decision-making, AI is the through line.

More than nine in 10 (93%) say there are barriers to improving productivity. Too many competing priorities (38%), a lack of real-time data (28%) and insufficient time (27%) top the list.

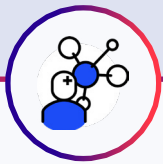
This is where leadership is critical, not just to set direction, but to make deliberate choices about what HR teams stop doing so they can focus on what matters most.

## 2026 Barriers

- ✗ Too many urgent priorities competing for attention
- ✗ Lack of real time data/insights into your workforce
- ✗ Lack of time (yourself or within your HR team)

# Recommendations for Australian HR leaders

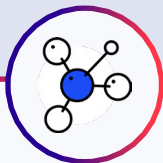
Drawing on this year's findings, we recommend Australian HR leaders focus on three areas:



## Clarify AI ownership before scaling further

The data is clear: HR is expected to deliver on AI, but only 12% of HR leaders believe they ultimately own it. Without a defined responsibility map, progress stalls.

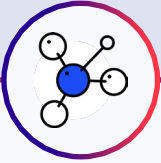
**The action:** Establish a shared ownership model where IT owns the foundations (data, systems, security), HR leads the human side (capability, governance, behaviour change and impact measurement), and the C-Suite provides explicit sponsorship and resourcing. Use the fact that leadership already rates HR's AI performance positively as a lever to secure this mandate.



## Fix the data foundation before investing in more AI tools

With 40% citing data reliability as their top challenge and only 23% operating from a fully centralised system, most organisations are trying to run AI on fragmented foundations.

**The action:** Audit your current HR, payroll and workforce management data landscape. Identify where manual processes (still used by 32% to gather metrics) are creating bottlenecks. Prioritise consolidating core data sources into a single connected platform — this is the highest-ROI step most organisations can take in 2026, and the prerequisite for every strategic AI use case on the horizon.



## Shift AI measurement from activity to impact

Adoption is no longer the challenge — 93% of HR teams are using AI. But less than one in five can extensively measure its impact. Without measurable outcomes, continued investment is hard to justify and impossible to optimise.

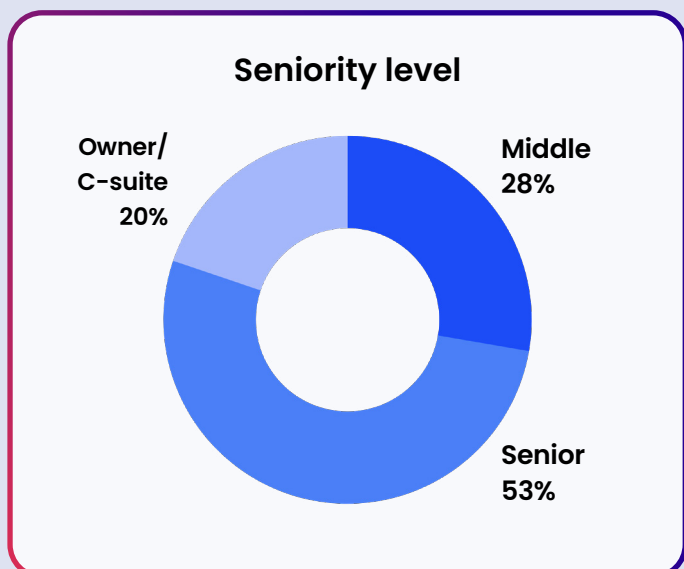
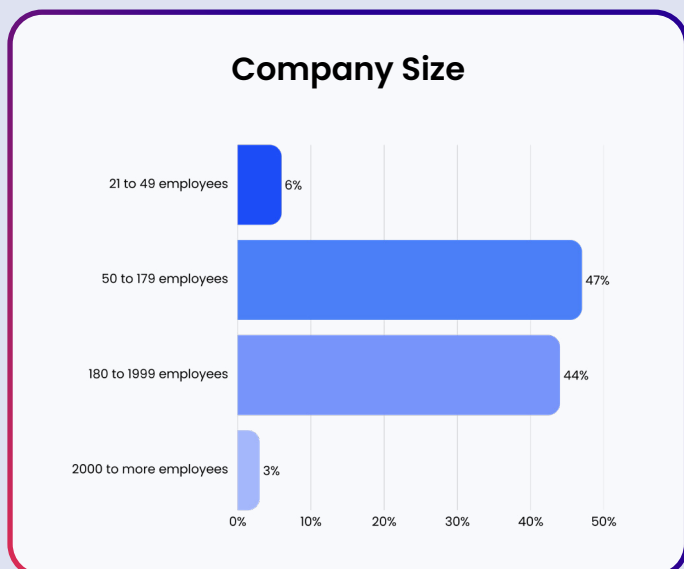
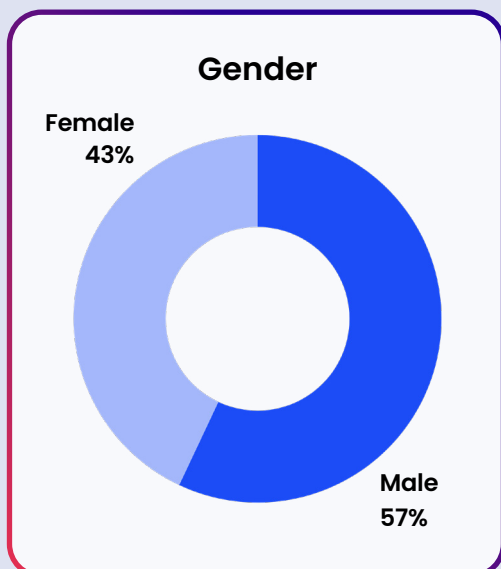
**The action:** Define 2–3 specific AI use cases where impact can be quantified (e.g. time saved in recruitment screening, reduction in manual reporting hours, accuracy of workforce forecasts). Measure baselines now, track quarterly, and report to the C-Suite in business terms. The organisations that bridge the adoption-impact gap are the ones that treat measurement as a capability, not an afterthought.



# Methodology

The 2026 HR Industry Benchmark Report survey was conducted by YouGov, among a sample of 904 HR Professionals in Australia and 337 HR Professionals in New Zealand.

The results from this report were based on the 904 HR respondents in the Australian market. Respondents were aged 18+ and employed in middle management level and above, excluding sole traders and organisations with less than 20 employees. The research was conducted online, with respondents sourced via an online access panel. The data was collected over a 9-day period from January 6 2026 to January 15 2026. YouGov abides by and employs members of the Market Research Society, following the MRS code of conduct which is based on the ESOMAR principles.



# The Complete AI<sup>\*</sup> Workforce Platform<sup>TM</sup>

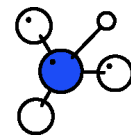
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Founded in 2002, the ELMO Group comprises ELMO Software, Breathe HR and Rotageek. ELMO Group is a multinational provider of people management solutions, trusted by over 18,000 organisations across Australia, New Zealand and the United Kingdom.

ELMO is The Complete AI Workforce Platform<sup>TM</sup>. It unifies HR and Payroll on one connected data foundation and layers native AI to turn workforce data into insight and action. ELMO's mission is to get Australia and New Zealand's workforce ready for what's next and supports the full employee lifecycle, from recruitment and onboarding to learning, performance, payroll and more.

Backed by ISO-certified security, Australian-based data hosting and local experts who guide change throughout the journey, ELMO helps mid-sized organisations build the foundation for AI-ready workforces of tomorrow.

Find out how ELMO can help your organisation:

[elmosoftware.com.au](https://elmosoftware.com.au)

