

HRO Today Research Flash Report

Confidence Grows in AI Support of HR Priorities

HRO Today Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. *HRO Today* Flash Reports are focused briefs that can be used to support business decisions and discussion among industry practitioners and thought leaders.



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Introduction

Artificial Intelligence (AI) is playing an increasingly important role in supporting Human Resources (HR). The support includes talent acquisition, onboarding and training, employee engagement, performance management, workforce planning, compliance, employee benefits, and wellness.

But given the extent of capabilities and the promise AI brings, how far has HR come in implementing this powerful technology? Where are there areas to improve, and how are expectations evolving? This report focuses on the progress employers are making in adopting AI across HR today, with insight on just how far the technology has room to grow and evolve over the coming years and how implementation has already increased confidence in decision-making.

Methodology

The survey polled subscribers of *HRO Today* magazine and *HRO Today* newsletters between August 8 and September 21, 2023. Study respondents were at the manager level or above within their human resources departments. Respondents were screened to ensure that they were personally knowledgeable about how AI applications and capabilities support their organization's HR and Talent Acquisition (TA) systems, and that AI is currently being used, at least to some extent, within their HR functions. In total, there were 74 completed responses that qualified for the survey.

Highlights

This study reveals five key findings about HR leaders' views of their TA infrastructure.

- 1. Adoption of AI in HR is still low.** Nearly all (95%) study participants use AI in a very limited capacity. More than eight out of ten (81%) indicate their level of functionality with their organizations' AI capabilities is still basic, with simple reporting and chatbots. Very few consider themselves advanced, which would involve predictive analytics, forecasting for talent needs, and deep insight into HR and TA processes.
- 2. Sourcing talent is the most often applied application of AI in HR,** with 42% using it for that purpose. By leveraging URL data, AI-powered tools can help recruiters identify qualified candidates quickly and easily by analyzing a LinkedIn profile or scanning a candidates social media profile.
- 3. Looking forward, predictive analytics and reporting will most likely be the most used purposes of AI in HR,** as 71% either use it now or will use it in the next three years. AI can identify and analyze patterns in employee data to help HR leaders better understand employee behavior.
- 4. Confidence in AI HR data is moderate but increasing.** Less than one-quarter (22%) feel the information provided by AI has made them more confident to a large or great extent, with very few (2%) indicating a great extent. Despite the tepid extent of confidence in the data right now, 88% anticipate at least a moderate increase in its use over the next three years. Related to that, confidence can only increase if there is a belief in the quality of data being generated. The belief that data is getting better to at least a moderate extent is held by nearly all (92%). Of this, nearly one-half (49%) feel it's getting better to a great or large extent.
- 5. The area of concern about AI held by the most is some decisions require human involvement,** as indicated by 61% of respondents. This concern is followed by a concern over a lack of integration with existing HR systems, such as HCM, HRIS, or ATS, with nearly one-half (47%) choosing it. Another concern, also related to the human element, is that AI cannot effectively measure enthusiasm, willingness to learn, true social and emotional intelligence, and other skills and attributes that are part of workplace culture.

Detailed Findings

Extent AI Applications Support HR and TA Systems

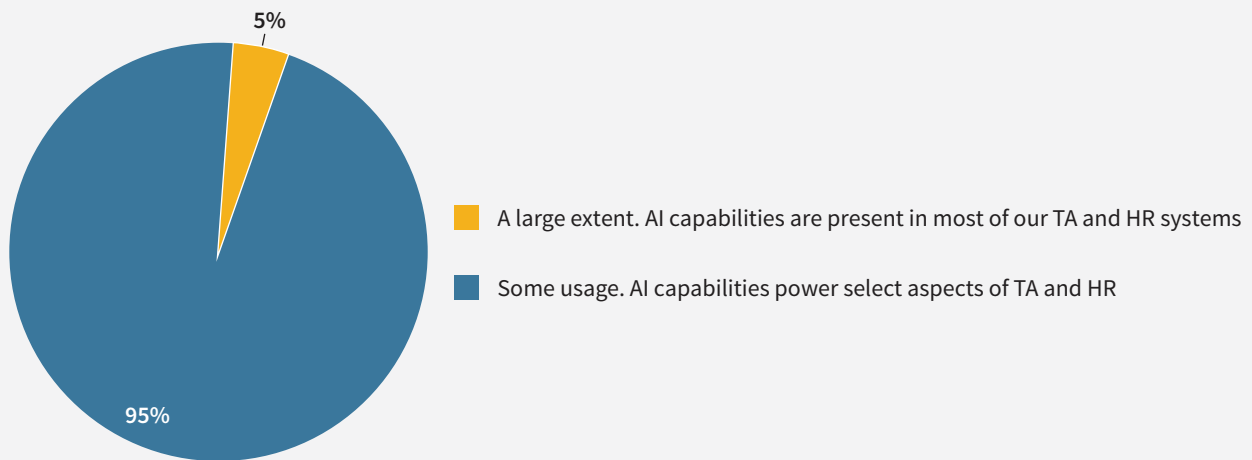
Study participants were asked to estimate the extent AI applications and capabilities support their organizations' HR and TA systems. For this study, AI in HR and TA referred to the application of advanced technologies, including machine learning, natural language processing, data analytics, and other AI techniques to improve tasks, decision-making, and overall workforce management.

Those not certain about their AI usage were terminated from the survey. Nearly all (95%) of those using AI use it only somewhat, with only 5% largely using it. This suggests that AI remains very early in the adoption curve.

So how does AI support HR and TA systems? Broadly stated, AI in talent acquisition drives automation of the recruitment process and provides decision-making support to TA professionals, hiring managers, and candidates during talent sourcing, engagement, screening, interviewing, and onboarding.

For example, an AI algorithm could predict which sourcing channels would most likely attract the right candidates for a specific role. Or it could take data provided on an online candidate intake form and trigger the next steps.¹ While those are two examples of how AI is already being applied, they are just the beginning of the vast array of technology services organizations will likely use in the very near future.

To what extent do AI applications and capabilities support your organization's HR and TA systems?



Areas Where AI Tools/Technologies Are Currently Being Used

Respondents selected the areas from a list of 14 where their organization currently uses AI tools or technologies. No single area was selected by at least one-half of respondents, suggesting AI application is broad.

The most often applied purpose for AI is sourcing talent, with 42% of respondents selecting it. When used for recruitment, AI can assist in sourcing and screening candidates, analyzing resumes and job applications, conducting pre-employment assessments, and even predicting candidate success and cultural fit.

Please indicate those areas where your organization is currently using AI tools/technologies.



Areas Where AI Tools/Technologies Are Currently Being Used (continued)

The second most frequently selected use of AI is in data reporting/predictive analytics, with 40% selecting it. Using AI to data-mine a company's HR information system can help predict employees who are at risk of leaving the company, which will guide and focus retention activities. AI will also help determine talent and experience shortfalls to support the company's business strategies.²

Effectively engaging in predictive analytics, which means using past and present data to foretell future events, can help organizations make hiring decisions, anticipate skills shortages, head off employee attrition, and react to the next major disruptive event. Further, predictive analytics can potentially provide deep insights by comparing a job candidate to a profile of an organization's top employees. Companies can build a model of an "ideal" employee based on the skills, attributes, and experience of employees who have thrived at the organization.³

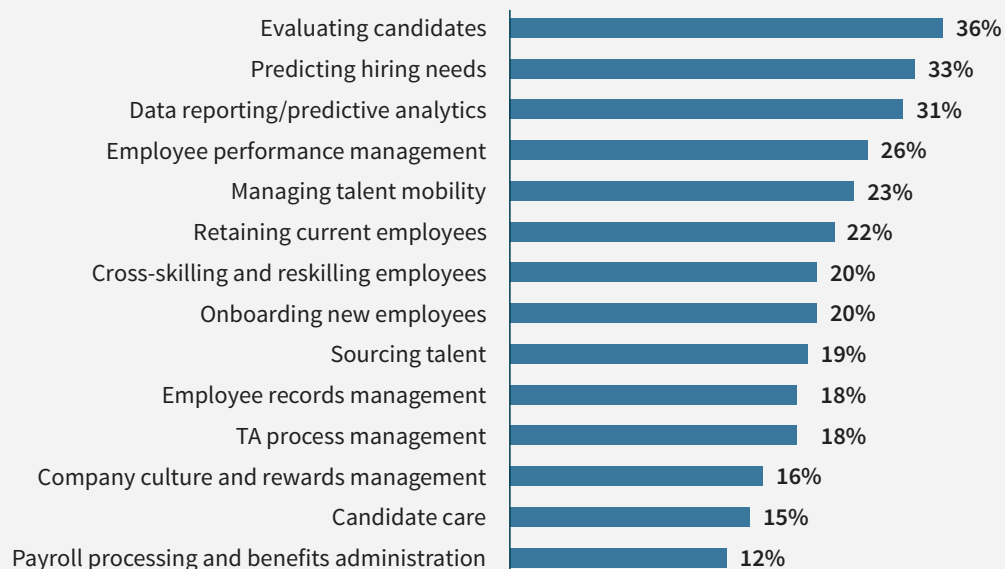
Over one-quarter (28%) of respondents use AI to onboard new employees. Overall, AI simplifies the onboarding process by automating mundane tasks and providing real-time feedback about a candidate's performance during the screening sessions. The systems can also track tasks assigned to new hires, generate responses, and answer the queries brought about by new hires.⁴

Areas Where AI Will Be Added Over the Next Three Years

Study participants were asked where they believe AI will be added over the next three years other than where they currently apply it.

Candidate evaluation was an area where the most participants (36%) plan to implement AI, among those not currently using it. AI in talent acquisition drives automation of the recruitment process and provides decision-making support to TA professionals, hiring managers, and candidates during talent sourcing, engagement, screening, interviewing, and onboarding. For example, an AI algorithm could predict which sourcing channels would most likely attract the right candidates for a specific role. Or it could take data provided on an online candidate intake form and trigger the next steps.⁵

For the areas of HR and TA that you did not select, which do you anticipate using/adding AI tools/technologies in the next three years?



Areas Where AI Will Be Added Over the Next Three Years (continued)

The technology can also provide guidance on how to attract top talent by forming a profile of the ideal candidate and outlining key responsibilities, thus helping HR departments refine their approach and make the right hiring decisions.⁶

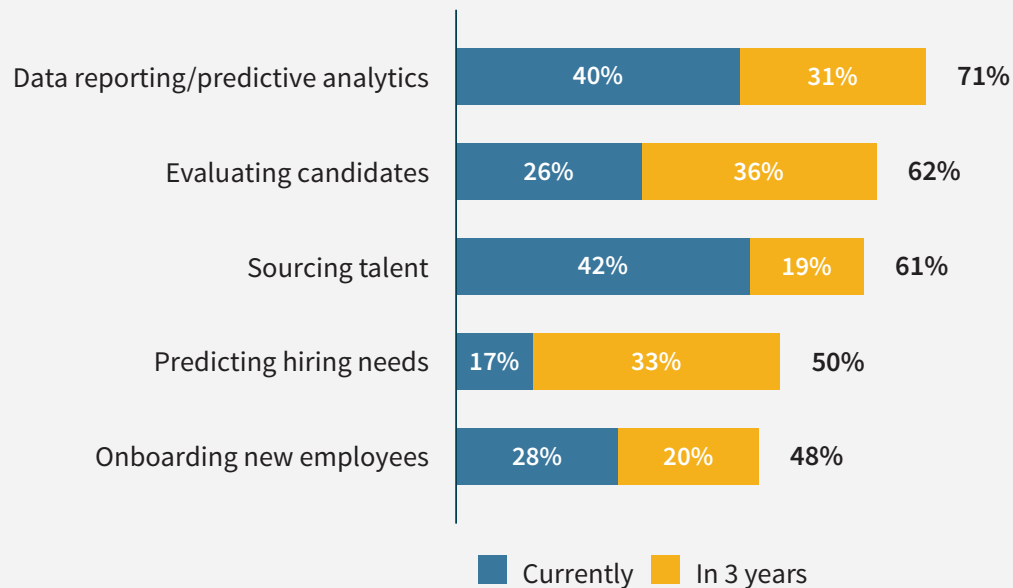
Workforce planning has always been a challenge for HR executives, and AI can help with the onerous process. One-third (33%) of those not already using it plan to do so for predicting hiring needs, a vital component of workforce planning. AI-powered algorithms can analyze large volumes of data and make accurate predictions and recommendations for optimizing workforce management. This helps companies make data-driven decisions and minimize errors in workforce planning. AI-based solutions can easily scale up or down to accommodate changing workforce requirements. This flexibility allows companies to adapt to seasonal fluctuations, business expansions, and other operational changes without compromising efficiency or incurring significant costs.⁷

The last area with at least 31% planning to add AI is data reporting/predictive analysis. As previously shown, this area has the highest current penetration, and is anticipated to increase by another 31% over the next three years. AI-powered reporting tools enable organizations to make better-informed decisions by leveraging vast data. AI algorithms can analyze complex datasets, identify patterns, and generate actionable insights. For example, predictive analytics can forecast future demand, enabling organizations to plan their workforce needs proactively.⁸

Top Five Areas Where AI Is or Will Be Applied in HR/TA

Combining where AI is currently being applied with where it will be applied in the next three years offers insight into the priorities assigned to the technology. Data reporting/predictive analytics will clearly be the most prevalent, as 71% either use it now or will do so within three years. Evaluating candidates and sourcing talent are the next most common usage at 62% and 61% respectively, while predicting hiring needs and onboarding new employees round out the top five at 50% and 48%, respectively.

Top Five Areas Where AI Is or Will Be Applied in HR/TA



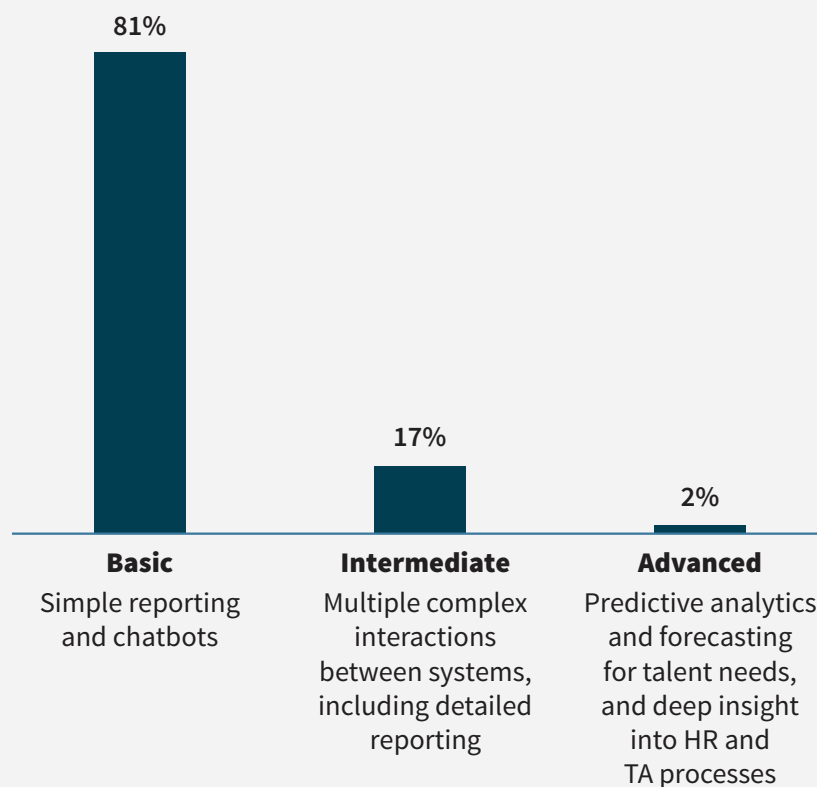
Level of Current AI Functionality

Respondents indicated their level of functionality within their organizations' current AI capabilities. More than eight out of ten (81%) indicate it is still basic, with simple reporting and chatbots. Almost no one (2%) considered themselves advanced, which would involve predictive analytics and forecasting for talent needs and deep insight into HR and TA processes.

AI adoption is still in its infancy. Traditionally, HR has lagged other departments in IT investment, so it seems likely the function will be somewhat slower to adopt AI than sales or operations, for example.

Further, HR traditionally values the human element of decision-making, and some professionals may be resistant to delegating tasks to AI. Building a culture that embraces AI as a tool to enhance human decision-making can take time.

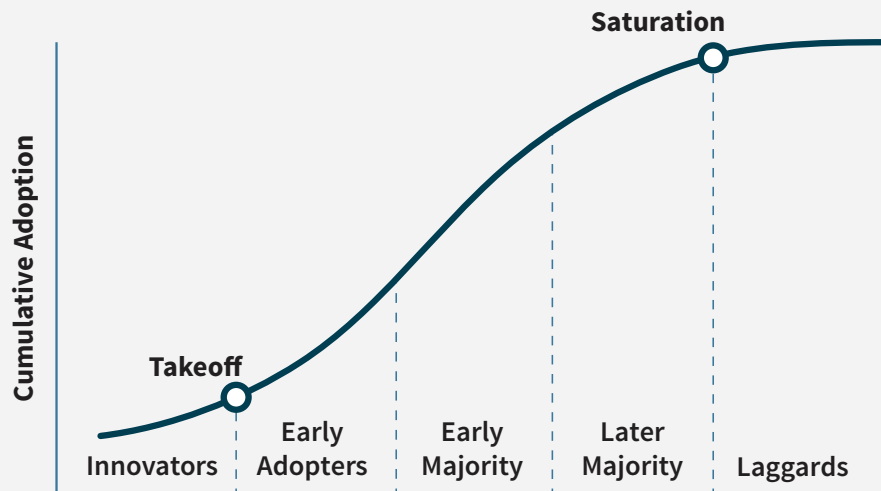
Overall, to what level of functionality do your organization's systems apply AI capabilities?



Level of Current AI Functionality (continued)

The chart below shows the sigmoid growth curve. The sigmoid curve is often used to describe the lifecycle of a product, service, or technology, and its growth trajectory over time. Recent examples of this curve include smartphone adoption, social media, and ecommerce. The mass adoption of AI is the start of a new sigmoid curve, one that is predicted to be even more transformative than the last.⁹

Sigmoid Curve of Product Adoption



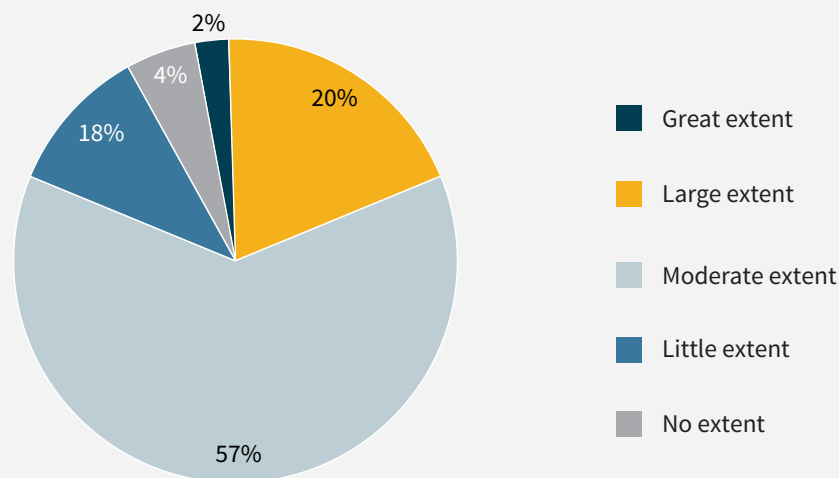
Extent AI Information Increases Confidence in Decisions

Study participants were asked to indicate the extent to which they feel the information they receive from their AI platform has made them more confident in their decisions. While a significant majority (79%) of respondents cite improved confidence in their decision-making due to the use of AI technologies, less than one-quarter (22%) feel the information has currently made them more confident to a large or great extent.

For most (57%), confidence has improved only moderately. There is still a comfort factor working with AI that is lagging. This is likely due to the gaps that remain as HR and talent leaders struggle to determine what actions to take based on the intelligence that the AI platform delivers. At the front of the innovation curve, technology and talent solutions providers are bridging that decision gap by improving the integration of all data sources and applying predictive analytics that can forecast outcomes. Until the technology justifies its investment, many HR professionals will still be tentative in their adoption of the technology. HR should plan to use data and analytics more deeply to measure their return on investment. Perhaps ironically, AI can help synthesize the data needed to accurately measure ROI.

As more talent leaders encounter and adopt such integration and analytics capabilities, they can expect to increase their use and confidence in the technology to support decision-making.

For each of the areas you use AI, to what extent does the information you receive from your AI platform make you more confident in decisions or outcomes delivered?

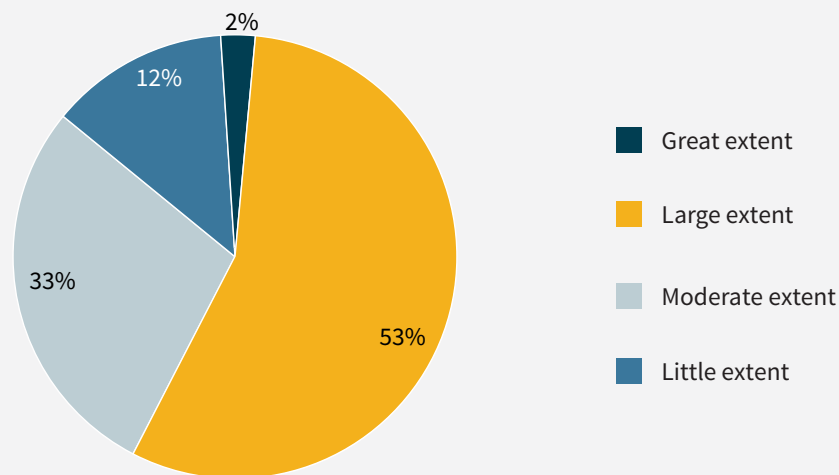


Anticipated Extent of Increased Use of AI

Respondents expressed their anticipated change in use of AI for HR over the next three years. Overall, 88% anticipate at least a moderate increase, with most of this group (53%) anticipating that increase to be large.

The adoption rate of AI in HR has been slower in some industries and regions due to factors such as regulatory constraints, cultural resistance, and budget limitations. However, as organizations witness the benefits of AI in improving HR processes, enhancing decision-making, and driving business outcomes, the adoption rate will most likely continue to rise.

To what extent do you anticipate increased use of AI within your department within the next three years?



Concerns About AI

Study participants were asked to select all the concerns they have about working with AI in their department from an extensive list of 19 items. Concerns with AI technology vary considerably, with 11 of the areas examined being a concern for at least one-quarter of respondents.

The most shared concern is that some decisions require human involvement, as indicated by 61% of respondents. HR traditionally values the human element of decision-making, and some professionals may be resistant to delegating tasks to AI, either from a culture standpoint, trust in the technology, or fear of job loss. Building a culture that embraces AI as a tool to enhance human decision-making will likely take time.

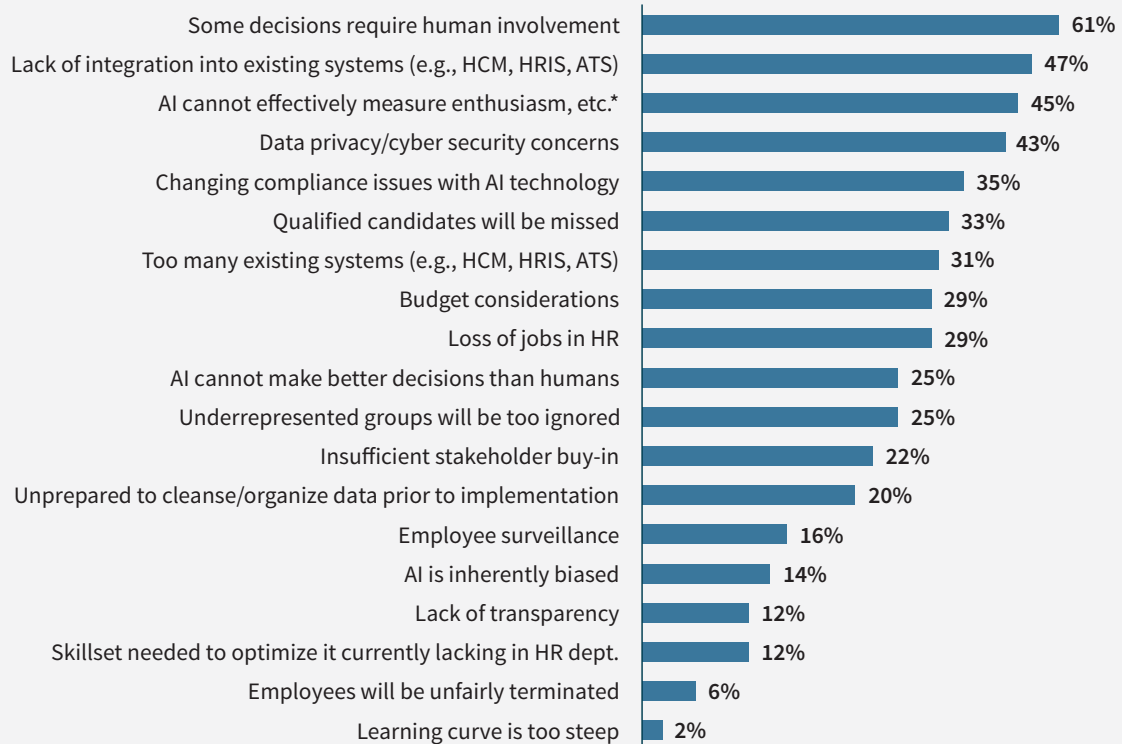
The second most selected area of concern is a lack of integration with existing HR systems, such as HCM, HRIS, or ATS, with nearly one-half (47%) choosing it. Integrating AI systems with existing HR software and processes can be complex. Legacy systems may not easily accommodate AI or be able to support the data requirements the systems demand. Organizations may need to invest both capital and training in integration efforts.

The third most commonly selected area of concern (45%) is that AI cannot effectively measure enthusiasm, willingness to learn, true social and emotional intelligence, and other skills and attributes that are immensely (and increasingly) valuable in a healthy, collaborative workplace culture. Both algorithmic and hardware inefficiencies make it unlikely AI will have the raw power needed to master the subtleties and idiosyncrasies of human feeling. It turns out that when it comes to interpreting emotions, AI has trouble even achieving more modest goals.¹⁰

Data privacy is the fourth most indicated area of concern, with 43% of respondents selecting it. HR deals with sensitive and personal data, and there are strict regulations, such as GDPR (General Data Protection Regulation) in Europe or the CCPA (California Consumer Privacy Act), that govern how this data can be collected, stored, and used. As a result, HR professionals need to navigate complex legal and ethical issues when implementing AI, which can slow down the adoption process.

Concerns About AI (continued)

What concerns do you have working with AI in your department?



* Full description presented as: AI cannot effectively measure enthusiasm, willingness to learn, true social and emotional intelligence, and other skills and attributes that are immensely (and increasingly) valuable in a healthy, collaborative workplace culture.

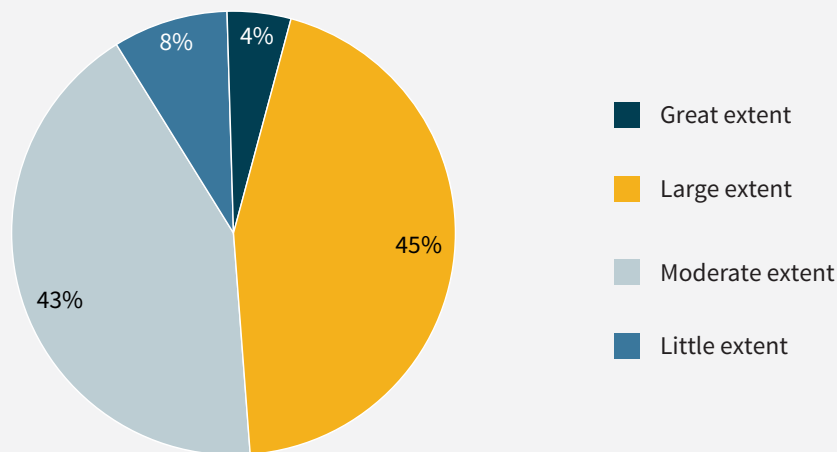
Extent AI is Getting Better

Respondents were asked to indicate the extent to which they believe AI data is getting better. The belief that it is getting at least moderately better is held by nearly all (92%). Of this, nearly one-half (49%) feel it's getting better to a great or large extent.

Improving AI data for HR is an ongoing process that requires a combination of data management, algorithm enhancement, ethical considerations, and collaboration across different departments within an organization.

The quality and effectiveness of AI data for HR can improve, but it will most likely require ongoing efforts in data collection and integration, algorithm development, personalization, ethics, compliance, education, and feedback. As technology and best practices continue to advance, AI's role in HR can become more valuable and accurate. But organizations must remain aware of data privacy/compliance issues as well as the potential impact on employees to ensure that AI is used responsibly and fairly in HR processes.

To what extent do you believe AI data is getting better?



Conclusions

HR is a field that is always in flux, as it adjusts to the changing needs and priorities of organizations. AI has already started to disrupt this field with its use in recruitment, workforce planning, and onboarding.

As companies become more reliant on technology, AI will most likely become a mainstay within human resources. Many HR practitioners will likely have to adjust their thinking to be able to fully embrace the technology and take advantage of all it offers, while still mitigating the challenges and managing the implications. The more the benefits of the technology are evident, the greater the confidence HR will have in using the technology to an increasingly greater extent.

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SEVENSTEP

About Sevenstep

Sevenstep is a global leader in total talent outsourcing and solutions. Annually ranked as a top enterprise recruitment process outsourcing (RPO) provider on *HRO Today*'s Baker's Dozen list and a leading managed service provider (MSP), Sevenstep provides services in nearly 50 countries spanning six continents. Sevenstep's total talent services and solutions includes enterprise RPO, project RPO, MSP solutions, Talent Unbounded® consulting, data analytics, employer branding, and talent attraction capabilities. Sevenstep's solutions are all powered by Sevayo® Insights, a comprehensive talent and business intelligence technology platform and service designed to provide stakeholder visibility into talent acquisition and business performance.

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