

2026

HR Industry Benchmark Report

AOTEAROA NEW ZEALAND

Trends, opportunities and
challenges for the year ahead

Contents

Executive Summary 3

2026 Key HR Trends 4

- AI Readiness vs Effectiveness 5

- Leadership Expectations vs HR Reality 9

- AI Adoption vs Impact 13

Benchmark Findings 18

HR Challenges & Opportunities 27

Executive Summary



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

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

New Zealand leads in AI adoption — 86% of organisations and 96% of HR teams are now using AI. Yet two-thirds of HR professionals use it only occasionally, and while 40% expected AI to be transformative in 2025, only 18% say it was.

This year's report highlights three key workforce themes:

1. AI Readiness vs Effectiveness

Individual capability is strong, but organisational foundations aren't keeping pace. Until systems and data catch up, that individual strength can't scale.

2. Leadership Expectations vs HR Reality

HR and leadership broadly agree on how HR is performing, yet only one in four HR leaders feel fully equipped to deliver AI transformation. The constraint isn't perception or alignment; it's resourcing. Skilled people, budget and time to experiment remain the top barriers.

3. AI Adoption vs Impact

Two in five HR leaders expected AI to be transformative in 2025. Only 18% say it was. Adoption is widespread but shallow — and the organisations bridging the gap are investing in capability, targeting specific workflows, and ensuring leaders model AI use themselves.

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.

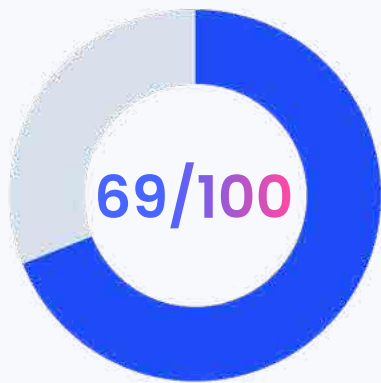
AI can't deliver value unless employees are confident, supported and clear on how to use it responsibly.

Joseph Lyons,
President | ELMO Software

2026 Key HR Trends

The AI capability gap

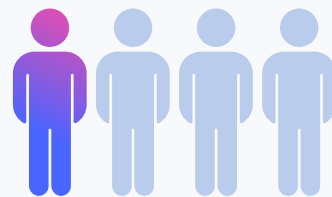
As adoption grows, the AI capability gap becomes more apparent. HR professionals are personally effective with AI, but organisational readiness, leadership alignment and measurable impact haven't kept pace. The gap between what HR can do individually and what organisations are set up to deliver is the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



New Zealand HR leaders score 69/100 on AI Maturity. This index combines individual capability, organisational integration, and measurable impact into a single benchmark. New Zealand's score is buoyed by strong individual effectiveness and a higher rate of workforce modelling capability (43% vs 37% in Australia). However, the Readiness score (66.6) lags behind, signalling that organisational foundations need to catch up with individual ambition.

40% > 18%

At the start of 2025, 40% of HR leaders predicted AI would be "transformative." Twelve months later, only 18% said it delivered on that promise – a 22-percentage-point gap.



Only 1 in 4 – New Zealand HR leaders feel fully equipped to meet leadership's expectations around AI – though HR and leadership broadly agree on how HR is performing, suggesting the constraint is resourcing, not recognition.



KEY TRENDS

AI Readiness vs Effectiveness

New Zealand 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 New Zealand's AI effectiveness is strengthened by strong individual capability, it's pulled down by lagging organisational integration. The 4.4-point gap between Readiness (66.6) and Effectiveness (71) is a clear signal that individual ambition is outrunning organisational foundations.

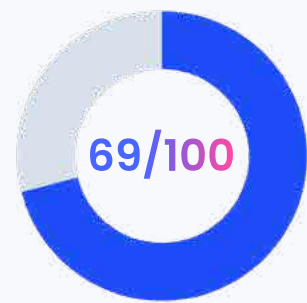
AI Readiness Index



AI Effectiveness Index



AI Maturity Index



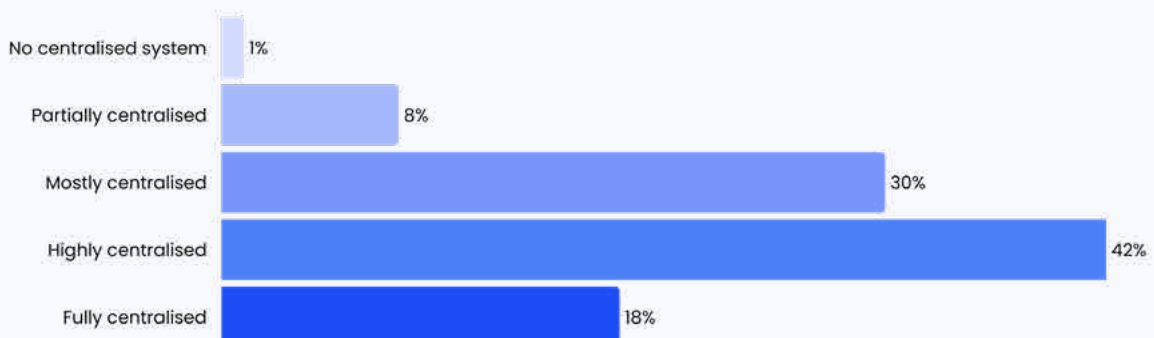
Are the foundations in place?

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.

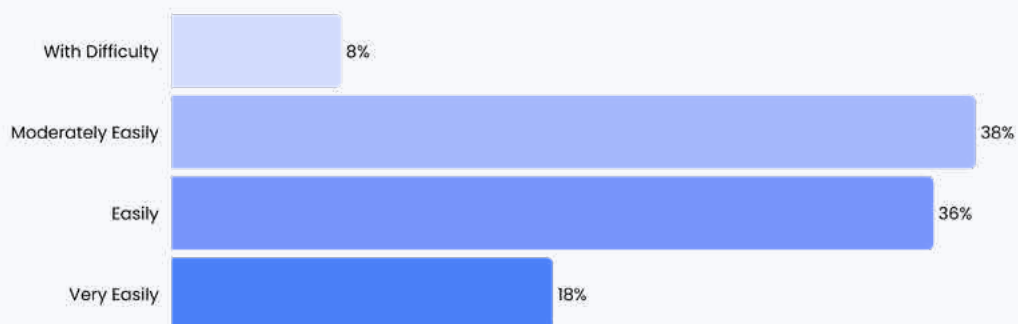
- Only **18%** have a fully centralised, single platform across HR, payroll and workforce management.
- Over one-third (**36%**) still rely on manual processes to gather HR metrics.
- Just under one-third (**32%**) are advanced in how they use these metrics – up from 30% in 2025, a modest but positive trend.

Without streamlined access to data, many HR teams struggle to find the answers they need. It takes manual work for 46% to answer questions from leadership, while only 18% 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.

- Two in five (**40%**) say it's very effective at drafting, editing and summarising content.
- A similar proportion find it most impactful to turn data into insights.

New Zealand HR professionals are notably stronger at turning insights into action — **43%** find AI very effective for workforce modelling and scenario planning, compared to 37% in Australia.

Organisationally, however, the picture is further constrained. Only **6%** have more than three-quarters of their workforce using approved AI tools.

The ambition is there — HR individuals feel capable and confident in using AI tools. But organisational effectiveness is lagging, limiting what individual capability can deliver at scale.



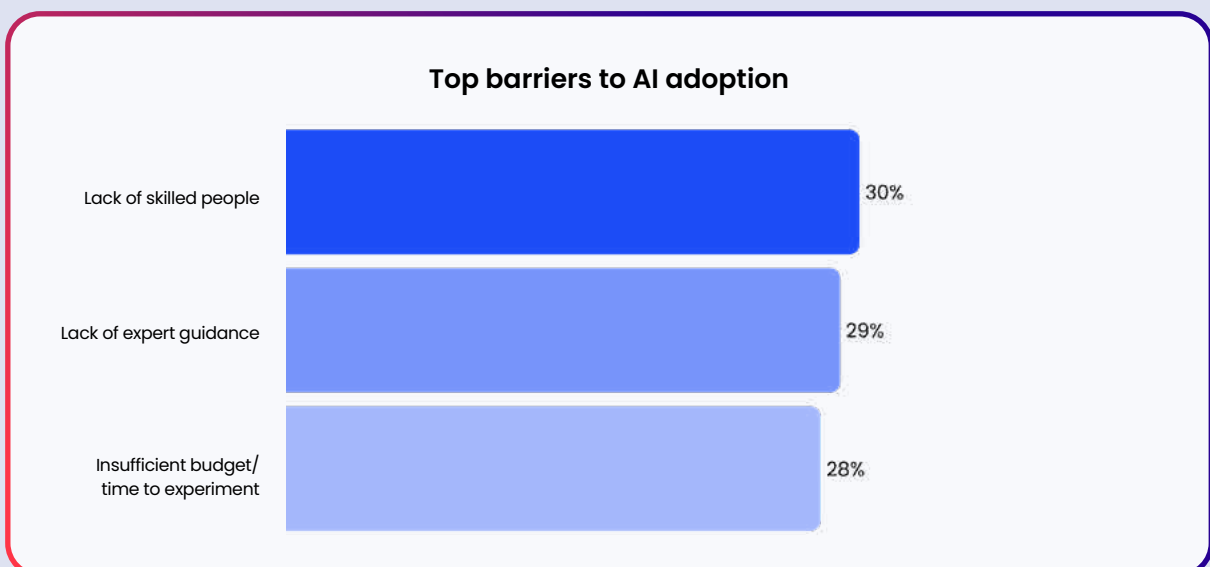
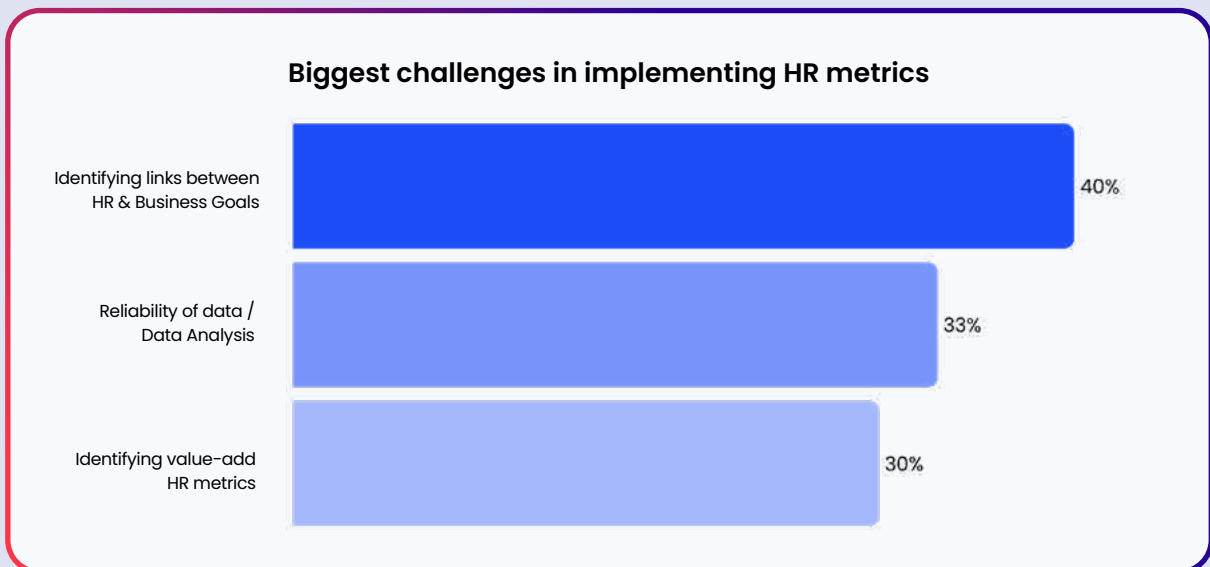
Only 6%
of New Zealand
organisations have more
than three-quarters of
their workforce using
approved AI tools.

What's holding readiness back?

What's holding organisations back operates on two levels – and New Zealand's barriers differ from Australia's.

First, the strategic foundations: identifying quantifiable links between HR and business goals is the top blocker, alongside reliability of data and data analysis and identifying value-add HR metrics. This is a strategic narrative problem as much as a technical one – HR teams need to connect workforce outcomes to business performance in language the C-Suite understands.

Second, the capacity to act: a lack of skilled people, an insufficient budget and a lack of time to experiment.



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?



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.

Only 17% of HR leaders see themselves as responsible for AI transformation, while leadership most commonly points to the C-Suite (40%) or IT (39%). This creates a grey area: HR is expected to deliver, but rarely empowered to lead.



The capacity constraint

Here's what makes New Zealand's data distinctive: HR and business leaders are broadly aligned in how they assess HR's capabilities across education, change management, governance and measurement.

This alignment is a strength. But it raises a pointed question: if both sides agree HR is performing, why do only one in four (24%) HR leaders feel fully equipped to deliver?

HR professionals in New Zealand say limited AI capability within the organisation and a lack of understanding of how to use AI to improve productivity are holding them back.

The willingness is there. The alignment is there. What's missing is the capacity to act on it.



Only one in four (24%)

New Zealand HR leaders feel fully equipped to meet leadership's AI expectations.

Who ultimately owns AI?

And this is where the ownership question matters most. Until it's clear who leads AI transformation — and until that leader has the budget, people and mandate to match — alignment alone won't close the gap between expectation and execution.

HR leaders and the C-Suite need to work in tandem: IT owns the foundations (data, systems, security), HR leads the human side (capability, governance, behaviour change and impact measurement), and the C-Suite sponsors and unblocks with explicit resourcing commitment.



KEY TRENDS

AI Adoption vs Impact

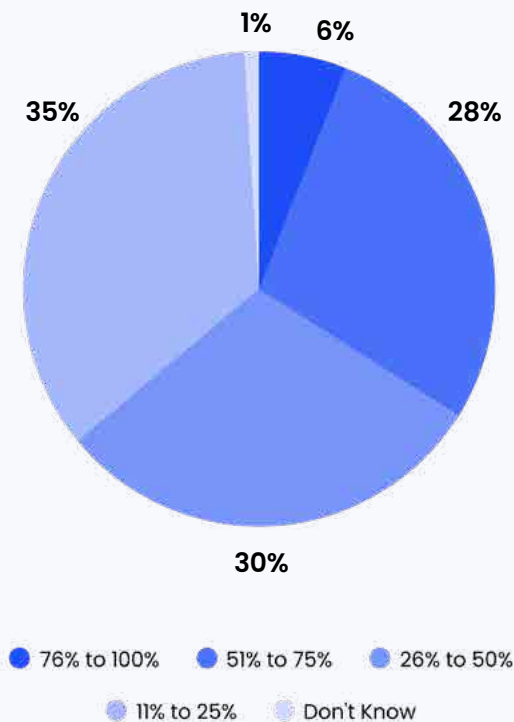
AI adoption across New Zealand is high. Four in five organisations (86%) are now using AI, and among HR teams, that figure rises to 96%.

But these headline numbers don't tell the whole story.

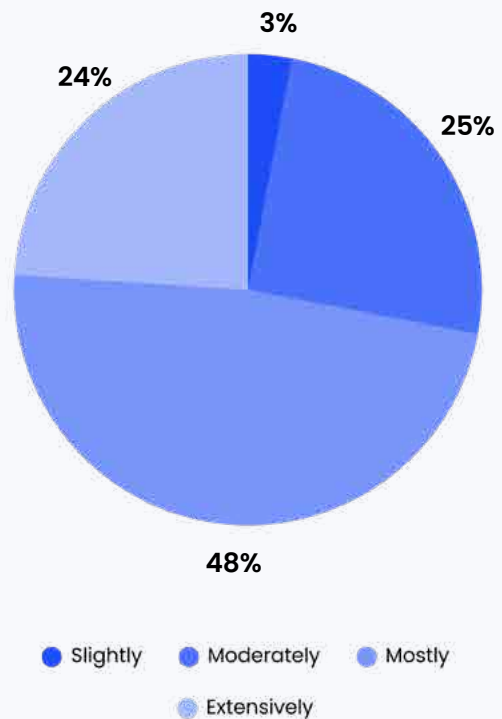
Almost two thirds (66%) of HR professionals use AI only occasionally, and the same proportion of organisations report that half or fewer of their workforce is actively using AI-embedded tools day-to-day. New Zealand has the broadest adoption surface in the region – but also the shallowest depth, with two-thirds using AI only sometimes.

And 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?



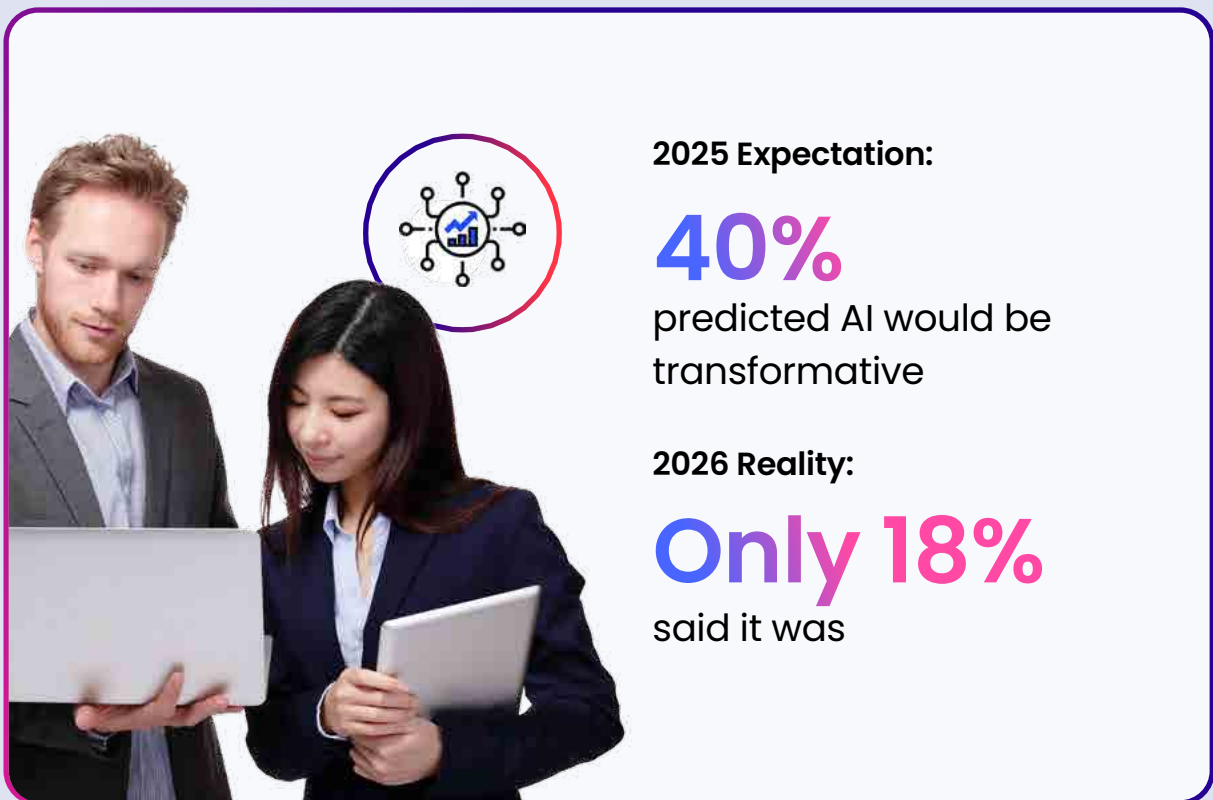
To what extent are AI-enabled tools integrated into day-to-day workflows across your organisation?



When expectations outpace reality

As the data shows, AI expectations have significantly outpaced reality.

This gap is the core challenge: turning high headline adoption into deeper, measurable business impact.



New Zealand 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.

One in five (**20%**) say they can measure AI outcomes extensively.

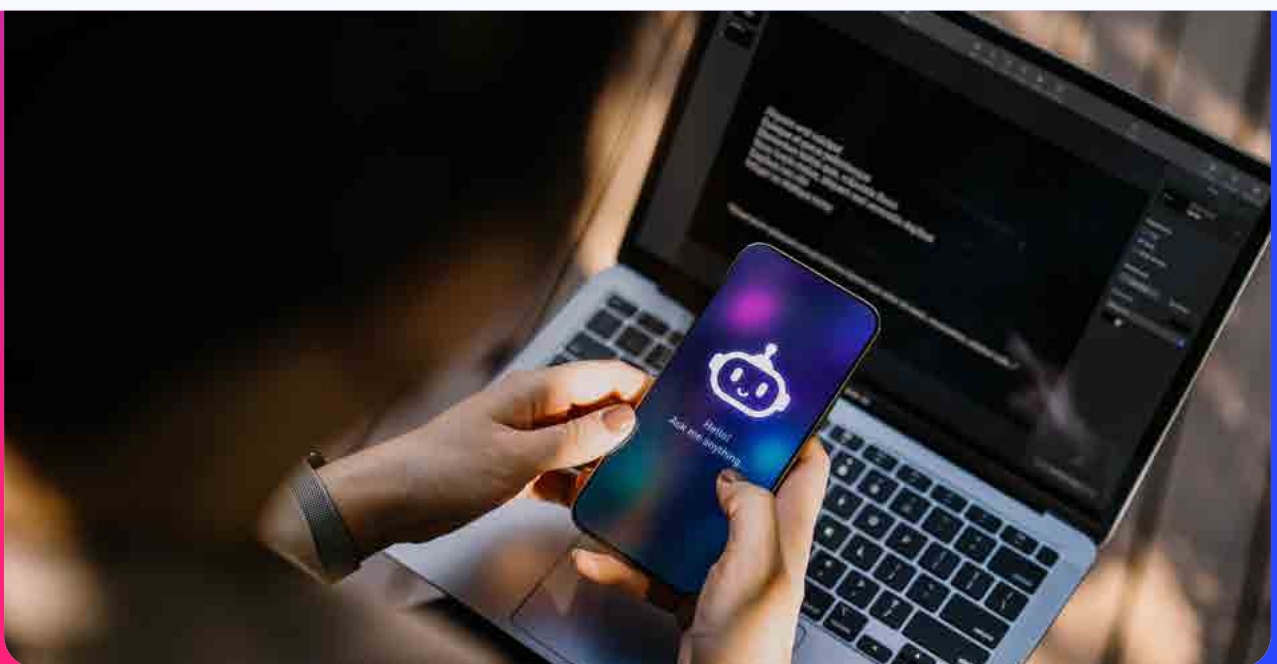
Yet almost all (**99%**) HR professionals report tangible improvements from AI adoption. The most commonly cited gains are **skills mapping and capability diagnostics (40%)**, **performance and development support (40%)**, **employee support (38%)** and **predictive analytics (36%)**.

This is an encouraging signal – particularly skills mapping and capability diagnostics, which sit firmly in strategic territory. But the majority of gains remain operational, and less than one in five can measure outcomes extensively. The challenge is scaling these early pockets of strategic value into consistent, measurable impact across the organisation.

The barriers to going further fall into two categories:

- **Integration and scale:** issues integrating AI with current systems (**34%**), difficulty scaling across teams (**33%**), and data security and privacy concerns (**32%**).
- **Trust and responsibility:** bias or fairness concerns (**28%**) and excessive rework after using AI (**28%**).

Notably, New Zealand surfaces bias and fairness as a more prominent concern than Australia – suggesting that as NZ organisations look to scale AI, responsible implementation is front of mind. This is a maturity signal, not a weakness.



Where the real opportunity lies

If HR teams can overcome these blockers, AI could deliver far more meaningful impact.

New Zealand's top priority differs from Australia's. Two in five (42%) see the greatest opportunity in performance and development support – a direct connection to the desire to improve employee retention. This is closely followed by workforce forecasting and planning (41%).

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 access), identifying the specific workflows where AI creates disproportionate value, and ensuring leaders visibly model AI use to normalise experimentation across the organisation.



Benchmark Findings



Workforce growth predictions

Confidence in headcount growth remains steady. This year, 89% of New Zealand HR professionals anticipate workforce growth, only a 1% drop compared to 2025. On average, they expect an 18% increase to workforce size (down from 22% in 2025).

The biggest shift: is that 10% expect their workforce to remain the same (compared to 4% last year), suggesting a growing cohort of organisations focused on optimising existing headcount rather than expanding.

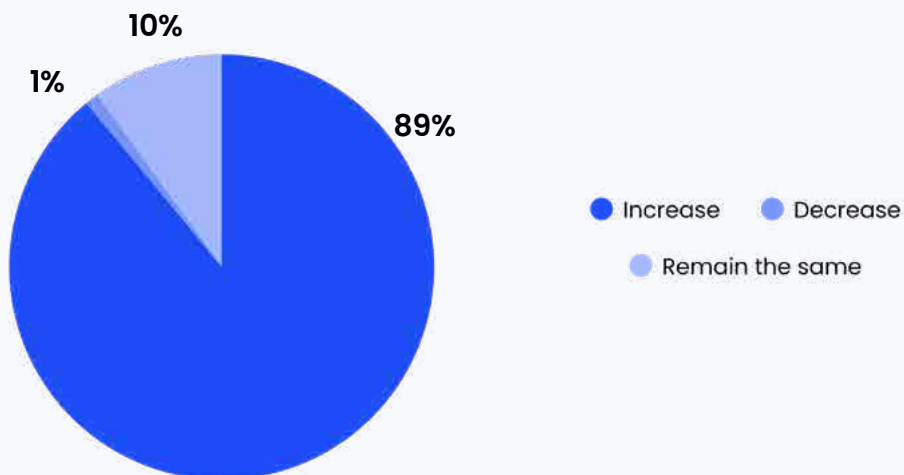
89%

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

1%

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

Workforce growth prediction in New Zealand

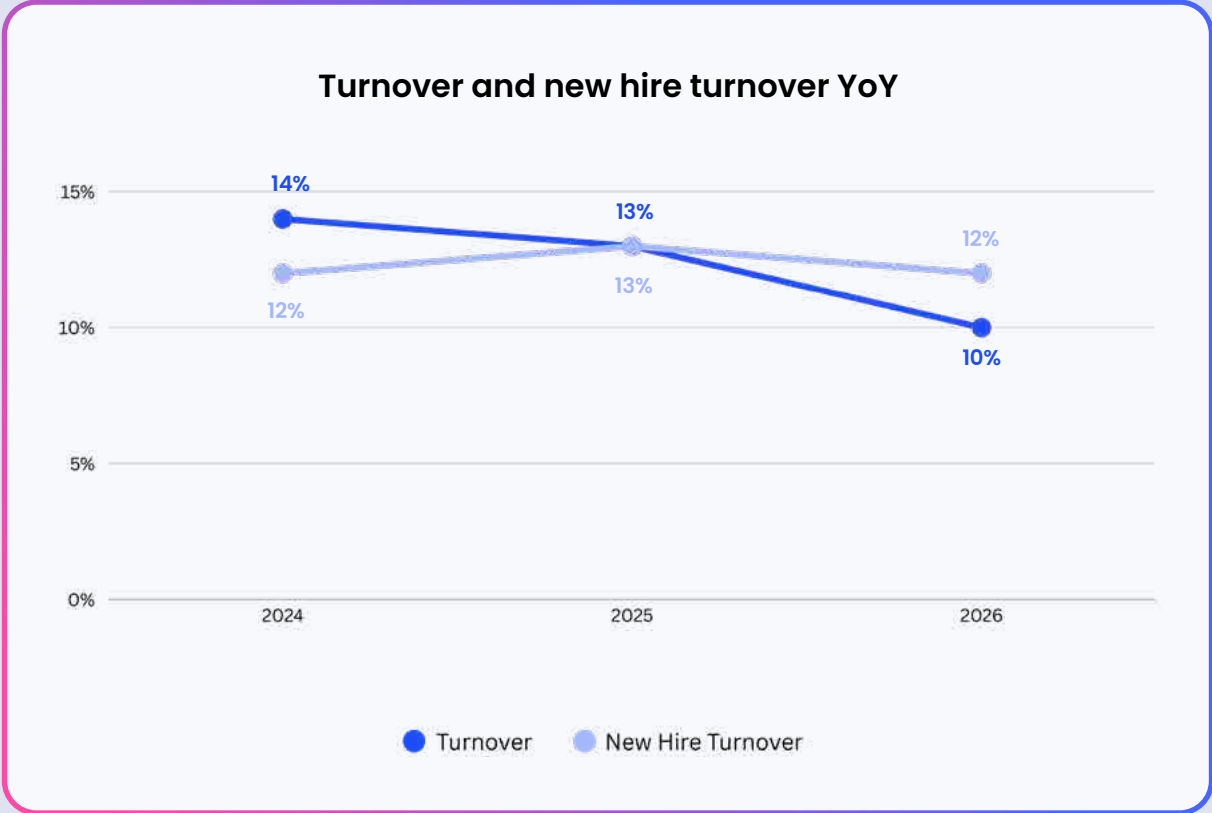


Turnover and new hire turnover

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

Average turnover has decreased to 10% (from 13% in 2025). New hire turnover has also improved slightly to 12% (from 13% in 2025).

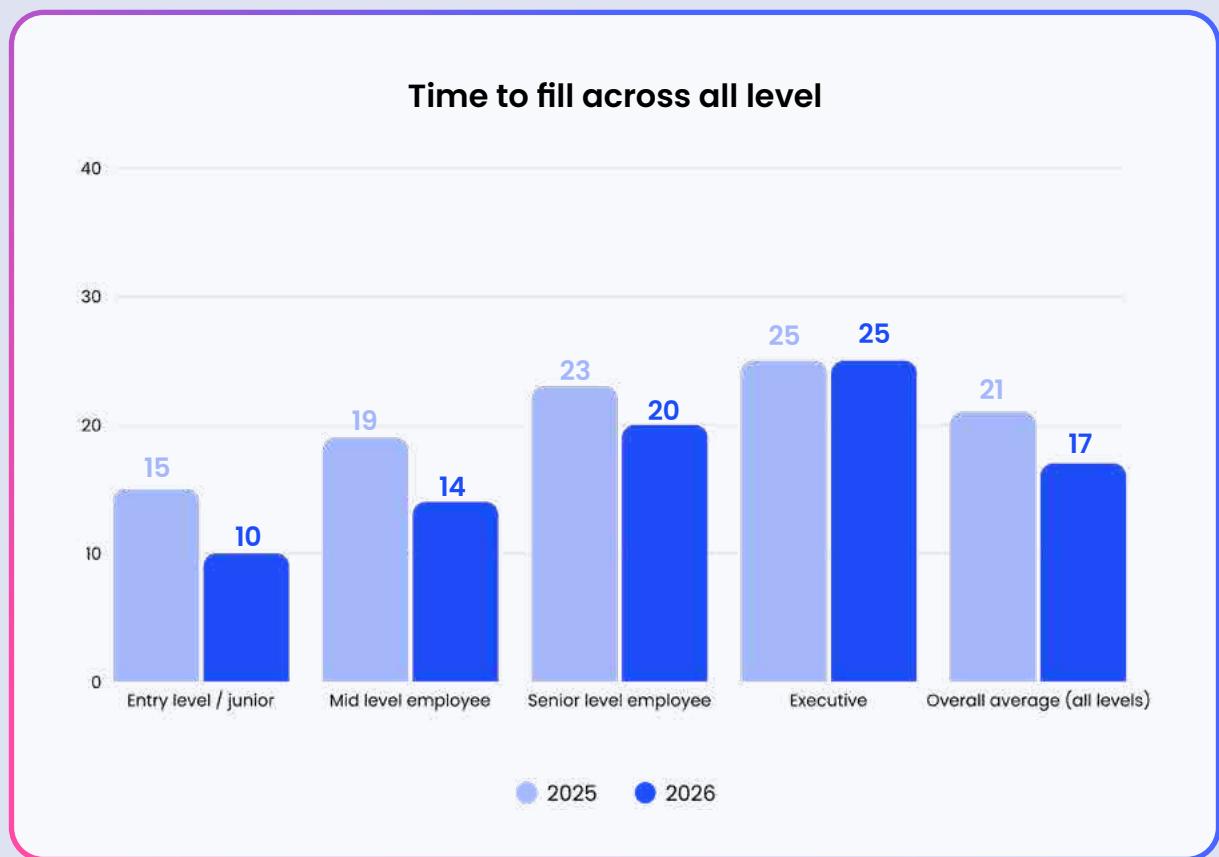
In New Zealand, new turnover remains **2 percentage points higher than overall turnover**. This suggests organisations are still losing a disproportionate number of new employees in their first months, reinforcing the case for more structured, technology-enabled onboarding programs.



Time to fill

New Zealand organisations are taking less time to fill vacant roles across every level. It now takes 17 days on average (down 20% from 21 days in 2025).

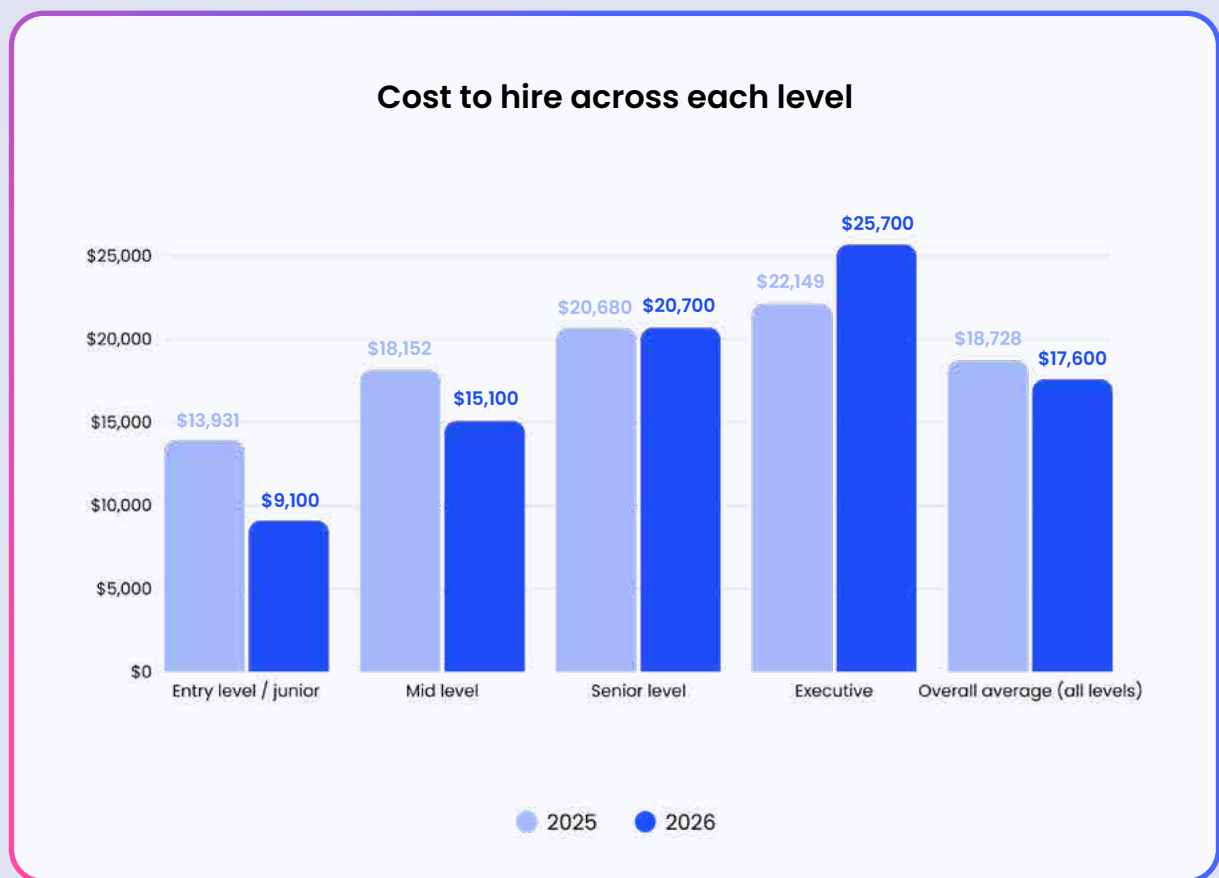
The biggest gains are at junior and mid-level (5 days each decrease) while executive hires remain flat, possibly reflecting the inherent complexity of those searches regardless of market conditions.



Cost to hire

Average cost to hire has decreased to NZD \$17,600, down from \$18,728 in 2025. Significant cost reductions are concentrated at junior and mid-level roles, consistent with the faster time-to-fill at those levels.

Executive hiring, however, has gotten notably more expensive, mirroring the Australian trend where cost and complexity at the senior level continue to rise.

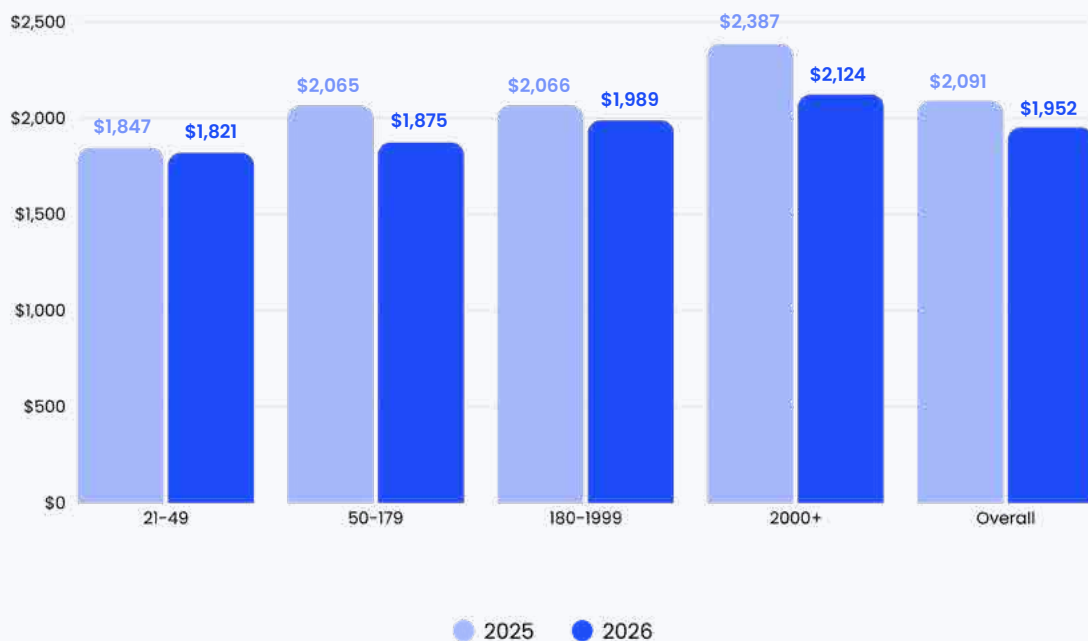


Cost to train

Per-employee training spend has remained static at approximately \$2,000, 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.

Organisation size and training spend, 2026 vs 2025



Time to productivity

New employees are reaching productivity faster, with an estimated average of just under four weeks – down from 34 days in 2025. 79% of new hires reach full productivity within one month, and only 6% take three months or longer – compared to 18% in Australia.

This suggests New Zealand's onboarding environments, while not immune to the pressures of role complexity and hybrid working, are delivering a faster path to contribution. However, with new hire turnover still sitting above overall turnover (12% vs 10%), the organisations losing people early may benefit from focusing onboarding programs less on speed and more on engagement and connection in the critical first months.

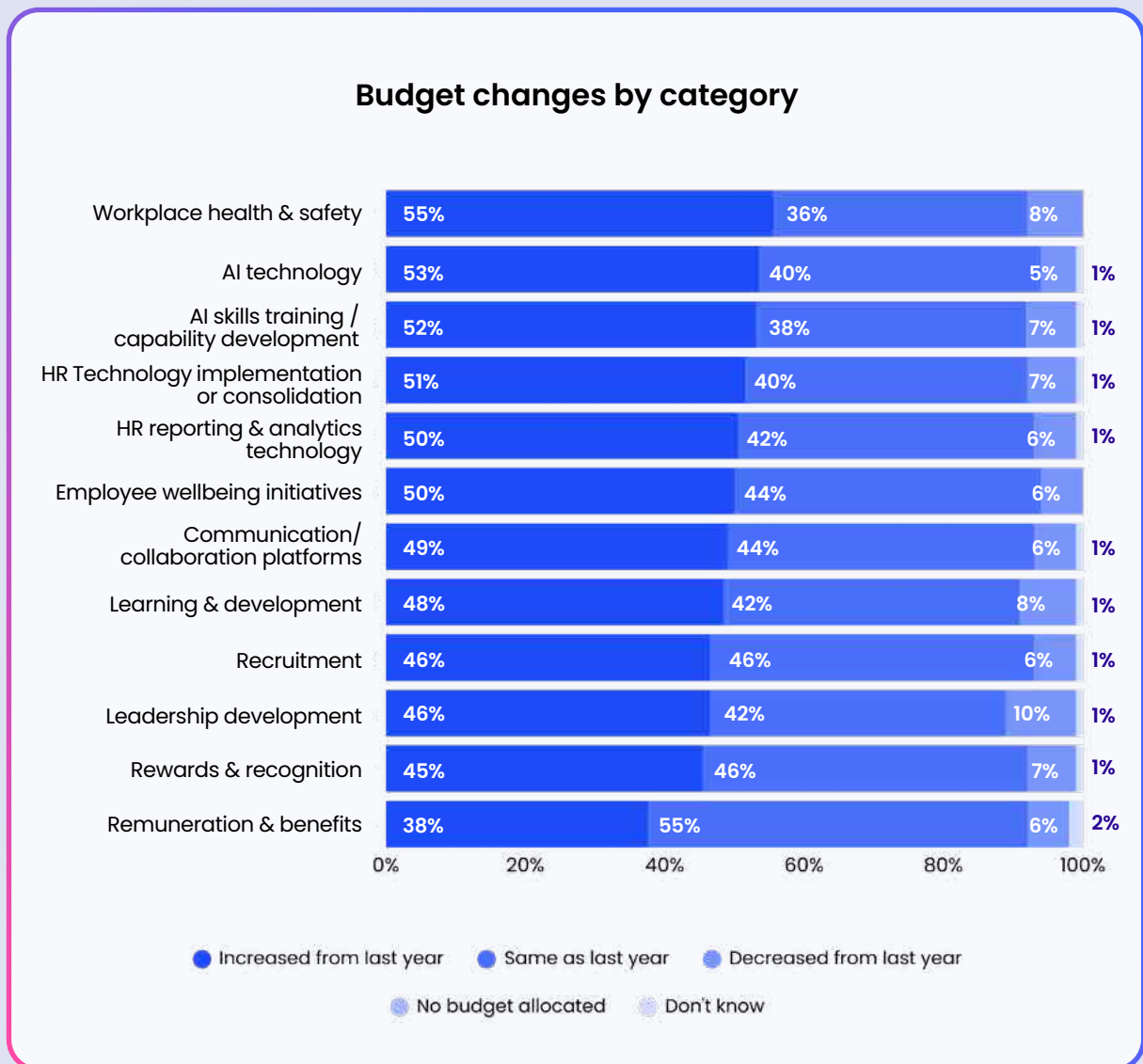


Budgets

The biggest budget increase for 2026 is **Workplace Health & Safety (55%)**, up from 46% in 2025 – making it the top investment area ahead of AI. This likely reflects ongoing regulatory requirements and a practical compliance focus.

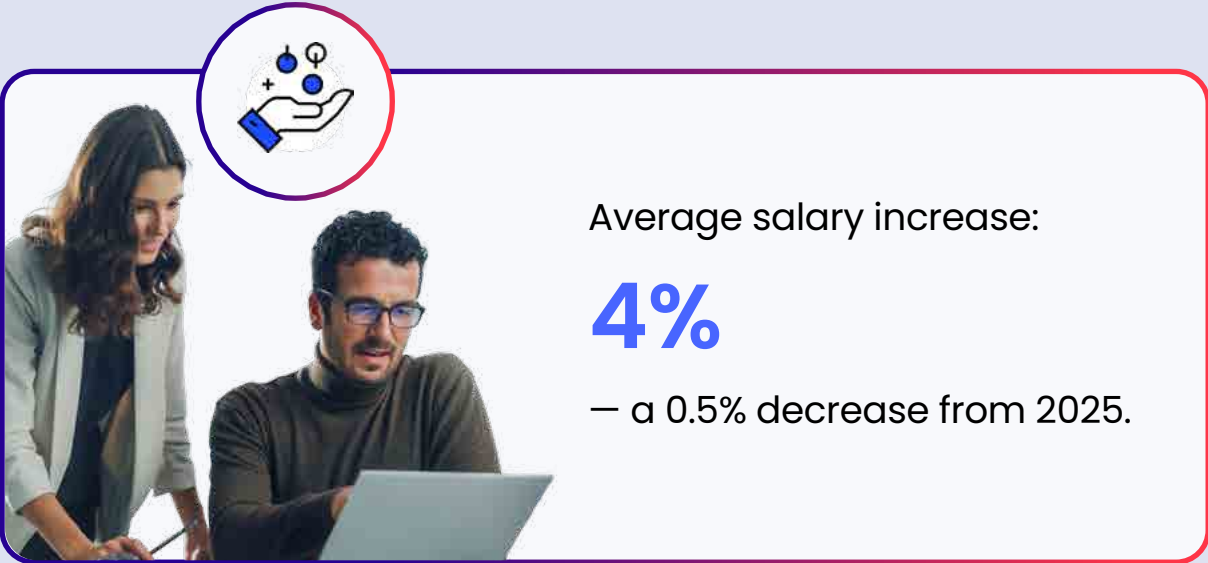
AI technology investment remains strong but has plateaued, with **53%** planning to increase spending (down slightly from 55% in 2025). AI training and skills development follows closely (**52%**), alongside HR technology consolidation (**51%**) and reporting/analytics technology (**50%**).

The slight softening in AI budget appetite – in contrast to Australia’s continued acceleration (62%, up from 57%) – suggests New Zealand organisations may be entering a more deliberate phase: less about increasing spend, more about ensuring existing investment delivers measurable returns.



Salary movements

Almost all (98%) New Zealand HR professionals expect salary increases in the next remuneration cycle, consistent with 2025. The average expected increase sits at approximately 4 %, with one-third of respondents (33%) expecting a 4% rise.



Average salary increase:

4%

— a 0.5% decrease from 2025.

With NZ inflation at 3.1% (Stats NZ, Q4 2025), employees stand to see modest real wage growth of just under a percentage point, a positive signal for retention and morale.

HR Challenges & Opportunities



Future ready workforces

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

Top 5 Organisational Challenges	2026 Priorities
✓ Upskilling, cross skilling or reskilling employees	✓ HR reporting & analytics
✓ Adopting AI into the organisation	✓ Employee engagement & satisfaction
✓ Expanding AI use across the organisation	✓ Expanding AI use in the organisation
✓ Cyber /data security threats	✓ Talent acquisition
✓ Aligning salaries with market rates	✓ Internal skills mapping / development / career pathways

HR reporting and analytics (34%) is the clear number one priority for organisations, a direct reflection of the foundational challenge identified in Theme 1, where proving quantifiable links between HR and business goals is the top blocker. New Zealand HR teams aren't just talking about better data; they're prioritising it.

Employee engagement and satisfaction also sits high in New Zealand's priorities (20%), consistent with the retention-focused theme running through this report – from higher new hire turnover to performance and development as the number one future AI opportunity.

Notably, "Adopting AI" doesn't appear in NZ's top priorities at all, though it remains a top challenge (23%). This suggests New Zealand has moved past the question of whether to adopt AI and is now focused on how to use it well – a maturity signal that aligns with the budget data, where AI investment has plateaued rather than accelerated.

85% say there are barriers to improving productivity, but the nature of those barriers is telling. New Zealand's top blockers are limited AI capability within the organisation (25%), lack of understanding of how to use AI to improve productivity (23%), and lack of clarity on goals and performance (22%).

These aren't time or resource problems — they're capability and direction problems. The barrier isn't that HR teams are too stretched; it's that they need clearer guidance on how AI connects to productivity outcomes.

This is where leadership is critical — not just to set direction, but to invest in the AI capability building and strategic clarity that will unlock the next phase of productivity improvement.

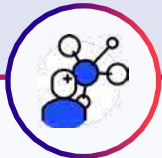
2026 Barriers

- ✘ Limited AI capability within the organisation
- ✘ Lack of understanding of how to use AI to improve productivity
- ✘ Lack of clarity on goals and performance



Recommendations for New Zealand HR Leaders

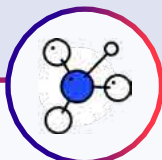
Drawing on this year's findings, we recommend New Zealand HR leaders focus on three areas:



Close the Effectiveness-Readiness gap

New Zealand's AI Effectiveness Index (71) outpaces its Readiness score (66.6). Individual capability is strong, but only 18% operate from a fully centralised platform and 36% still rely on manual processes for HR metrics.

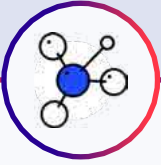
The action: Audit your current HR, payroll and workforce management data landscape. Prioritise consolidating core data sources into a single connected platform, this is the prerequisite for every strategic AI use case on the horizon, and the step most likely to close the gap between what individuals can do and what the organisation can deliver.



Build the business case for HR's impact

New Zealand's number one challenge is identifying quantifiable links between HR and business goals (40%). This isn't a data problem; it's a strategic narrative problem. HR teams can use AI effectively, and leadership agrees HR is performing well. But without clear metrics connecting workforce outcomes to business results, securing further investment and mandate will remain difficult.

The action: Define 2-3 workforce metrics that directly tie to business performance (e.g., time-to-productivity impact on revenue, retention cost savings, capability gap coverage). Report on them quarterly in language the C-Suite uses. The organisations that move AI from operational to strategic are the ones that can prove its value in business terms.



Deepen adoption, don't just broaden it

New Zealand has adopted AI, 86% of organisations and 96% of HR teams are using it. But two-thirds use it only occasionally, and the 40% \rightarrow 18% transformative expectation gap suggests breadth alone isn't delivering value.

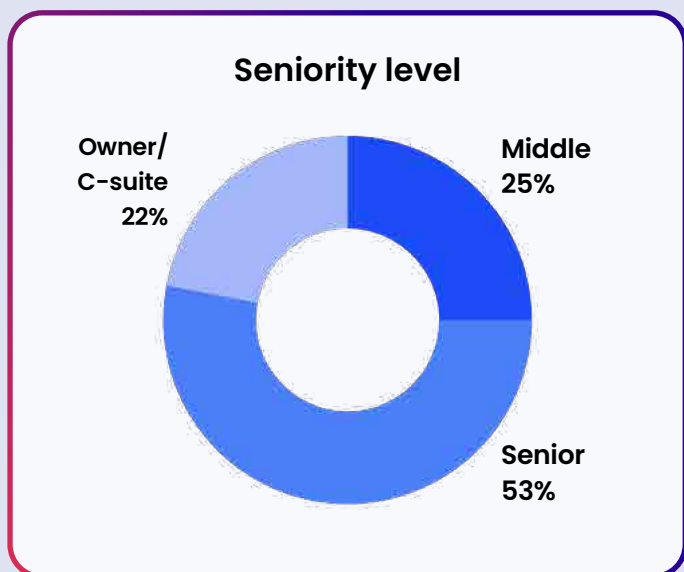
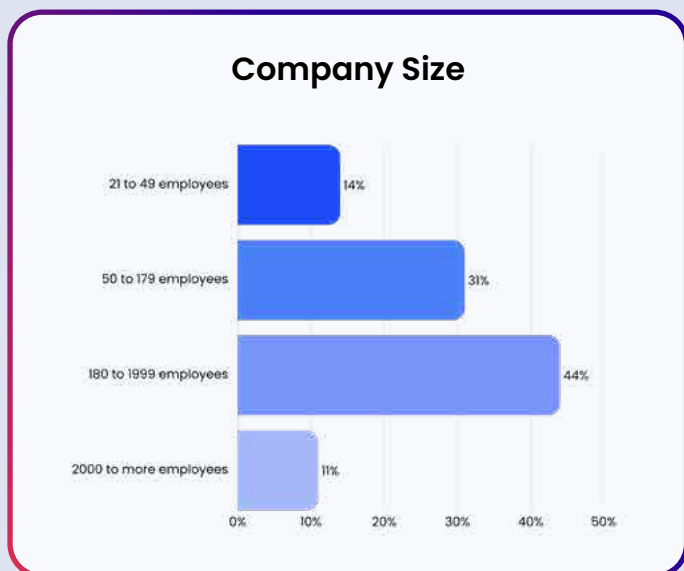
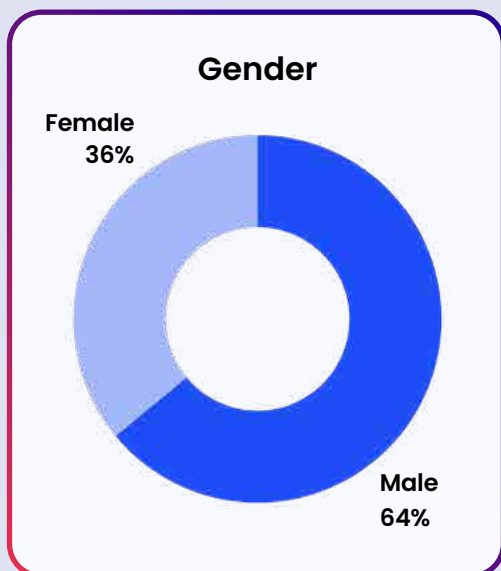
The action: Stop measuring AI success by adoption rates. Instead, identify 2–3 specific workflows where AI can deliver measurable impact (e.g., performance review cycles, skills-based workforce planning, onboarding automation). Embed AI into those workflows with clear baselines and targets. The next phase of AI maturity isn't about getting more people to try it – it's about getting current users to rely on it where it matters most.



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 337 HR respondents in the New Zealand 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⁺ Workforce Platform™

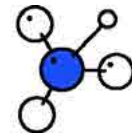
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Management

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ELMO is The Complete AI Workforce Platform™. 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.

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