

UNVEILING THE NEXT ANYTHING

Navigating new frontiers in talent,
compliance and technology

HR trends and priorities for 2025



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Introduction

For leaders worldwide, 2025 will be a year of responding to a steady drumbeat of talent, compliance and technology trends. From developments in generative artificial intelligence (AI), skill-building and employee well-being to laws and regulations surrounding AI, pay transparency, overtime and what counts as work time, 2025 will be a journey of acclimation as leaders adapt to one of the most complex business environments in world history. An open mind, an interest in expanding one's knowledge, interpersonal and relational abilities and a willingness to adjust to work's inconstancy will be critical skills to prioritize in the coming year.

The end of the COVID-19 pandemic was not the end of seismic workplace change. Leaders have since experienced the rise of generative AI, the back-and-forth of a still-uncertain labor market, the workforce swing toward better pay, benefits and work-life balance, the decision of whether to return to the office and the pressure of legal and regulatory changes impacting how workers are classified, paid and protected.

In many ways, work is more human than ever, as each new talent expectation, breakneck technological advancement and shifting compliance priority pushes leaders to reprioritize their people and target their experience.



As you explore this guide, discovering trends, considerations and solutions to employ now and throughout the year, know that it's one piece of a larger workforce puzzle. You'll gain insights to inform critical decisions and foster a human-first culture, but those insights need your action to effect change.

Generative AI is affecting employer-candidate interactions

Creating a human-centric experience remains a key focus

Access to **generative AI** can profoundly shift hiring practices for many organizations. Most workers (**85%**) believe AI will impact their jobs in the next two to three years,¹ and recruiters and hiring managers are no exception. Those with access to generative AI could experience a dramatic change in what they spend time on and how they do talent acquisition, if they have not already. Sifting through candidate résumés could be accelerated, job descriptions could be written with automation, human biases in **screening** could be reduced and interview scheduling could become more dynamic and automated. The list of possibilities is long.

What's more, as HR technologies integrate generative AI, **recruitment and candidate platforms** may come with built-in generative AI tools. These additions could help recruiters and hiring managers navigate their candidate pools quicker and easier. Perhaps there's a button for "write my job description" or "compare these two résumés." Regardless of how the technology is used, it will impact hiring practices.

85% of the workers believe **AI will impact their jobs** in the next two to three years¹



While using generative AI to assist in talent acquisition can save recruiters and hiring managers time and effort, organizations that want to provide a best-in-class process that supports everyone must keep a **human in the loop**.

Human oversight helps maintain essential personal connections within the candidate experience, and when it comes to screening and decision making, recruiters and hiring managers could better identify top talent than if they were to use generative AI alone.

Generative AI doesn't "know" that sometimes the best candidate for a job doesn't always have the "perfect" résumé. Human oversight is important to ensure organizations don't spend valuable time and money on mis-hires or accidentally turn their candidates away due to impersonal experiences. Human oversight is also critical to ensure biases don't make their way into the hiring process, which may be a legal concern, depending on the location.

Later in the guide, we address the importance of complying with AI laws that impact talent acquisition.

"We must maintain our human touch as we optimize hiring with generative AI. Candidates deserve personalized experiences and to feel good about working for an organization, regardless of whether they accept a job offer."

—Chris Mullen

Vice President of Workplace Insights and Transformation, ADP

ADDRESSING GENERATIVE AI'S EFFECTS ON EMPLOYER-CANDIDATE INTERACTIONS

- **Require human oversight** during candidate profile screenings.
- Ensure the **candidate experience** isn't dominated by impersonal automated responses.
- Remember, a candidate may not have everything but could still be an excellent fit.

The employee experience and well-being are ongoing business priorities

Personalization can help employees feel cared for at work

Creating a positive employee experience has surged in popularity in recent years, and for good reason. But what exactly is the employee experience, and how can employers create a good one that helps their employees feel cared for?

The employee experience is what employees see, hear, think and feel about an organization. It can affect employee morale, brand reputation and customer and client experiences. The employee experience starts with candidates and extends through their time at an organization.



Learn more about:

How to deliver a meaningful employee experience

Employees who feel cared for by their employer are **92%** more likely to feel engaged at work, **65%** more likely to be loyal and **56%** more likely to be productive at work.² Since the business case for a positive employee experience can feel overwhelming, employers have started asking how to enhance their employee experience. The answer starts with a question: "What is important to my employees?"

Since asking each employee what's important to them will yield many different answers, the best answer is **personalization**.

Personalization enhances the employee experience. Examples include customizing tasks to speak to each employee's unique skills or strengths, emailing announcements from a human leader rather than an automated bot and frequent one-on-one meetings with a direct manager. Additionally, how individual employees are personally recognized and appreciated by their managers goes a long way in helping employees know that they are valued. These are just a few things that can help employees feel cared for.



Learn more about:

How to create a positive employee experience for better business outcomes

Stress, burnout, mental health and well-being are also key concerns for employees today. **43%** of employees report feeling the impact of burnout and poorer mental health, with **80%** reporting that burnout and mental health have hindered their work performance and affected them emotionally and psychologically. Stress, poor mental health and burnout can erode worker satisfaction. Yet there's a **29%** care delivery gap between employees who say they were impacted by burnout and poor mental health and those who say their employer demonstrated care during times of poor mental health and burnout.³ One-on-one meetings with a direct manager can help address these issues. During these meetings, managers can facilitate open communication, prioritize flexibility where possible and provide employees with resources. Managers can also help employees supervise workloads by prioritizing the most important tasks and setting realistic expectations to ensure employees are not overloaded and burnt out.

“When employers create ways for employees to lean into their strengths instead of having them do things they’re less interested in, employees can find themselves more engaged, which enhances the employee experience. Many employers are beginning to prioritize that and employee well-being in ways that go beyond traditional benefits, to help their employees feel truly cared for by the organization.”

—**Kasara Weinrich**

Director of Sales Technology, AI Solutions Designer, ADP



ADDRESSING THE EMPLOYEE EXPERIENCE AND WELL-BEING

- Look for **technology solutions** that help create a better employee experience.
- **Gather feedback** throughout the employee experience to make targeted workforce decisions.
- Prioritize **personal connection** with employees using one-on-one check-ins.
- Assign **strengths-based tasks** to employees as often as possible.
- Limit automated communications and emails.

“Remote work and the evolution of technology have made it possible for us to have about five to six different ways to communicate with each other at any given time. Sometimes, this is great, but it also means we are more connected than ever. This can greatly impact mental health and employee stress because work and life are now so integrated and intertwined. One of the best things leaders can do is help employees set boundaries that will give them more balance and ultimately result in better employee well-being.”

—Jason Delserro

Chief Talent Acquisition Officer, ADP



Skills have emerged as a strong indicator of employee success

A skills-based approach can be a profound workforce investment

In today's complex job market, skills are quickly rising to the top of priority lists for employers and employees, but what does this new focus really mean?

A **skills-based approach** to talent shifts the focus of hiring and development from traditional qualifications, such as degrees and industry experience, to the actual skills people bring. This approach can help leaders identify the best match for a role, based on a person's strengths and abilities, regardless of how their skills were acquired.

As younger generations evaluate traditional education's rising costs and deferred financial gains, the uptick in workers looking to advance themselves through boot camps or certificate programs should come as no surprise.

Most high school and college-aged individuals (**75%**) between the ages of 18 and 20 say they are interested in exploring vocational schools that offer paid on-the-job training.⁴ Additionally, the fact that some public, private and government organizations are dropping degree requirements for select roles demonstrates a shift toward hiring for skills.

To add to the shifting educational landscape, enrollment of bachelor's degree students fell by **3.6%**, while associate's degree enrollment fell by **15.9%** between 2019 and spring 2024. Vocational enrollment rose by **4.6%** during the same period.⁵ As employers look to fill gaps, leaders should consider upskilling and reskilling — building an employee's skills for the same role versus building an employee's skills for a different role — as possible paths forward.



Learn more about:
How to make learning easy with continuous skills development

75%

of high school and college-aged individuals between the ages of 18 and 20 say they are interested in exploring **vocational schools that offer paid on-the-job training.**⁴

Not only does skills-based hiring align with the evolving needs of the workplace, where adaptability, problem-solving and collaboration are increasingly valued, but it's also proving to be more effective for organizations. Most companies (**90%**) using a skills-based hiring method report reducing their mis-hires, and **94%** agree that skills-based hiring is more predictive of on-the-job success than résumés.⁶

Adopting a skills-based approach to talent is more than an innovative hiring strategy; it is a profound investment in your organization's most valuable asset: **your people**.

ADDRESSING SKILLS

- **Upskill and reskill** employees by using increased bandwidth from technology.
- **Use training courses** to grow team skills for the future.
- Prioritize human, or soft, skills since technology can't replace interpersonal skills.
- Evaluate talent differently by looking beyond the traditional modes of education and experience.

"It's important for employers to lean into what skills and experiences their candidates and employees have. Whether these have come through other work experiences, military experiences, volunteer experiences or something else, those experiences matter. Employers may also want to evaluate the language of their job postings if they want to lean into a skills-based approach to hiring. Are they using the descriptor 'degree preferred,' and, if so, why? Is a degree truly needed for the role? If not, why is it 'preferred?'"

—**Tiffany Davis**

Chief Inclusion and Diversity Officer, ADP

Talent is becoming more geographically dispersed

Company expansion has normalized operations across borders

Workforces are continuing to become more geographically dispersed as organizations capitalize on innovative technologies and expansion possibilities. Now, something that would have been impossible 50 years ago — distributed organizations with digitally connected remote workers — has become much more normalized. It's increasingly common for organizations to have locations in multiple states or even multiple countries. What's more, regardless of company location, the rise of remote work has enabled organizations to hire talent that would not have traditionally been available in their local areas. From February 2020 to June 2023, the share of cross-metropolitan workers, also known as long-distance or remote workers, rose from **23%** to more than **31%**.¹

The global dispersion of labor is not without its challenges. Potentially concerning effects could include remote workers not getting the same career opportunities as before due to less face time with leaders and the complex compliance obligations pertinent to employers with remote employees in multiple jurisdictions.



Learn more about:
How to hire remote workers

The positive implications of remote work include **improved worker-job matching**,¹ the potential for higher wages in a desired location and increased worker flexibility. This is especially relevant for employers looking to engage with and recruit younger generations, such as millennials and Generation Z, who rank a positive **work-life balance** as their top consideration when choosing an employer.⁷ For employers, it could mean improved recruiting, **reduced turnover**, more productive workers and the potential to reduce labor costs, even in expensive places,⁷ all of particular interest, given that half of organizations report that building a talent pipeline is their top priority in the coming year.⁸

This means a few things for employers who have expanded or are considering expanding their workforces. Some companies are opting to bring employees back to the office, but offering the flexibility of remote work can help boost appeal. Still, as employers hire workers in other states or jurisdictions, their legal obligations increase because they are bound to abide by the rules and requirements of the jurisdiction where the employee resides. **Navigating multi-state compliance requirements** is something organizations should take very seriously; therefore, partnering with legal counsel or investing in a platform that alerts leaders of shifting legal requirements can help.



Learn more about:
How to navigate multi-state compliance requirements

ADDRESSING THE GEOGRAPHICAL DISPERSION OF TALENT

- Ensure there's **insight into which employees are working remotely**.
- **Partner with a provider** known for their compliance prowess.
- **Teach and prepare leaders** to manage from afar while widening talent pools.
- Consider the opportunities and challenges of remote work when evaluating ways to grow.

“The ability to offer workers the flexibility that comes with remote work is huge, but employers must be mindful of their multi-jurisdictional responsibilities. Laws such as pay transparency laws, labor laws and leave laws can all vary from state to state, and it can be challenging for employers to understand the complexities of what these laws mean for them. Because of that, partnering with an attorney or compliance expert is a path worth considering.”

—Jay Caldwell
Chief Talent Officer, ADP



"Compliance is a great opportunity to ask bigger questions. What do changes mean for organizations, and how can we build on compliance to support other initiatives?"

—**Helena Almeida**

Vice President, Managing Counsel, ADP

New laws are limiting how AI is developed and used in employment decisions

Some states and countries are passing AI laws to protect employees

As AI becomes part of the technology we use every day, the value it brings depends on the quality of the data it uses. Currently, both the law and **how we use data** are changing and expanding. Depending on the organization's processes and technology, AI may be a part of employment decision making, which requires care and compliance with new laws and regulations.



"It's important to leverage AI safely, securely and to monitor outcomes for bias to help clients, customers and employees get the best results."

—**Margaret Ferrero**

Vice President, Assistant General Counsel, ADP

EU AI Act

The European Union (EU) passed the EU Artificial Intelligence Act⁹ in 2024, which prohibits some uses of AI systems, limits other uses and requires providers of AI systems to assess the risk of whether and how using their AI systems may cause harm to people. For example, using AI to analyze biometric data about individuals is prohibited in certain circumstances, including where it would reveal sensitive attributes about someone, such as their race, political beliefs or sexual orientation.

In employment, systems that use personal data to profile employees or assess their behavior or work performance are considered high risk and require extensive testing, monitoring, record keeping and human oversight in how they are created and used. While the EU AI Act primarily applies to the development of AI models and systems, some of the requirements also apply to organizations that use AI systems. The act applies to all AI systems developed or used in the EU.

Colorado AI Act

Colorado is the first state in the U.S. to pass a comprehensive regulation on how AI systems are developed and used. It goes into effect in February 2026. The Colorado AI Act¹⁰ is like the EU AI Act in that it imposes certain requirements on developers of AI systems, depending on how the systems are used and the risk of harm. Using AI in employment decisions is generally considered high risk and requires both developers and users to take certain actions to mitigate potential discrimination.

In addition, organizations using AI systems must disclose to employees and applicants how AI systems are used and provide an opportunity to opt out and request a human review or decision. The Colorado AI Act requires consumers or employees to correct errors in the data used and to appeal any adverse decisions. It applies to anyone doing business in Colorado. Other states, including California, have introduced legislation related to AI systems and how they are used.



New York City AI law

In July 2023, New York City enacted an AI law¹¹ that makes it illegal for employers to use automated employment decision tools to screen candidates and employees for hiring and promotion unless they conduct an annual bias audit and post the results, provide notice to applicants and employees that AI is being used and provide an alternate selection process for the decision that does not use AI. The law applies to all applicants and employees who reside in New York City. There are specific requirements for the audit, which must be impartial and done by an independent auditor.

“We expect to see more laws requiring employers to disclose the use of AI in employment decisions. We should continue to monitor new legislation, comply with new laws on the development of AI systems and use AI effectively and responsibly at work.”

—Jason Albert

Global Chief Privacy Officer, ADP



ADDRESSING AI COMPLIANCE

- Know how your **solutions provider** uses data, keeps it secure and whether and how they track global data privacy and AI regulations to keep technology compliant as laws evolve.
- Find out how AI is used in your organization. Consider whether additional human involvement and oversight are appropriate.
- Monitor outcomes for bias when technology is part of your organization's employment decisions, including hiring, performance and promotion decisions.

Pay equity and pay transparency remain business priorities as gaps persist

Resolving compensation discrepancies to achieve fairness isn't going anywhere

Pay equity is about ensuring that people doing the same or similar work are paid the same and that any differences can be explained by legitimate business reasons relating to the work itself or the qualifications and performance of the people doing it.

Globally, **pay equity and pay transparency** have become prominent issues as gender pay gaps persist. In the EU, women are paid **13%** less than men for comparable work.¹² In the U.S., women make an average of **16%** less than men, with larger gaps for women of color.¹³ Some countries have required organizations to analyze and report pay gaps; others are focused on providing job applicants and employees with more information about pay.¹²



Learn more about:
Why you should care about pay transparency

Between 2023 and 2024, **17 states** and D.C.¹⁴ passed pay transparency laws. Localities¹⁵ are also mandating pay transparency, with cities and counties requiring employers to disclose realistic pay ranges for roles to candidates. Additional states have introduced and are considering pay transparency legislation.



Learn more about:
How to respond to pay transparency laws



Helping employers understand their compensation and their place in the market is good for everyone because it helps organizations stay competitive, retain their best people and prevent long recruiting processes that end because the money isn't "right."

Some states¹⁶ are also requiring that employers report compensation data along with information on demographics and job categories. Additionally, the EEOC has said they plan to propose pay data reporting on the federal EEO-1 in 2025.¹⁷

To encourage employers to audit for pay equity and resolve related issues, several states¹⁸ allow employers a period to assess and address pay gaps with reduced or no liability.



Learn more about:

How to quickly identify and adjust pay gaps

If employers understand their compensation, they can **enhance their competitiveness and ability to retain top talent.**

"Understanding your pay data and benchmarking pay can help you monitor pay equity issues and market competitiveness. Communicating effectively about those issues can improve your relationship with employees and build trust."

—**Meryl Gutterman**

Senior Counsel, ADP

ADDRESSING PAY EQUITY AND PAY TRANSPARENCY

Now is the time to understand and address pay gaps before reporting pay data to state or federal agencies.¹⁹

- **Assess pay equity** in your organization.
- **Benchmark pay** for similar organizations in the same industry and geographic location.
- **Identify pay gaps** and create a plan to close them.
- **Develop a plan to address pay gaps.**
- Know that pay gaps cannot be adjusted by lowering pay, only by raising affected employees' pay.

Multiple wage-and-hour developments are giving employers pause

Legislation is pushing leaders to reconsider their pay, tax and timekeeping obligations

Work time and getting rid of state taxes on certain wages are both **trending compliance issues**.

Salary thresholds for overtime

UPDATE: On Nov. 15, 2024, a Texas federal court struck down the U.S. Department of Labor (DOL) rule that raised the minimum salary required to be paid to most employees classified as exempt from overtime and minimum wage requirements under the Fair Labor Standards Act (FLSA). Read this SPARK article for details, and subscribe to Eye on Washington (EOW) for future updates.

The U.S. DOL recently raised the federal salary threshold to qualify as exempt from overtime under the **FLSA**.²⁰ The initial increases for those thresholds went into effect in July and are scheduled to increase again in January 2025. There will be subsequent automatic increases every three years after that. While raising wages to keep employees exempt is one approach, it's important that employees also meet the duties test to ensure their roles qualify to be exempt from overtime.

In the meantime, states²¹ can have their own salary thresholds for overtime that may be higher than the federal thresholds, like in California and New York,²² where the cost of living is also higher.

Tax exemptions for tips and overtime

Congress and some states are considering eliminating state income tax on tips and overtime. Alabama passed a law exempting overtime from state income tax, and legislation has been proposed in other states with different approaches to how and whether overtime wages are taxed.

A similar movement to exempt tax on tipped wages is also gaining attention, and a bill has been introduced in Congress to exempt tips from federal income tax. Some states²³ require employers to pay the state minimum wage even if employees receive tips on top of their hourly pay. Elsewhere, tips can be included in determining whether an employee is paid minimum wage.

“Tax and pay are becoming important issues for employers who have employees working in multiple states. It’s essential to stay on top of laws for payroll, withholdings and reporting.”

—Tim Morris

Legal Compliance Director, ADP National Accounts Services, ADP

Work time

Courts and regulators are also looking at what counts as work time. The California Supreme Court recently determined that time spent in security or closing up after clocking out is work time and should be paid.

The California Supreme Court is also considering whether an employer can round time for timekeeping purposes, where the employer is able to record the exact time to the minute.²⁴

The number of hours in a workweek is also up for debate. Legislation has been introduced in Congress²⁵ and some state legislatures²⁶ to allow a four-day, or 32-hour, workweek. Some states already permit a four-day 40-hour workweek under certain circumstances, and companies have started experimenting to see how and whether a shorter workweek affects productivity.

“Effective time systems will capture the information you need for payroll, help you improve shift structures and staffing models, reduce unneeded overtime and minimize costs.”

—Michael Grosso

Senior Counsel, ADP Workforce Management, ADP



ADDRESSING WAGE-AND-HOUR COMPLIANCE

- Ensure your compliance provider is current on **wage, hour and tax requirements** wherever your organization has employees.
- Work with legal counsel to assess the **applicable duties tests and salary thresholds** for the current overtime exemptions and planned increases in salary thresholds.
- If you have tipped employees, ensure they are paid minimum wage in those jurisdictions where they work and that they are **taxed** properly under the laws that apply to each location.
- If you round time for nonexempt employees, consider eliminating rounding and **calculating payroll based on the exact times employees clock in and out.**
- Always keep your **payroll and timekeeping systems** up to date.
- **Track the time** of nonexempt employees, whenever and wherever work happens, to facilitate **wage-and-hour compliance.**

Generative AI continues to revolutionize HR, jobs and the workplace

Hype expected to evolve as reality sets in

Generative AI feels ubiquitous. It's not — not yet — but it feels that way due to the arrival of generative chatbots and their integration into everyday technologies. Each day, generative AI models are developing better reasoning capabilities that improve their ability to understand user intent and plan actions. On the ground, generative AI is revealing efficiencies, creating productivity opportunities and introducing new ways of getting work done. Organizations are equipping **recruitment**, **benefits**, **compensation**, **customer care**, **compliance**, **people analytics** and self-service teams with generative AI advancements, including **job-description creation**, **payroll processing assistance**, **payroll accuracy alerts**, **help-desk call summaries** with rapid issue detection and resolution, **legal and regulatory information support**, **data-driven workforce insights** and **advanced chat-based problem-solving**. Generative AI has changed so much so fast that some companies are still asking, "How does it work? Should we use it? How can it help us?" Others have long since operationalized the technology, with adoption varying by business size.



Learn more about:

The latest insights on generative AI at work





“Businesses with 1 to 49 employees may not yet fully realize the potential productivity boosts generative AI can offer. There’s significant untapped value in exploring what this technology can bring to the table for small enterprises. Businesses with 50 to 999 employees generally say they need to understand the technology better. They don’t always know what it is but believe it could help them and are interested in learning more. When I talk to businesses with 1,000 or more employees, I usually speak to their C-suite information officers and data scientists. These companies have the experts, tools and person power to utilize generative AI.”

—**Naomi Lariviere**

Chief Product Owner, Vice President of Product Management, Shared Services, ADP

Use of generative AI by status and business size²⁷

STATUS	BUSINESS SIZE:	BUSINESS SIZE:	BUSINESS SIZE:
	1-49 employees*	50-999 employees*	1,000+ employees*
Implemented or piloting**	17%	44%	63%
Exploring or plan to explore	38%	41%	30%
Decided not to proceed or no plans to explore	45%	15%	6%

*The 1-49 group is most likely to use generative AI for marketing, while the 50-999 and 1,000+ groups are most likely to use it for **HR, operations, benefits** and **learning development**. All business sizes are at least somewhat concerned with generative AI's impact on data privacy and data quality.

The implemented or piloting group is most likely to have experienced generative AI's **productivity increases and **time savings**.



Learn more about:
How to use AI in HR



Perspectives, practicalities, training and excitement

Generative AI is complementary to, not a replacement for, HR and business tools. Weaving it into people analytics, recruitment, talent management, benefits and payroll is essential to facilitating the better results and experiences leaders seek, says Linda Mougalian, senior division vice president, go-to-market strategy, ADP. The focus, Mougalian says, should be on addressing workers' real-world needs and understanding their intentions rather than having them struggle with complicated processes. Adopting a people-first strategy and resolving inefficiencies can foster greater workforce acceptance and bolster the HR and business outcomes leaders desire.



Learn more about:

**How to unlock generative AI's
HR and business potential**

Some level of employee training may need to occur to achieve faster, easier and more cost-effective outcomes at scale, but that doesn't mean the type of training — and who receives it — shouldn't be given some thought. Generative AI's practical use cases will likely resonate well with most workers, as opposed to esoteric technological curricula, which should be reserved for those with close technical ties to the technology. If a generative AI tool enhances a task, process or technology, leaders can train their teams to adapt to that enhancement instead of focusing on what's under the hood.

Generative AI is **complementary to, not a replacement for, HR and business tools.**

"We need to let generative AI flow into our everyday work and ask ourselves, 'How can this technology enhance what we are already doing?' The focus should be on eliminating friction points and distractions for our employees so they can focus on the real work. Employees should not notice the technology. Think of it like an automatic transmission in a vehicle. We don't need to understand how it works to benefit from the simplified experience."

—Linda Mougalian

Senior Division Vice President, Go-to-Market Strategy, ADP

In 2025, the excitement around generative AI is expected to evolve as the technology becomes more seamlessly integrated into daily workflows. Leaders must recognize the value of this technology and how it can be used to drive innovation and support teams. That said, effectively implementing and using generative AI is no easy feat and requires immense care, expertise and strategic forethought. Rather than going at it alone, **partner with a provider** that can facilitate secure, ethical and responsible deployment.



ADDRESSING GENERATIVE AI

- **Launch learning programs** on generative AI that prioritize practical realities, including changing tasks and processes, updates to policies and procedures and new ways of getting work done.
- **Invest in generative AI** to enhance HR, payroll, people analytics and talent management.
- **Adopt other AI solutions** to help future-proof HR and payroll systems.

"It's important not to get lost in the technology and to focus on outcomes instead. What goals do you want to achieve, and how can generative AI help you achieve them? Remembering your desired outcomes will be crucial for success as this technology becomes further integrated into our everyday work."

—Amin Venjara
Chief Data Officer, ADP

Firms are looking to expand skills to benefit from emerging technologies

Employers say they plan to close generative AI skills gaps through upskilling and reskilling

Generative AI and its offshoot technologies are making **skills** a business priority. Upskilling and reskilling aren't new, but upskilling and reskilling to support generative AI and its associated activities are. Leaders are interested in both strategies, on **retaining** upskilled, reskilled and highly skilled employees and on identifying the skills needed for long-term success with generative AI and the **solutions** it's creating.²⁸ Lariviere says some leaders are considering using generative AI to close experiential and institutional knowledge gaps left by the exit of highly skilled employees, especially in **payroll**, which can be a difficult subject to learn. Venjara calls this process "knowledge harvesting," a potentially powerful tool for organizations as highly skilled baby boomers leave the workforce. The best way to use generative AI for this purpose is still unclear, however. A few big-name companies have created "generative AI playgrounds," which contain "software, domain-specific data and policies" that encourage technical and nontechnical workers to **experiment with generative AI** in a safe space.²⁹ Could this be where knowledge harvesting finds its home?



Learn more about:
How AI is reshaping the world of work



"Skills help us break down what's necessary to do a job. They help organizations better articulate what's required for success in a role so everyone can understand what's essential to create value. But the reality of the investment it takes for organizations to document and communicate skills for specific positions, evaluate which skills are needed, train people against those skills and know that the skills represent the work being done requires HR teams and the systems they use to capture and articulate how work gets done in new ways."

—Amin Venjara

Chief Data Officer, ADP

Insights on skills and generative AI

57% of employers say they plan to close generative AI skills gaps by upskilling, reskilling or redeploying talent, while **30%** say they plan to hire or contract out.³⁰ Among the most common changes to talent strategy by organizations deploying and scaling generative AI are upskilling and reskilling (**47%**),³¹ and executives estimate that **40%** of their workforces will need to reskill due to the implementation of AI and automation over the next two years.³² **87%** of executives expect roles to be augmented by, not substituted for, generative AI.³²

Regarding the AI skills employers could acquire for everyday operations, prompt engineering — the art of “talking to” a generative chatbot to produce an output — is important to consider. That said, it’s highly teachable and shouldn’t be a hiring or skills development dealbreaker. Mougalian believes it may morph into something else someday.

For most workers, rather than focusing on their technical skills development, leaders should consider offering them opportunities to experiment with generative AI in a safe, predefined manner.

Prompt engineering — the art of “talking to” a generative chatbot to produce an output — is an important **AI skill** to consider, but it’s highly teachable.



“The best generative AI innovations will come from workers. It’s like learning a computer game. You need to experiment to learn new strategies, but you also need a plan. Let workers play with the technology, but do it with structure and guardrails.”

—Naomi Lariviere

Chief Product Owner, Vice President of Product Management, Shared Services, ADP

72% of CEOs say generative AI will require upskilling and existing resources to be redeployed, with **39%** citing low levels of confidence that their employees have the right skills to fully leverage the benefits of the technology. More CEOs (**60%**) are placing capital investment in buying new technology than in developing their workforce's skills and capabilities (**40%**).³³ As of 2023, only **13%** of workers have been offered AI-specific training despite a **2,000%** growth in job postings requiring AI skills. This is despite more than **50%** of workers believing that AI will help them future-proof their careers and **47%** feeling excited about the prospect of AI at work.³⁴ Furthermore, workers rank AI as well as IT and technology literacy as the two learning and development opportunities they're most interested in,³⁵ not to mention that whether employees have the option to develop new skills impacts their perceptions of feeling cared for.³

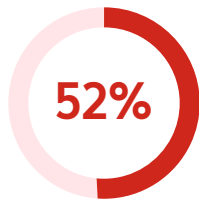
ADDRESSING SKILLS AS TECHNOLOGY ADVANCES

- Provide safe, predefined opportunities for workers to experiment with generative AI.
- Start using a **candidate matching tool** during hiring to identify needed skills.
- Plan for talent gaps and develop leadership readiness using **talent assessments**.
- Help people do **more of the work** that best suits their skills, strengths and interests.

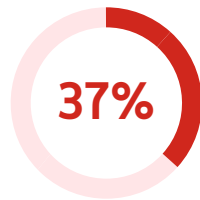


Well-being technology is helping firms humanize the employee experience

Interest in this technology is high, with many firms willing to replace their current benefits programs



of employees report feeling burned out in the past year because of their job³⁶



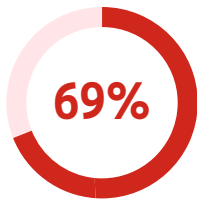
of employees report feeling so overwhelmed [that it's] hard to do their job³⁶

In HR and business, the **employee experience** remains a top trend among analysts, associations, publications, consultants, human capital management (HCM) providers, benefits brokers and job-board companies.³⁷ It's a broad, semantically diverse concept involving many aspects of a worker's tenure with an organization, but it often shows up in discussions about employee well-being. Well-being, whether physical, mental or **financial**, is also a broad and semantically diverse concept. What constitutes well-being for one employee doesn't necessarily constitute well-being for another, and what one leader thinks might improve an employee's well-being likely differs from another. Differences aside, employees, specifically overloaded employees, are struggling with their well-being.

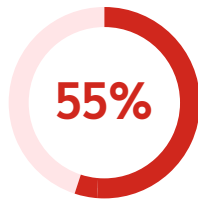
"We're still recovering from a challenging time for everyone: the COVID-19 pandemic. Companies have asked their workforces to return to the office without the full head counts that existed before, causing many workers to do more with less. This is mentally taxing, creating concerns among leaders about worker well-being. Leaders want to know whether each employee's unique needs are being met, what benefits they can provide to prevent burnout and what other solutions are available for struggling employees."

—Naomi Lariviere

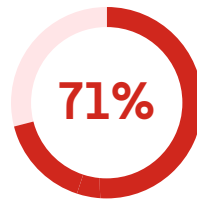
Chief Product Owner, Vice President of Product Management, Shared Services, ADP



of employees feel their company is responsible for ensuring their mental well-being.³⁹



say it's important for companies to offer mental health counseling.³⁹



or more of midsize and large businesses say mental health counseling is very or extremely important to attracting and retaining talent.²⁷

To help employees, leaders have considered investing in **well-being support**, with an emphasis on technology. Based on data from health insurance brokers, representing thousands of employers and millions of employees, most companies in 2024 anticipate greater investment in mental health solutions (**91%**), stress management and resilience tools (**66%**), telemedicine (**65%**), mindfulness and meditation programs (**55%**) and lifestyle spending accounts (**52%**).⁴⁰ Firms with 50 or more employees have expressed significant interest in replacing their benefits programs with specific well-being technology to help employees improve their mental, physical and personal well-being.⁴¹ These firms are also willing to spend a designated amount on providing stipends or lifestyle spending accounts to help their employees attain a personalized benefits experience that enhances their well-being, satisfaction and loyalty. As a result, leaders would likely experience the advantages of improved talent attraction and retention, not to mention the fulfillment of helping their team members live happier lives.



"Overloaded employees, not surprisingly, experience pressure much more negatively and score lower in every category of worker well-being [that ADP Research measures]."³⁸

—Mary Hayes

Research Director, People + Performance, ADP Research

Expanding on firms' interest in well-being technology⁴¹



Interest in specific well-being technology is high across all firm sizes, with nearly **80%** or more saying they are extremely or very interested.



Interest is highest among firms with 1,000 to 3,000 employees, at **92%**. It's lowest among firms with 50 to 150 employees, at 78%.



Firms with 1,000 to 3,000 employees are most willing to pay for specific well-being technology, at **91%**. Firms with 50 to 150 employees are least willing, with about **25%** saying they are somewhat or not interested.



Firms with 1,000 to 3,000 employees are most likely to replace their benefits programs with specific well-being technology, at **86%**. Firms with 50 to 150 employees are least likely, although **69%** of firms say they are still likely to do so.



ADDRESSING WELL-BEING TECHNOLOGY

- Start by making your life easier: **Optimize benefits enrollment and administration.**
- Ensure employees have **benefits that support their mental and physical well-being.**
- Invest in employees' **financial wellness** and similar **health and wellness solutions.**
- Use **benefits analytics and decision support** to monitor elections and reduce costs.

Conclusion

Whether you're an HR, payroll, business, technology or strategy leader, 2025 will pose numerous challenges and opportunities. Each day, you'll need insights and resources to take on whatever comes next.

Anything can change the world of work. That's why ADP develops **forward-thinking solutions** to help you take on the next anything. Whether you need help with talent, compliance or technology, our products, services and experts are here to help you act with certainty, no matter what work throws at you.

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