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HR Monitor 2025

HR Monitor 2025

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Preface

HR leaders often know the ins and outs of their workforce intimately. But the field lacks relevant, comparable benchmarks for best practices and metrics that track HR changes over time, the reaction of departments across companies to business changes, and the evolving expectations and needs of employees.

To help HR leaders compare their functions with others' and benchmark their progress accordingly, we've repeated and expanded our *HR Monitor* report. Last year's report covered Germany's HR landscape. This year, to create a robust set of meaningful indicators across the HR topics most relevant to European organizations, we gathered data from 1,925 companies and insights from more than 4,000 employees across Europe and, for comparison purposes, the United States. The survey data was gathered at the end of 2024, spans multiple sectors, and has been enriched by more than 50 interviews with HR professionals and insights from experts in McKinsey's People & Organizational Performance Practice. This data set forms the basis for detailed HR benchmarking, including country- and industry-specific comparisons.

This year's report highlights developments in both what HR delivers—such as strategic workforce planning, talent acquisition, and employee development—and how it operates, including the use of technologies such as gen AI. It also sheds light on employee trends, especially those related to employee experience and the factors that influence attraction and retention. The *HR Monitor* aims to support HR professionals with up-to-date metrics to enable more data-driven decisions and strengthen the management of HR functions.

Thank you for your interest in the *HR Monitor*. We strive to improve and expand this effort in the years ahead.

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Introduction

Rethinking HR: Aligning people, strategy, and technology in a time of change

The gap is widening between what is needed from an efficient, effective HR function and what most organizations currently offer. Enhancing employee experience is widely seen as a cornerstone duty of HR, but about 36 percent of employees across Europe and the United States are not satisfied with their current employer. And most HR departments are still far from making full use of the tools and practices available to them, including gen AI, which has been applied at scale to only a small number of HR departments.

This report highlights five trends that HR leaders in Europe must recognize and act on to close the gaps among business expectations, employee needs, and HR delivery.

1. *Workforce planning is not approached strategically enough.* As organizations try to keep up with rapid changes driven by gen AI and shifting skill needs, workforce planning must move beyond short-term staffing forecasts to include a longer-term view and future-scenario planning. While 73 percent of surveyed organizations conduct full operational workforce planning, only a small share link their strategies to future skill needs. For example, in the United States, only 12 percent of HR leaders say they do strategic workforce planning with at least a three-year focus.

2. *Talent acquisition is becoming more complex.* The increase in layoffs across sectors and rising unemployment rates suggest that the labor market is easing in many regions, but hiring remains a challenge. The results of McKinsey's 2025 *HR Monitor* Survey show that offer acceptance rates are low (56 percent in the countries studied), 18 percent of new hires leave during their probationary period, and overall hiring success stands at just 46 percent in Europe. These difficulties call for a more strategic and coordinated approach to attracting and hiring talent.

3. *Employee development continues to be highly fragmented.* Employee development is imperative for organizational success, but many organizations still segment it into silos. Surveyed HR professionals and employees report clear areas for improvement: 26 percent of employees say they received no feedback in the past year, some employees spent as few as six days on training, and only about one-third of critical roles are backed by succession plans. To prepare the workforce for future challenges, organizations must connect performance management, learning and development, and talent development in one cohesive strategy.

4. *Employee experience is essential—and underdeveloped.* Nearly 20 percent of surveyed employees report dissatisfaction with their employer, yet only 7 percent have clear plans to leave their jobs. This gap suggests a growing risk of quiet quitting. For employees, job security has become the top reason for staying in a job (39 percent), followed by work–life balance (34 percent) and relationships with colleagues (33 percent). Despite this, many HR departments continue to focus primarily on optimizing compensation and working hours, only partially addressing what matters most to employees. A more tailored, data-driven approach to the employee experience is needed to build motivation and long-term commitment to employers.

5. *Gen AI and shared-services centers could boost efficiency and effectiveness.* Amid rising cost pressures, 13 percent of surveyed organizations plan to reduce HR head count by an average of 22 percent. Shared-services centers (SSCs) can help HR departments run more efficiently with fewer people, but only 18 percent of surveyed organizations with more than 1,000 employees currently use specialized SSCs in HR. While many organizations are exploring gen AI, only 19 percent of core HR processes in Europe are enhanced with gen AI, and for 32 percent of HR processes, HR departments are still in pilot phases. This signals that most organizations are far from realizing gen AI's full potential. To meet future business needs, HR departments must modernize their operating models by expanding SSC adoption and using automation and gen AI to increase speed, scalability, and strategic impact.

Only by addressing these five areas in an integrated way can HR teams evolve into strategic partners for their organizations—proactively shaping workforce strategy, employee engagement, and, ultimately, long-term organizational performance. The following chapters discuss each of these five areas in detail and offer recommendations on how HR leaders can improve their efforts in each.

1
Strategic workforce planning: Why it's more critical than ever

Advances in technology and rapidly evolving business models have meaningfully shifted the skills landscape for organizations, and demand for new and emerging skills is accelerating. Amid a growing talent shortage, many organizations are struggling to keep up. According to McKinsey's 2025 *HR Monitor* Survey HR professionals are increasingly reporting that employees—both current and newly hired—lack the skills required to meet business demands.

According to the HR professionals in our survey, 32 percent of employees do not have all the skills they need to perform in their current role. The largest reported gap (39 percent) is in Italy, and the smallest (25 percent) is in Poland. The skills gap is not just a future concern; it is a growing reality that already threatens business agility and innovation. But many organizations still fail to see how damaging this gap could be.

As it stands, critical skills for the future are in high demand but short supply. For example, 35 percent of HR professionals in Europe cite problem-solving as a top five future skill, and 30 percent put data analytics and AI in the top five. At the same time, other skills are becoming obsolete with the rise of automation and AI. By 2030, gen AI could automate up to 27 percent of work hours in Europe,[1] including tasks such as basic data processing and standard customer communication.

The global shortage of skilled workers is projected to reach more than 85 million by 2030.[2] As demand rises, organizations will have to rethink how they identify, hire, develop, and retain these workers. Today, workforce planning generally takes one of three forms:

— *Operational workforce planning* focuses on short-term staffing needs, forecasting a year into the future.

— *Strategic workforce planning (SWP)* forecasts staffing requirements over the next three to five years based on business strategy and scenario planning.

— *Skills-based SWP* centers on identifying, developing, and deploying critical skills across varying time frames rather than focusing solely on head count and job roles.

While operational workforce planning is most common, SWP is the best method for HR departments to use to address skills gaps. An even more effective approach, however, is a skills-based SWP approach that forecasts staffing requirements based on the skills a company may need in both the short and long term. While one might expect organizations to take a structured skills-based SWP approach, our *HR Monitor* research reveals a significant gap in adoption. While many organizations engage in workforce planning, such planning remains largely operational, lacks strategic foresight, and is often not linked to skills or technology. To address shifting workforce needs, organizations must proactively identify the skills and roles they will need in the coming years and enhance their approach to workforce planning.

Bolster operational workforce planning with strategic planning

On average, 73 percent of surveyed HR professionals in our survey pool indicate that their organizations conduct systematic operational workforce planning throughout the entire organization, and 23 percent apply it to at least part of the workforce. This portion varies across regions (Exhibit 1).

Although organizations in most regions indicated that they conduct operational workforce planning, only a small percentage take a strategic approach with a three- to five-year time horizon. For example, 12 percent of US organizations engage in long-term SWP.

Both operational and strategic workforce planning are essential. While HR leaders should continue to plan on a short-term, operational basis, they must also ensure a structured, long-term strategic approach aligned with future business needs. Organizations can start small—but they should act now. They can pilot SWP among critical, company-specific job families and skill sets before scaling the approach company-wide.

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[1] "The critical role of strategic workforce planning in the age of AI," McKinsey, February 26, 2025.
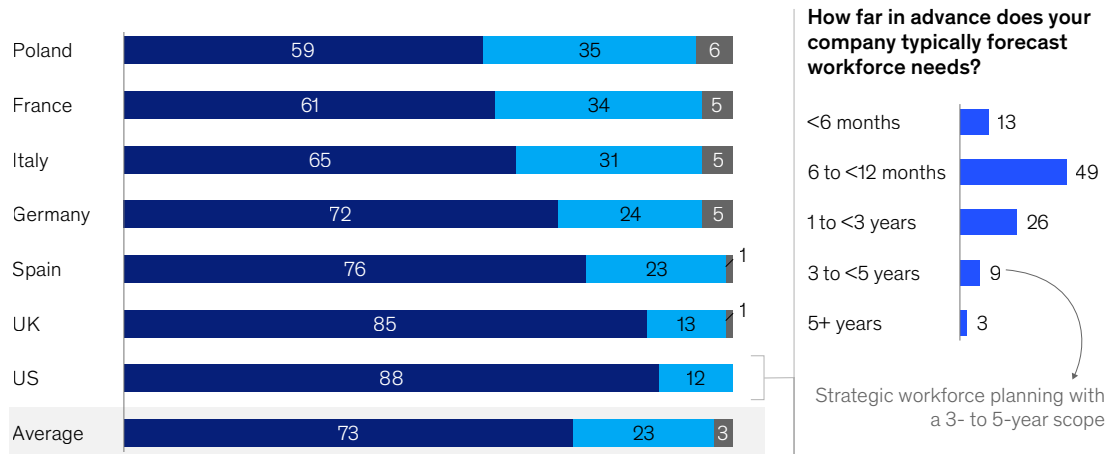[2] Michael Franzino, "The $8.5 trillion talent shortage," Korn Ferry, May 9, 2018.

Exhibit 1

Most surveyed companies conduct operational workforce planning, but only a few take a strategic, long-term approach.

Engagement in workforce planning,[1] % of HR respondents

■ Yes, in full throughout the entire company (including demand and supply side; regularly updated data)
■ Yes, but not exhaustively (not all roles are tracked; data is not always up to date)
■ No, not at all

				How far in advance does your company typically forecast workforce needs?
Poland	59	35	6	
France	61	34	5	<6 months — 13
Italy	65	31	5	6 to <12 months — 49
Germany	72	24	5	1 to <3 years — 26
Spain	76	23	1	3 to <5 years — 9
UK	85	13	1	5+ years — 3
US	88	12		
Average	73	23	3	Strategic workforce planning with a 3- to 5-year scope

Note: Figures may not sum to 100%, because of rounding.
[1]Question: Does your company carry out workforce planning?
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 4,069 employees and 1,925 HR professionals in France, Germany, Italy, Poland, Spain, UK, and US

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Skills tracking should be linked to SWP

McKinsey analysis finds that, on average, 93 percent of surveyed HR professionals report that employees' skills are documented in HR systems (such as human capital management software or similar HR tools). Among organizations in Europe, 67 percent report having both workforce planning throughout the entire company—primarily operational—and comprehensive skills documentation. In Poland and France, only about half of organizations report having both workforce planning throughout the entire company and skills documentation (47 and 54 percent respectively). In contrast, 80 percent of US organizations report having both in place. However, across regions, workforce planning and skills documentation often run in parallel rather than being systematically linked—companies are not proactively assessing the skills they have or lack, and they are not hiring and developing employees based on the SWP findings. According to our interviews with European HR professionals, only about 30 percent of organizations that are employing both workforce planning and skills taxonomies say they integrate skills data into SWP.

HR professionals can remedy this misalignment by shifting from head count planning to a skills-based strategy that focuses on the skills needed to meet future talent needs—not just job titles and functions. They can link existing skills documentation with workforce planning to proactively address gaps and guide upskilling, recruiting, and employee transitions into other roles. For example, they can sharpen recruiting strategies by defining hiring needs in terms of skills rather than rigid job titles, leading to broader candidate pools and better long-term fits. They can also tailor learning and development programs based on the identified future skills gaps, which focuses training budgets on areas with the most business value. And they

can enable internal mobility by identifying employees with adjacent skills who can transition into emerging roles, which could reduce hiring costs and improve retention.

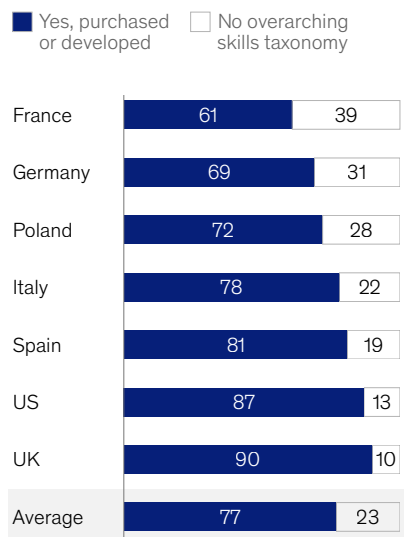## Skills taxonomies are widely used—but could be streamlined

Skills taxonomies provide a structured framework that enables organizations to identify, assess, and strategically develop the skills they need to align talent with current and future business objectives. According to our survey, these frameworks are widely adopted but not yet common practice across all organizations. While 77 percent of HR professionals report that their organization has a skills taxonomy for the entire organization, only 41 percent have developed a skills taxonomy that has been tailored to the needs of their business; 36 percent are working with a standardized skills taxonomy. Adoption levels of skills taxonomies vary across regions. For example, 90 percent of UK organizations and 87 percent of US organizations in our sample use either a standardized or tailored skills taxonomy. In contrast, adoption is much lower in France and Germany, with 39 and 31 percent of organizations, respectively, lacking an overarching skills taxonomy.

Skills taxonomies are crucial for the entire scope of talent management—from recruiting to learning and development to performance management—but overdocumenting skills across job families creates complexity and inefficiency. For example, 37 percent of French organizations track at least 21 skills per employee, creating an administrative burden that reduces the practicality and effectiveness of skills management. Further, 23 percent of organizations in our entire sample have at least 21 skills in their skills taxonomy, 16 percent have 11 to 20, and 61 percent have one to ten (Exhibit 2).

Exhibit 2

Of the surveyed companies, 77 percent have developed or purchased a comprehensive skills taxonomy.

Company's use of comprehensive skills taxonomy, % of HR respondents

■ Yes, purchased or developed   □ No overarching skills taxonomy

France	61	39
Germany	69	31
Poland	72	28
Italy	78	22
Spain	81	19
US	87	13
UK	90	10
Average	77	23

Skills taxonomies by number of skills included, % of HR respondents[1]
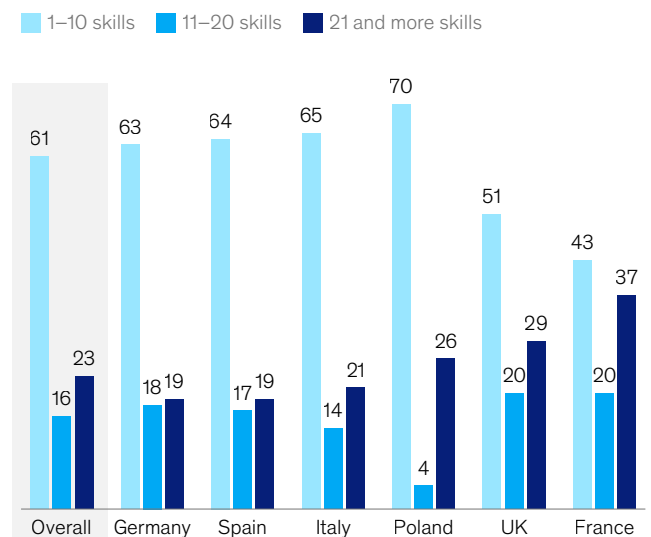
■ 1–10 skills   ■ 11–20 skills   ■ 21 and more skills

	1–10 skills	11–20 skills	21 and more skills
Overall	61	16	23
Germany	63	18	19
Spain	64	17	19
Italy	65	14	21
Poland	70	4	26
UK	51	20	29
France	43	20	37

[1]Question was not included in US survey.
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 4,069 employees and 1,925 HR professionals in France, Germany, Italy, Poland, Spain, UK, and US

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The skills gap is not just a future concern; it is a growing reality that already threatens business agility and innovation.

To stay competitive, organizations must adopt a structured, skills-based, and tech-enabled approach to SWP. SWP should be skills-enabled and embedded across core HR processes to enable a forward-looking, cohesive workforce strategy.

— *Keep it manageable.* Design skills taxonomies that are actionable and easy to maintain, typically covering 20 to 30 core skills across a maximum of ten to 15 job families.

— *Build a dynamic, AI-driven skills taxonomy.* Continually update skill profiles based on business needs, market trends, and emerging technologies.

— *Gain real-time workforce insights.* Use AI to track employee skills dynamically, combining automated analysis with employee input to highlight skills gaps and development needs.

— *Scale SWP with AI-driven scenario planning and automation.* AI can simulate workforce scenarios, predict imbalances, and automate insights, reducing manual effort and lowering barriers to adoption.

2

Rethinking talent acquisition: Adapting hiring strategies to a changing labor market

The job market in Europe is slowly transitioning from an employee-driven market to one that is led by employers, as evidenced by recent data. For example, the number of restructuring efforts, which result in layoffs, more than doubled in Europe—from 251 cases in 2022 to 609 in 2024, according to the European Restructuring Monitor.[3] Moreover, in some markets, unemployment is increasing, which is changing the job market faster. In Germany, for example, unemployment rose from 5.0 percent in April 2022 to 6.3 percent in April 2025,[4] further signaling a softening labor market.

But employers in some industries still experience talent shortages. For example, in Germany, the labor demand for data analytics and AI professionals is projected to increase from 53 percent in 2021 to 75 percent in 2026, and the demand for IT architecture professionals is expected to grow from 69 percent to 84 percent in the same time frame.[5] Additionally, skilled trades, including welding, baking, and plumbing, remain in high demand, with a shortage of new talent entering these fields. Therefore, an increase in effectiveness and efficiency in talent acquisition is greatly needed even though the job market is relaxing in some areas for some roles. Finding the right talent can make a real difference in an organization's success, especially in today's high-knowledge, high-innovation business environment.

Job positions must be filled more thoughtfully, using internal and external sources

Our survey indicates that 11 percent of open positions in Europe could not be filled in the past year.

Yet as companies seek to fill these positions, HR professionals may be overlooking opportunities to upskill or promote existing employees. Surveyed HR professionals in Europe state that two-thirds of filled positions are hired externally through their own recruitment (37 percent), headhunters (14 percent), and external service providers (12 percent). In Germany, for example, external hiring increased from 48 percent in 2023 to 67 percent in 2024. Internal mobility, which accounts for the remaining one-third of filled positions, remains underused.

To hire more effectively, some successful HR organizations have started creating "talent win rooms," a cross-functional approach that enables organizations to fill critical roles faster by coordinating all relevant stakeholders and decisions in one place, streamlining processes, and leveraging technology.[6] Talent win rooms enable data-driven decision-making by defining KPIs and targets (such as time to hire, offer acceptance rates, and internal mobility rates). They also visualize progress for these KPIs on dashboards available to all relevant stakeholders, including the chief HR officer, to remove bottlenecks in hiring.

Gen AI is a core enabler of the talent win room: It can automate tasks, such as creating job posts, screening CVs, and scheduling interviews. McKinsey research shows that gen AI can enhance talent acquisition tasks, which account for 20 percent of the HR function's value potential. For example, it could cut the cost of creating job descriptions by up to 70 percent.[7]

But organizations should also make the most of other sourcing channels, such as internal mobility, to ensure that they have access to the best talent. Internal hires tend to have lower attrition during onboarding, making strengthened internal mobility efforts an especially effective way to increase hiring success. Organizations should establish or expand internal talent platforms to make open roles more visible and accessible to current employees. Internal job market platforms can help fill positions faster, increase offer acceptance rates, reduce attrition, and cut costs.

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[3] Restructuring Events Database, European Restructuring Monitor, Eurofound, 2025.
[4] "Arbeitslosenquote Deutschland" [Unemployment rate in Germany], German Federal Statistical Office, 2025.
[5] *Future Skills 2021*, Stifterverband and McKinsey, November 2021.
[6] "Increasing your return on talent: The moves and metrics that matter," McKinsey, April 15, 2024.
[7] *People & Organization Blog*, "Four ways to start using generative AI in HR," blog entry by Julian Kirchherr, Dana Maor, Kira Rupietta, and Kirsten Weerda, McKinsey, March 4, 2024.

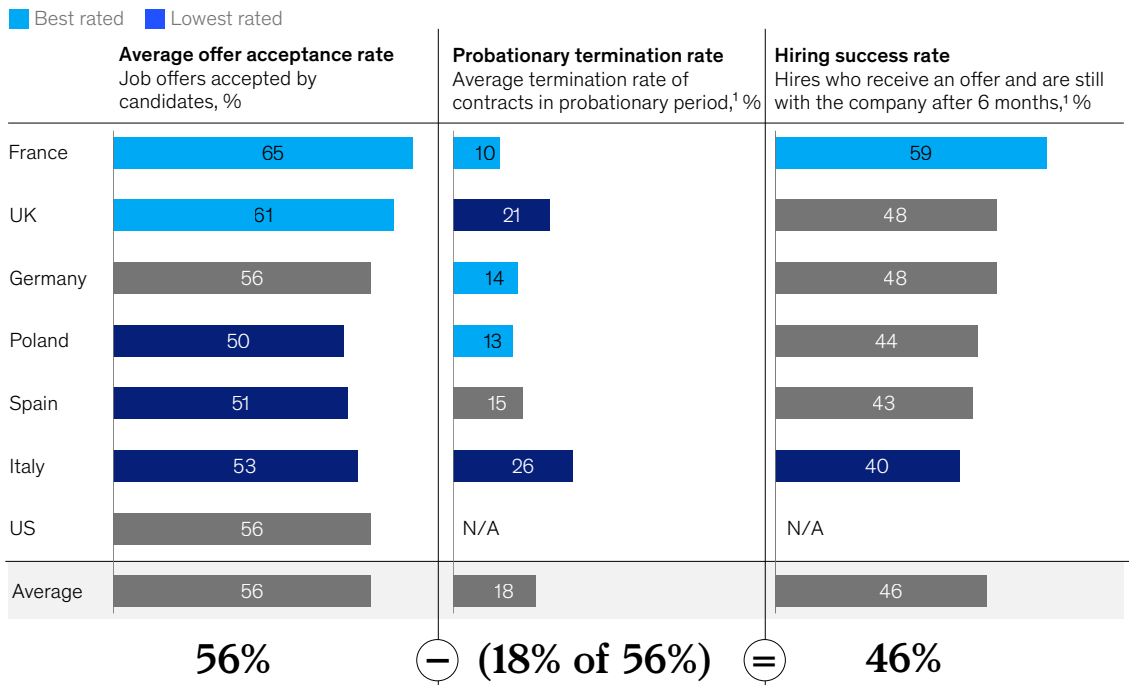## Hire great employees and make them want to stay

Despite indications of a cooling job market, the average offer acceptance rate in 2024, according to surveyed HR professionals, remains low (56 percent) and varies across regions (Exhibit 3). In addition, 18 percent of new hires in Europe leave during their probationary period—and 60 percent of those cases are initiated by employers, suggesting that hiring decisions are increasingly driven by culture fit and performance expectations. Surprisingly, while organizations in Italy noted only a 53 percent acceptance rate, they lose 26 percent of that 53 percent during the probationary period. This pattern suggests a shift. If talent scarcity were still dominant, employers would be less likely to end contracts during probation.

The combined effect of low offer acceptance rates and high probationary attrition results in limited success in hiring.[8] In Europe, on average, only about 46 percent of candidates who accept an offer are still with the organization after six months. Italy has the lowest reported success rate, with only 40 percent of candidates remaining with the organization after six months. France, in contrast, exhibited particularly strong rates for both offer acceptance and retention (see sidebar "France's hiring and retention success: A benchmark for Europe").

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[8] Hiring success rate is defined as the number of employees who were issued an offer versus the number of employees who accepted the offer and are still with the company six months after their starting date.

Exhibit 3

Low rates of job offer acceptance and high attrition during probationary periods create a low overall hiring success rate.

■ Best rated   ■ Lowest rated

	Average offer acceptance rate Job offers accepted by candidates, %	Probationary termination rate Average termination rate of contracts in probationary period,[1] %	Hiring success rate Hires who receive an offer and are still with the company after 6 months,[1] %
France	65	10	59
UK	61	21	48
Germany	56	14	48
Poland	50	13	44
Spain	51	15	43
Italy	53	26	40
US	56	N/A	N/A
Average	56	18	46

56%   − (18% of 56%)   =   46%

[1] Question was not included in US survey.
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 4,069 employees and 1,925 HR professionals in France, Germany, Italy, Poland, Spain, UK, and US

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France's hiring and retention success: A benchmark for Europe

On average, Europe needs significant improvement to increase its hiring and retention success, yet France shows comparatively strong results across three important indicators:

— *higher offer acceptance rate:* 65 percent (versus 56 percent average for Europe)

— *lower termination rate during probation:* 10 percent (versus Europe's 18 percent average)

— *strong hiring success rate:* 59 percent remaining after six months—approximately one-third higher than the European average

These results may be linked to France's strong focus on internal mobility and structured onboarding processes, both of which support better candidate fit, early engagement, and long-term retention.
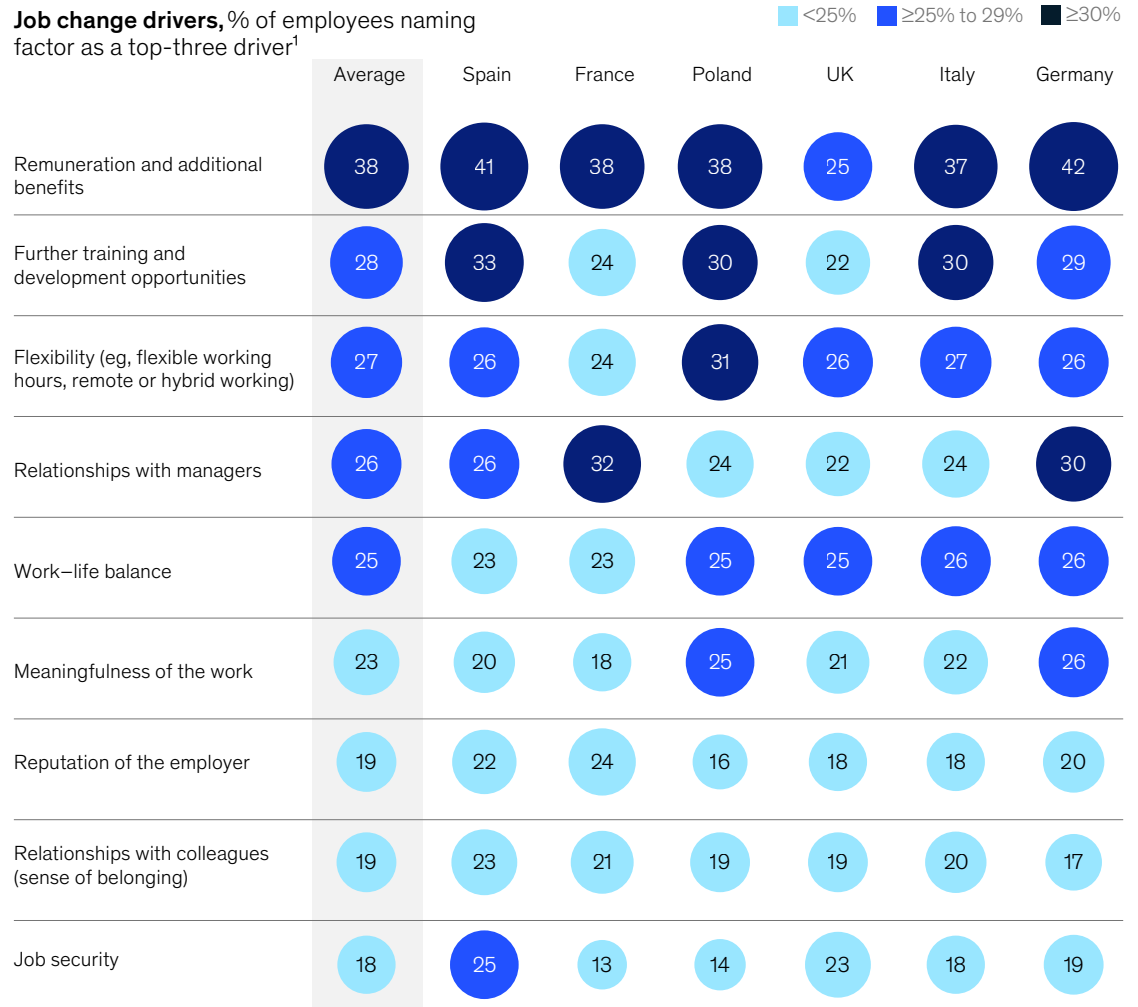
A contributing factor to limited hiring success may be a growing disconnect between HR measures and candidate preferences and needs. *HR Monitor* results show the top five reasons why employees change jobs (Exhibit 4).

— *Remuneration and additional benefits.* Thirty-eight percent of surveyed employees across Europe cited compensation and additional benefits as the main reason for job changes, making this the top factor, particularly in Germany (42 percent) and Spain (41 percent). The United Kingdom places a lower emphasis (25 percent) on this factor.

— *Further training and development opportunities.* Training and development opportunities are consistently valued across regions, with an average of 28 percent. The highest scores are in Spain (33 percent) and Italy and Poland (both 30 percent). This factor has the lowest importance in the United Kingdom (22 percent) and France (24 percent).

— *Flexibility.* Twenty-seven percent of employees cited flexibility, including flexible working hours and remote or hybrid working schedules, as a top factor for changing jobs. Flexibility was notably important in Poland (31 percent) and least important in France (24 percent).

— *Relationships with managers.* Twenty-six percent of employees cited relationships with managers as a main driver for job changes. This factor is especially important in France (32 percent) and Germany (30 percent) and is least relevant in the United Kingdom (22 percent) and Italy and Poland (both 24 percent).

— *Work–life balance.* Twenty-five percent of employees cited work–life balance as a top factor driving job changes. This factor is slightly more relevant in Germany and Italy (both 26 percent) and slightly less relevant in Spain and France (both 23 percent).

In addition to prioritizing efforts across all five factors, HR leaders should strengthen efforts to align with fast-changing business and candidate needs.

Exhibit 4

According to employees, remuneration and additional benefits are the most important factors driving a job change.

Job change drivers, % of employees naming factor as a top-three driver[1]

Legend: ■ <25% ■ ≥25% to 29% ■ ≥30%

	Average	Spain	France	Poland	UK	Italy	Germany
Remuneration and additional benefits	38	41	38	38	25	37	42
Further training and development opportunities	28	33	24	30	22	30	29
Flexibility (eg, flexible working hours, remote or hybrid working)	27	26	24	31	26	27	26
Relationships with managers	26	26	32	24	22	24	30
Work–life balance	25	23	23	25	25	26	26
Meaningfulness of the work	23	20	18	25	21	22	26
Reputation of the employer	19	22	24	16	18	18	20
Relationships with colleagues (sense of belonging)	19	23	21	19	19	20	17
Job security	18	25	13	14	23	18	19

[1]Question was not included in US survey.
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 3,000 employees and 1,500 HR professionals in France, Germany, Italy, Poland, Spain, and UK

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All five factors are relevant for employees, yet many HR departments focus primarily on improving compensation and benefits and flexible working arrangements. In addition to prioritizing efforts across all five factors, HR leaders should strengthen efforts to align with fast-changing business and candidate needs. They can use HR analytics tools or develop internal systems to track candidate preferences and adjust job offers and messaging accordingly. For example, they could reduce probationary periods to signal job security. Moreover, they could implement gen AI analytics tools to gain real-time insights into market trends and deepen collaborations with business units to gain a clear understanding of how role requirements are evolving and to assess the urgency of hiring needs.

3

Employee development: From a fragmented approach to an integrated strategy

Employee development has always been essential for peak performance. Compared with organizations that focus on either people or performance, organizations excelling in both achieve up to 30 percent higher revenue growth[9] because they can foster a supportive, empowering environment that encourages bottom-up innovation and improves productivity.

To maximize the potential of the workforce, HR leaders must approach employee development from three angles:

— *Performance management.* Performance management, including feedback and consequence management, helps leaders identify strengths and improvement areas and address persistent underperformance issues.

— *Learning and development programs.* These programs use targeted training to address individual needs and skills gaps.

— *Talent development.* Talent development through strategic approaches such as succession plans furthers the skill sets of high-performing candidates identified in performance reviews.

Connecting all three aspects of employee development not only addresses current deficiencies but also prepares the workforce for future challenges, which helps enable sustained performance. To maximize the impact of employee development, organizations should shift from fragmented efforts to an integrated employee development strategy—one that aligns performance management, learning and development, and talent development, including succession planning.

Frequent, multilayered feedback is vital for good performance management

For employees to make sustained progress, HR professionals should establish a regular frequency for feedback and offer avenues for multilayered feedback. Interestingly, our research reveals a disconnect between HR leaders and employees about the amount of feedback employees receive. According to our survey, 26 percent of employees in Europe say they received no official feedback in the past 12 months. HR professionals, in contrast, say this figure is only 6 percent. Moreover, 56 percent of employees in Europe say they receive feedback only once or twice a year, which is not sufficient for continuous development, according to our interviews with HR professionals (Exhibit 5).

Two factors could account for this discrepancy. First, feedback sessions could be scheduled but never take place because they are postponed several times or are used to discuss day-to-day business or more pressing issues rather than overall performance feedback. In the latter case, HR may not know how the meeting time was used. Second, managers may not have made it clear that the meeting is an official feedback discussion, causing the employee to see the meeting as a general chat about successes and challenges. This scenario often happens when superiors are uncomfortable giving feedback (especially developmental feedback) and soften their messages so much that the employee misses the point of the feedback. It is also difficult for HR to track discussions—and the lessons employees are taking from the sessions—if they are not present.

In terms of multilayered feedback, 90 percent of employees in Europe say they receive feedback from managers, and 21 percent receive feedback from team members. Only 18 percent receive peer-to-peer feedback.

To improve employee development, HR professionals can enhance performance management with regular feedback and role-specific expectations. It is vital for them to track whether performance meetings actually take place, track the feedback that is given during the sessions by asking the manager and employee to

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[9] "Performance through people: Transforming human capital into competitive advantage," McKinsey Global Institute, February 2, 2023.

Exhibit 5

HR professionals report that employees receive formal feedback more frequently than employees say they do.

Frequency of formal employee feedback and career meetings, EU and UK, % of respondents
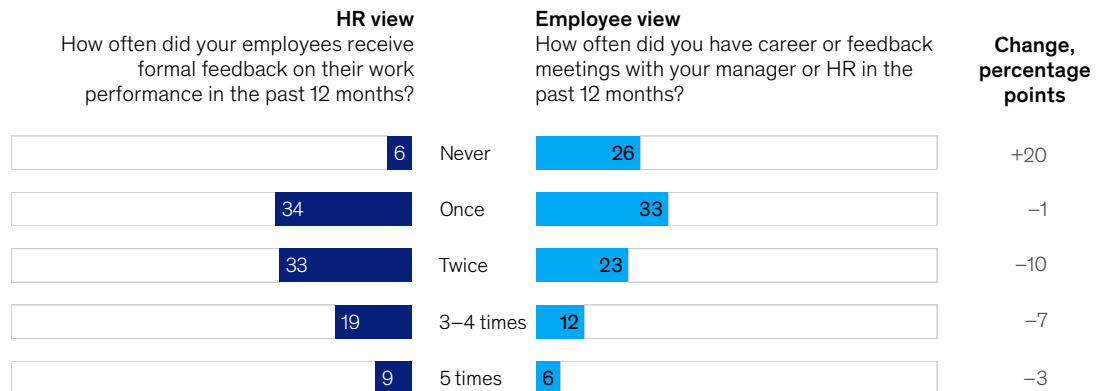
HR view How often did your employees receive formal feedback on their work performance in the past 12 months?		Employee view How often did you have career or feedback meetings with your manager or HR in the past 12 months?	Change, percentage points
6	Never	26	+20
34	Once	33	−1
33	Twice	23	−10
19	3–4 times	12	−7
9	5 times	6	−3

Note: Figures may not sum to 100%, because of rounding.
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 3,000 employees and 1,500 HR professionals in France, Germany, Italy, Poland, Spain, and UK

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provide some form of documentation, and sporadically sit in on feedback discussions to determine whether managers are giving feedback appropriately. Performance management should reflect both role-specific targets (such as performance KPIs and technical skills) and expected behaviors (such as leadership skills) to ensure programs are aligned with business needs and the organization's values and culture. In addition to increasing the frequency of performance reviews to three or four a year, organizations can instill a system for multilevel feedback that includes peer-to-peer, upward, and downward feedback. Moreover, organizations can participate in "feedforward" programs that provide employees with future-oriented input focused on their upcoming goals and assess leadership and other behaviors that could complement traditional performance feedback measurements.

Prioritize and connect learning and development programs

Training is also an important part of employee development and performance management. This is another area in which our research found a discrepancy between HR reporting and the employee experience. Employees in Europe report an average of 12 training days per year, while HR estimates this at 22 days—a 45 percent difference (Exhibit 6).

What's more, 30 percent of employees across Europe reported that they did not spend any time on training in 2024. For example, 44 percent of employees in Germany said they had no training in 2024, up from 23 percent in 2023. Even when there are opportunities to attend trainings or complete self-paced trainings on learning platforms, employees often miss them because they lack the time to participate or they prioritize other tasks. Employees especially deprioritize training that does not affect their current job tasks.
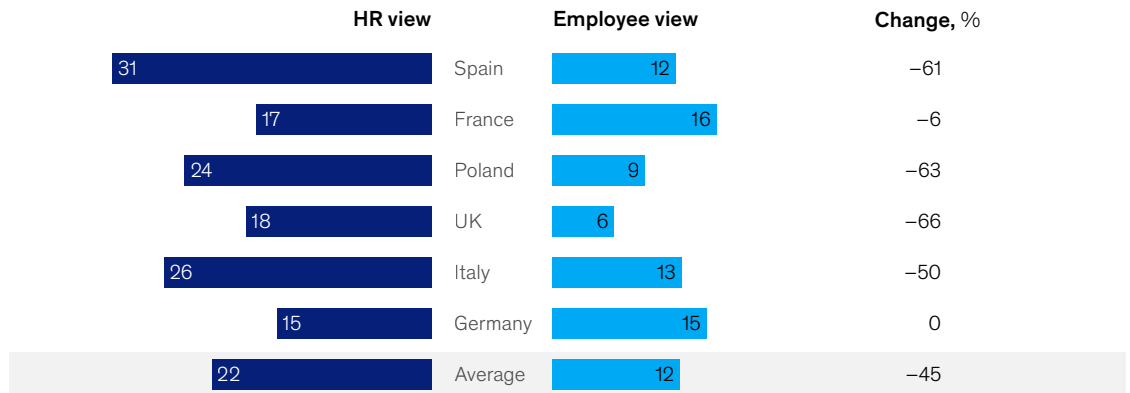
In some countries—Spain, for example—a certain number of training days are mandatory. Employees sometimes sign up for a training but fail to show up or postpone at the last minute, which can be difficult for HR to track. Similarly, some employees participate passively in online trainings (by continuing to work

Exhibit 6

HR leaders in Europe reported nearly twice as many training days as employees reported.

Number of employee training days, EU and UK

How many days, on average, did your employees/you spend on further training (excl training leave) last year?

HR view		Employee view	Change, %
31	Spain	12	−61
17	France	16	−6
24	Poland	9	−63
18	UK	6	−66
26	Italy	13	−50
15	Germany	15	0
22	Average	12	−45

Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 3,000 employees and 1,500 HR professionals in France, Germany, Italy, Poland, Spain, and UK

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during sessions, for example) and forget that they did the training. HR departments could make online trainings mandatory and more interactive, or they could alert managers of any no-shows. This would increase employee accountability and give HR leaders more visibility into employee participation.

When it comes to new-skills training, an average of only 21 percent of employees in Europe have received formal training on the use of gen AI—ranging from 17 percent in France to 30 percent in the United Kingdom. In contrast, 45 percent of US employees report having received such training (Exhibit 7). This lack of training could be one of the reasons for a significantly lower rate of gen AI adoption in European workplaces—only 36 percent of European organizations report using AI regularly, compared with 76 percent in the United States.

To address these gaps in training and upskilling, HR professionals can make learning and development programs more attractive. First, they can design learning programs to address specific skills gaps identified in performance reviews and prepare participants for their next role.

Second, they could adjust the format of their training programs, adopting the 70/20/10 learning model to enable trainings to be easily integrated into daily work: 70 percent on-the-job learning through practical experience, such as job rotations and new projects; 20 percent social interactions, such as feedback, coaching, and mentoring programs; and 10 percent formal learning, through digital self-paced learning or gamification, for example. Finally, HR professionals can stay current by updating training programs to include necessary contemporary skills, such as data analytics with AI, smart hardware and robotics development, and programming for web development.[10]
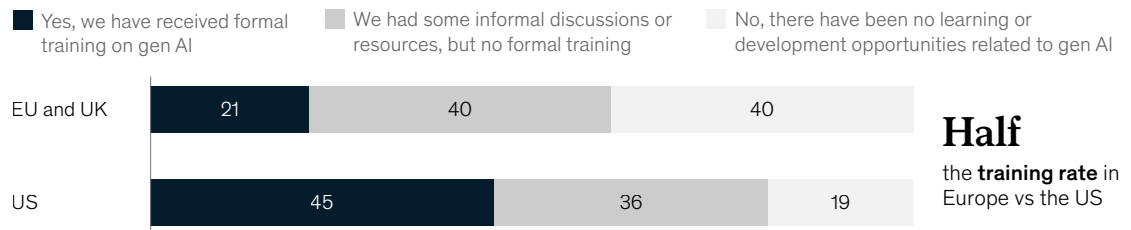
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[10] *Future Skills: Welche Kompetenzen in Deutschland fehlen* [Future Skills: Which skills are missing in Germany], Stifterverband and McKinsey, September 2018.
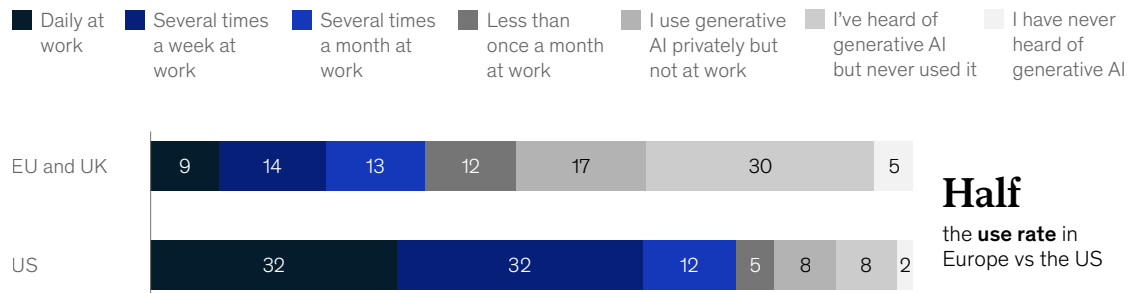
Exhibit 7

US employees receive gen AI training at twice the rate of their European counterparts, with a comparable gap in usage.

Gen AI training and use, % of employees

Has your organization provided learning and development specific to gen AI or the best use of gen AI tools?[1]

■ Yes, we have received formal training on gen AI   ■ We had some informal discussions or resources, but no formal training   ☐ No, there have been no learning or development opportunities related to gen AI

EU and UK	21	40	40
US	45	36	19

Half the **training rate** in Europe vs the US

How often do you use gen AI for your work (not only HR-related)—eg, ChatGPT or Microsoft Copilot?

■ Daily at work   ■ Several times a week at work   ■ Several times a month at work   ■ Less than once a month at work   ■ I use generative AI privately but not at work   ■ I've heard of generative AI but never used it   ☐ I have never heard of generative AI

EU and UK	9	14	13	12	17	30	5
US	32	32	12	5	8	8	2

Half the **use rate** in Europe vs the US

Note: Figures may not sum to 100%, because of rounding.
[1]Question was not included in German survey.
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 4,069 employees and 1,925 HR professionals in France, Germany, Italy, Poland, Spain, UK, and US

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Target and integrate talent deployment, talent development, and succession planning

Deploying and developing talent in a smart way can help organizations maximize the skill sets and potential of their workforce. But 28 percent of employees in Europe say their work is not challenging enough, while one in four employees (25 percent) report feeling overwhelmed by their tasks. This means that more than half of European workers are not deployed according to their abilities and needs.

Moreover, 33 percent of employees report that they participate in talent development programs. France and Germany apply a more selective and targeted approach that uses a stricter evaluation process to focus on a smaller pool of top talent (with 21 percent and 22 percent employee participation, respectively). In contrast, participation rates in the United States (43 percent) and the United Kingdom (37 percent) suggest a broader, less differentiated approach. On average, only about one-third of critical functions in European and US organizations are covered by succession plans, and most of them are at the middle-management level. For positions reporting directly to the CEO, succession plans exist for 32 percent of roles; for the next management level, the share is 34 percent. For other critical roles below that, coverage drops to 28 percent.

To maximize the impact of employee development, organizations should shift from fragmented efforts to an integrated employee development strategy—one that aligns performance management, learning and development, and talent development, including succession planning.

According to our interviews with HR professionals across Europe, only about 20 percent of organizations effectively connect the results from performance management to learning and development recommendations and talent programs, limiting clear advancement pathways for top talent.

HR professionals can strengthen talent deployment, talent development, and succession planning by ensuring roles are aligned with individual skills and aspirations and designing dual-career tracks (such as expert or manager paths) and lateral development opportunities to avoid over- or underchallenging employees. They should define critical roles that are essential for business continuity and long-term success and establish a targeted talent strategy aligned with organizational goals—for example, they could provide exclusive programs for future leaders and select eligible participants based on performance reviews and development potential.

In that vein, organizations can invest in top talent to provide tailored support and ensure their readiness for critical future roles. Creating succession plans that align with talent development programs can help prepare high-potential employees for more senior roles early through tailored formats, such as job rotations, mentoring, or individual coaching.

4

Enhancing employee experience: A strategic priority for engagement and retention

Many organizations are reevaluating the employee experience (EX) because they recognize its importance in strengthening engagement, reducing absenteeism, and supporting workforce productivity. This focus is especially relevant today because signs of dissatisfaction and disengagement are becoming more visible: Nearly 20 percent of employees report dissatisfaction with their employer (Exhibit 8). Dissatisfaction is highest in France (30 percent), despite the country's high retention rates, with Italy closely behind (27 percent).

Employees in Europe miss 15 percent of their assigned work time, equivalent to 37 working days per year. Health-related absenteeism (both physical and mental) compared with absenteeism due to commuting challenges or difficulties reconciling personal and professional responsibilities (such as lack of childcare or elderly care) is highest in France (62 percent of all absenteeism) and Italy (57 percent of absenteeism).

The high levels of absenteeism overall and of health-related absenteeism might be an indicator of a lower level of engagement. But McKinsey analysis finds that unwanted attrition (when an employee chooses to leave even though the employer wants them to stay) is about 5.6 percent in Europe, lower than the dissatisfaction rate, and we do not see it rising. This situation might lead to an increase in quiet quitting (dissatisfied employees disengaging from work rather than changing their situation in the company or elsewhere). According to our findings, this risk is highest in France, Italy, and Spain, where the dissatisfaction rate is more than twice the attrition rate, followed by Germany, where about 40 percent of employees stay although they are unsatisfied.
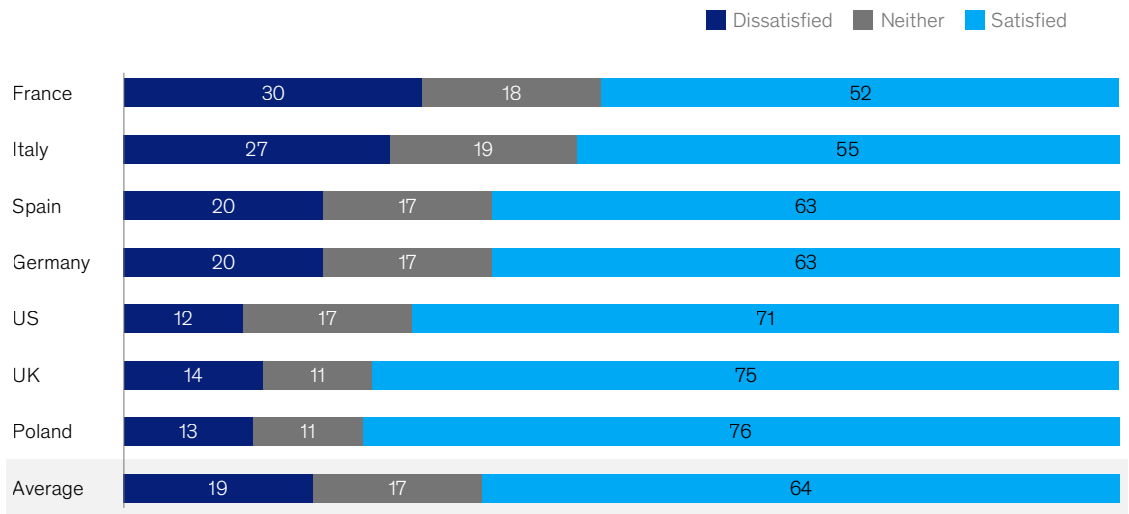
Creating a strong EX could have a substantial impact: Research by McKinsey shows that employees with a positive EX are 16 times more engaged and eight times more likely to stay at an organization than employees with a negative experience.[11]

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[11] Jonathan Emmett, Asmus Komm, Stefan Moritz, and Friederike Schultz, "This time it's personal: Shaping the 'new possible' through employee experience," McKinsey, September 30, 2021.

Exhibit 8

Based on HR employee surveys, about 20 percent of employees on average are dissatisfied with their employers.

Based on the last employee survey, what percentage of your employees are satisfied or dissatisfied with their employer?, % of HR respondents

■ Dissatisfied　■ Neither　■ Satisfied

	Dissatisfied	Neither	Satisfied
France	30	18	52
Italy	27	19	55
Spain	20	17	63
Germany	20	17	63
US	12	17	71
UK	14	11	75
Poland	13	11	76
Average	19	17	64

Note: Figures may not sum to 100%, because of rounding.
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 4,069 employees and 1,925 HR professionals in France, Germany, Italy, Poland, Spain, UK, and US

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What matters most to employees?

According to our survey, employees across Europe choose to stay with their current employer for five primary reasons:

— *Job security.* Stability is the top reason why employees choose not to leave their jobs, with 39 percent of employees listing this as the main reason why they stay. Last year's survey found that job security ranked fifth, which shows a substantial shift toward stability.

— *Work–life balance.* Employees highly value the ability to balance personal and professional responsibilities, with 34 percent of employees listing work–life balance as a top reason to stay with their employer.

— *Relationships with colleagues.* A strong sense of belonging and teamwork is critical to employee satisfaction—33 percent of employees ranked relationships with their colleagues as a top reason to stay in their jobs.

— *Flexibility.* Employees highly value flexibility in when and where they work. Thirty-one percent of employees ranked flexibility in their top reasons to stay.

— *Compensation and benefits.* Compensation and benefits were the top drivers last year, and while they are still essential for employees, only 28 percent rank them as a top reason to stay.

When asked what actions they take to retain employees, most HR leaders made similar choices but in a different order of importance. In the HR perspective, compensation and benefits still ranks as the number-one retention factor (41 percent), followed closely by work–life balance at 38 percent (see sidebar "Hybrid work enhances the employee experience"). Job security (32 percent) ranks third, followed by flexibility (30 percent) and training and development opportunities (25 percent) (Exhibit 9).

The discrepancies between HR and employee perspectives indicate that HR might not be keeping up with changing retention factors. Most notably, HR departments have been substantially undervaluing the importance of relationships with colleagues and overrating the value of compensation and benefits and trainings.

Assess and act on employee priorities

To strengthen employee engagement and motivation, HR departments should analyze and understand employee experiences in their environments, identify the top drivers that truly matter to employees, and design their EX accordingly.

EX is not a one-size-fits-all proposition. Job security, relationships with colleagues, flexibility, and other retention motivators are good starting points. But some factors that influence the EX can be quite concrete—for example, the availability of good workspaces in an open office or a fair direct-sales bonus system for key account managers. These concrete examples vary from one company to another and even among the departments within a company.
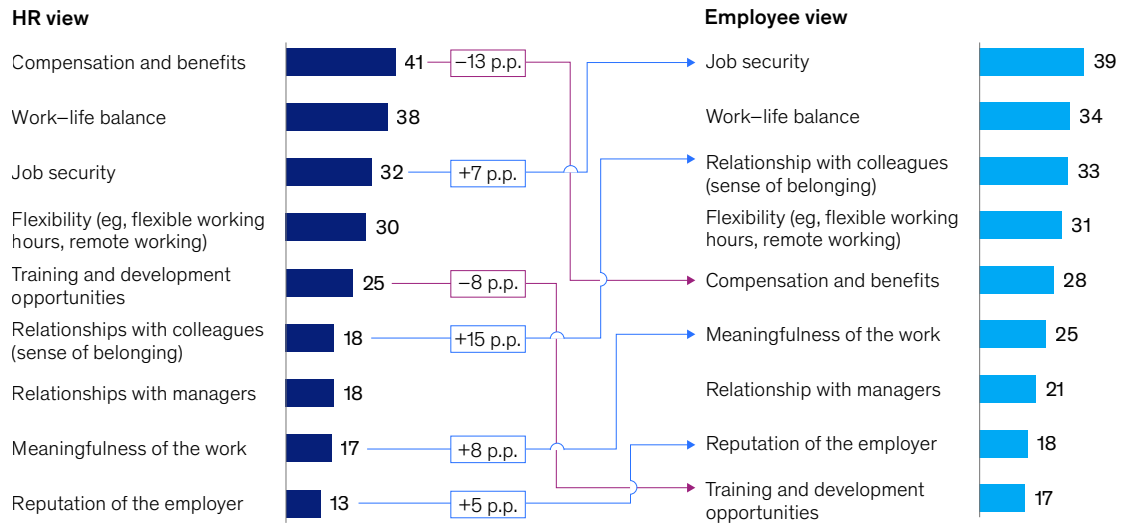
HR departments should redesign processes, structures, and procedures based on the distinct needs of their employees, aligning their EX strategy to all phases of the employee life cycle and enabling proactive, personalized support and continuous engagement. HR departments could also introduce a cafeteria model that allows employees to personalize benefits (for mobility, childcare, or well-being) based on their preferences and life stage. Or they could ensure equal access to tools, support, and development for all employees, regardless of where they work, to improve the underlying infrastructure of their jobs.

Exhibit 9

HR professionals and employees cite similar retention factors but rank them differently in terms of importance.

Employee retention factors, % of respondents naming factor as one of top three reasons to stay

What are the main drivers for employees to stay with their current employer?

HR view			Employee view	
Compensation and benefits	41	−13 p.p.	Job security	39
Work–life balance	38		Work–life balance	34
Job security	32	+7 p.p.	Relationship with colleagues (sense of belonging)	33
Flexibility (eg, flexible working hours, remote working)	30		Flexibility (eg, flexible working hours, remote working)	31
Training and development opportunities	25	−8 p.p.	Compensation and benefits	28
Relationships with colleagues (sense of belonging)	18	+15 p.p.	Meaningfulness of the work	25
Relationships with managers	18		Relationship with managers	21
Meaningfulness of the work	17	+8 p.p.	Reputation of the employer	18
Reputation of the employer	13	+5 p.p.	Training and development opportunities	17

Note: p.p. is percentage points.
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 4,069 employees and 1,925 HR professionals in France, Germany, Italy, Poland, Spain, UK, and US

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Hybrid work enhances the employee experience

Amid growing efforts by large organizations to bring employees back to the office, *HR Monitor* Survey results show that employees continue to express strong preferences for flexibility and increasingly want remote work to be balanced by in-person connection. Employees in Europe and the United States work an average of 2.3 days remotely per week, yet 38 percent want that number to increase.

Employees in Europe cited the following as their top reasons for wanting to work from home:

— better work–life balance (61 percent)

— reduced commuting time (61 percent)

— greater flexibility in organizing working hours (49 percent)

— increased productivity (33 percent)

— fewer interruptions (23 percent)

Many employees also recognize the benefits of in-person collaboration, citing the following as their top reasons for wanting to work on-site:

— social connection and collaboration (52 percent)

— better workplace equipment (40 percent)

— clearer separation between work and private life (38 percent)

— increased productivity (32 percent)

— greater visibility with superiors (28 percent)

The challenge for employers is to create hybrid models that offer individual flexibility while fostering team cohesion, which will ultimately enhance the employee experience.

By aligning EX with what employees truly value, organizations can boost engagement and retention— even in times of uncertainty.

Finally, HR departments can implement a holistic, tech-enabled EX strategy that tracks EX throughout the life cycle of employment. They can leverage technology, such as HR analytics and gen AI, to personalize experiences and learning journeys or identify early warning signs for disengagement or burnout and proactively improve EX.

By aligning EX with what employees truly value, organizations can boost engagement and retention—even in times of uncertainty.

5

Transforming HR services: How SSC and gen AI are reshaping HR operating models

HR service delivery is undergoing a fundamental transformation, propelled by two major forces: rising cost pressures and the disruptive potential of gen AI. These forces are redefining HR efficiency, moving it from a cost-focused model to one centered on speed, automation, and strategic impact, with cost improvements as a natural outcome of adopting gen AI. Gen AI is creating the biggest shift in HR to date by not only offering substantial productivity benefits but also enabling greater personalization in HR services.

Organizations that do not integrate gen AI into core HR processes risk falling behind in both efficiency and an employee experience characterized by frictionless, tailored, and human-centered interactions. According to McKinsey analysis, high-performing organizations are leveraging both automation and gen AI to achieve efficiency gains by reducing HR staff from one per 70 employees to one per 200 employees. Additionally, some organizations are now expanding shared-services centers (SSCs) or piloting technology-driven models that integrate gen AI and automation directly into HR service delivery, potentially leapfrogging traditional SSC structures. At the same time, gen AI presents an opportunity to elevate HR from a cost-focused function to a strategic partner—using data-driven insights to drive transformation and shape better business decisions.

To keep pace with rising efficiency demands and realize the full potential of gen AI, HR must transform how services are structured and delivered. Organizations that proactively modernize HR service delivery— combining SSC, self-service, and gen AI—will be best positioned to drive both operational impact and employee value at scale.[12]

Improve HR efficiency with gen AI tools

Despite recognizing the potential of AI, many organizations are far from achieving fully digitalized HR service delivery. Before HR departments can use gen AI effectively, they need a solid digital foundation. Yet many still rely on fragmented tools or even paper-based processes, according to our interviews with HR professionals across Europe. SSCs and self-service tools can digitalize and streamline HR functions, yet both tools remain underused and unevenly implemented, despite their proven potential to improve efficiency.

On average, only 18 percent of surveyed HR departments in European companies with 1,000 employees or more[13] use specialized shared services in HR. The United Kingdom shows the highest adoption level at 40 percent, indicating a more centralized approach. Spain (14 percent), Germany (16 percent), and Italy (16 percent) have considerably lower adoption levels for HR-specific shared services, each at less than half the United Kingdom's level (Exhibit 10).

SSCs remain a critical enabler of efficiency, but their role must evolve as organizations adopt gen AI. Organizations that are considering launching an SSC should carefully evaluate whether this is still the right path, given that gen AI–driven automation and self-service alone could offer a more agile and cost-effective alternative. To enable gen AI adoption, HR services must first be standardized and digitalized. Once these foundations are in place, organizations should integrate gen AI within SSC operations to automate processes, reduce manual effort, and improve scalability.

Companies can modernize their HR operating models[14] by shifting from rigid, role-based structures to gen AI–augmented workflows. At the same time, they can reassess the future role of SSCs to strike the right balance between centralized service delivery and gen AI–driven automation, retaining SSCs as the main tool for handling complex HR cases and employee support.

[12] *People & Organization Blog*, "Four ways to start using generative AI in HR," blog entry by Julian Kirchherr, Dana Maor, Kira Rupietta, and Kirsten Weerda, McKinsey, March 4, 2024.
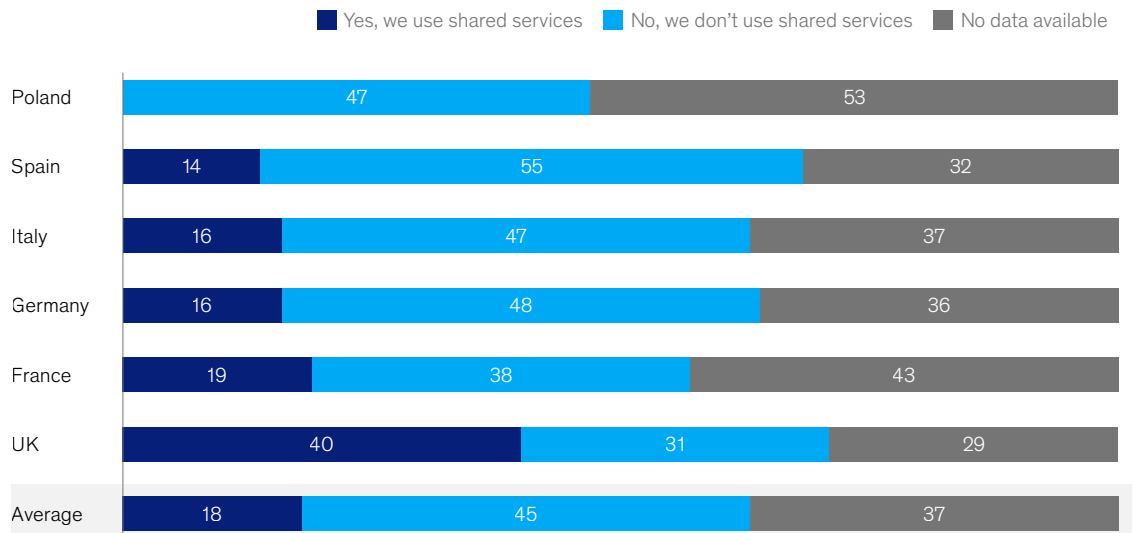[13] For companies with fewer than 1,000 employees, a SSC is not often advantageous, because shared services work best if they can use a certain economy of scale.
[14] "A new operating model for people management: More personal, more tech, more human," McKinsey, February 7, 2025.

Exhibit 10

The United Kingdom has adopted HR shared-services centers at more than twice the rate of other European countries.

Use of shared services by companies with 1,000+ employees, % of HR respondents[1]

Legend:
- ■ Yes, we use shared services
- ■ No, we don't use shared services
- ■ No data available

Country	Yes, we use shared services	No, we don't use shared services	No data available
Poland		47	53
Spain	14	55	32
Italy	16	47	37
Germany	16	48	36
France	19	38	43
UK	40	31	29
Average	18	45	37

Note: Figures may not sum to 100%, because of rounding.
[1]Question was not included in US survey.
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 3,000 employees and 1,500 HR professionals in France, Germany, Italy, Poland, Spain, and UK

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In addition to improving efficiencies, gen AI can help HR increase the number of tasks that employees can complete through self-service, which can help with cost efficiency. Currently, self-service in HR is limited and focused mostly on core tasks—such as making vacation requests (47 percent) and recording time and attendance (42 percent), followed by employee surveys and training access (both 36 percent). More complex tasks, such as payroll (29 percent), performance appraisals (28 percent), and travel reimbursement (31 percent), show lower self-service adoption levels across European countries, indicating untapped potential for broader use.

As adoption increases, where and how gen AI is deployed in HR will matter

Gen AI adoption in HR is increasing—91 percent of surveyed HR professionals in Europe and the United States believe their departments will be affected by gen AI in some way—but regional differences are apparent. Only one-quarter to one-third of continental European HR professionals believe gen AI will have a high impact on HR. In contrast, about half of all UK and US HR professionals expect gen AI to spark a major transformation (Exhibit 11).
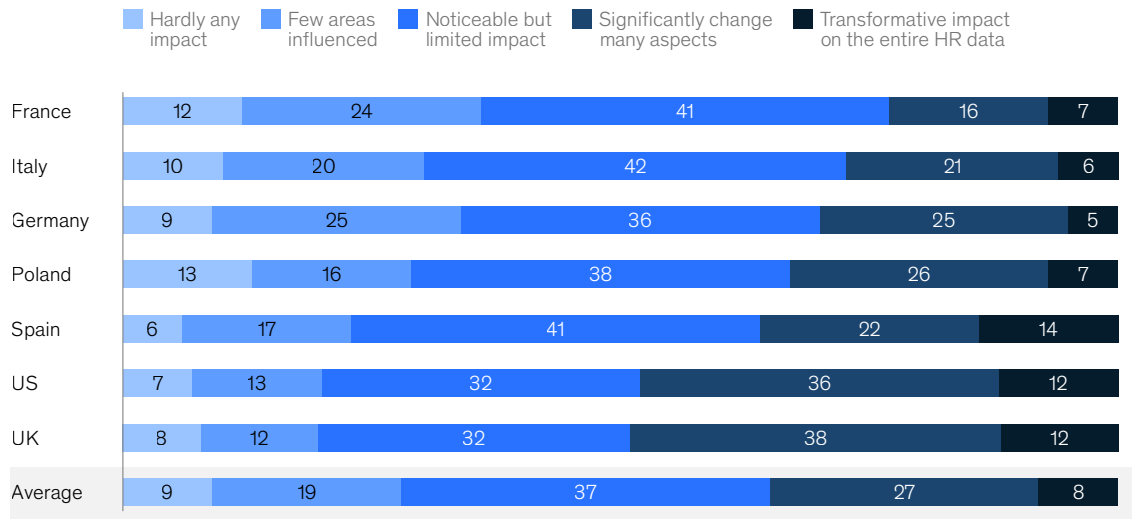
Current gen AI adoption levels in HR show clear regional differences: In the United States, gen AI is already in operational use across 35 percent of core HR processes, compared with just 19 percent in Europe. In both regions, about 30 percent of core HR processes are in the pilot phase, suggesting that adoption is growing but still selective.

Exhibit 11

Most HR professionals believe gen AI will affect HR, but opinions vary as to the severity of the impact.

Predicted impact of gen AI on HR department, % of HR respondents

How do you assess the potential of generative AI on your company's HR department?

Legend: Hardly any impact | Few areas influenced | Noticeable but limited impact | Significantly change many aspects | Transformative impact on the entire HR data

	Hardly any impact	Few areas influenced	Noticeable but limited impact	Significantly change many aspects	Transformative impact on the entire HR data
France	12	24	41	16	7
Italy	10	20	42	21	6
Germany	9	25	36	25	5
Poland	13	16	38	26	7
Spain	6	17	41	22	14
US	7	13	32	36	12
UK	8	12	32	38	12
Average	9	19	37	27	8

Note: Figures may not sum to 100%, because of rounding.
Source: McKinsey *HR Monitor* Survey, Dec 2024, n = 4,069 employees and 1,925 HR professionals in France, Germany, Italy, Poland, Spain, UK, and US

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HR professionals estimate that about one-third of all HR tasks could be automated through gen AI adoption. Companies should begin with high-impact use cases while building a broader gen AI strategy in parallel. To truly scale transformation, organizations should ultimately aim for a broader gen AI portfolio of 15 to 20 prioritized HR use cases or more—beyond just a few pilots.

Gen AI is more than an efficiency lever for HR—it offers an opportunity to rethink HR processes and elevate service delivery. Organizations should act now by implementing obvious, high-impact use cases (such as content creation in recruiting, personalized learning recommendations, or gen AI–powered workforce planning and forecasting), while in parallel developing a broader gen AI strategy to ensure long-term scalability, security, and alignment.

European HR departments most often implement gen AI in routine HR processes, such as time tracking and absence management (23 percent), administration of employee data (21 percent), and automation of repetitive administrative tasks (21 percent) and other process optimization projects. Pilot activity in Europe focuses on more complex HR use cases, including workforce planning and analytics (34 percent) and recruitment, selection, and applicant management (33 percent).

Wherever a company chooses to integrate gen AI, these tools should be deployed only where they deliver measurable impact with clear ROI. A structured business case approach ensures that organizations focus on high-value applications rather than scattered, low-impact use cases. Organizations clearly are preparing to

integrate gen AI: 60 percent of surveyed organizations (55 percent in Europe and 70 percent in the United States) have implemented or plan to introduce an AI or gen AI governance structure, such as a gen AI center of excellence. Companies can establish a dedicated gen AI governance team and invest in HR skills—including data analytics, gen AI–enabled decision-making, and digital-first services—while ensuring ethical, compliant, and effective implementation (for example, avoiding bias in résumé screening).

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The *HR Monitor* Survey shows that many HR departments across Europe and the United States are still in the early stages of adopting best practices, ranging from SWP to employee experience and the use of gen AI in HR operations. These delays are not limited to individual countries. In our sample, no country consistently outperforms in all areas, and in many cases, foundational elements—such as standardized processes, digital infrastructure, or integrated planning—are still missing.

At the same time, HR continues to be a critical focus area for organizations. Even as labor market pressure begins to ease in some regions, the need to build a resilient, future-ready HR function remains. HR is uniquely positioned to strengthen organizations from the inside, and gen AI can accelerate its transformation and impact, offering new opportunities for efficiency, personalization, and strategy. The next 12 to 24 months will be decisive in laying the foundation of a modern, gen AI–enabled HR function that is both people-centric and focused on performance.

Now is the time to secure the necessary resources to modernize HR. To ensure HR can continue to contribute to both the employee experience and the organization's overall performance, leaders must align HR strategy with business priorities, strengthen the HR operating model, and build digital skills.

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