

# Labor Market Insights

Benchmark with Gartner insight into the impact of AI in addressing increased cost optimization and productivity pressures.



# Labor market risks to watch: August 2025

**1 Cost optimization goals may not be achieved.** Only 39% of HR leaders are confident that their organization will meet its cost optimization goals, and 47% anticipate their HR budget will decrease in the next fiscal year. CHROs should analyze spending from a variety of metrics, including personnel, outsourcing, technology, and services.

[6 Years of HR Budget Lessons For Today's CHRO](#)

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**2 More HR budget cuts and layoffs to come.** HR leaders anticipate decreasing overall HR budget (43%), decreasing recruiting budget (37%), and laying off employees (37%) CHROs should map HR key strategic initiatives to business strategy to prioritize investments and cost optimization opportunities.

[Tool: HR Score](#)

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**3 AI is not reducing HR costs.** While 64% of HR leaders say their HR function's AI investments have positively impacted HR's productivity, only 25% say these investments have lowered overall HR costs. CHROs set the right expectations for AI investment by focusing on desired business, behavioral and workforce readiness outcomes.

[How CHROs Can Pace Themselves in the AI Race](#)

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**4 Agentic AI will change the way work gets done.** The majority of HR leaders (68%) expect up to 10% of their workforce to be replaced by agentic AI in the next two years. Half of organizations would replace human headcount with agentic AI for cost savings less than 40% or less of the human headcount. CHROs must play a key role in setting the shift in direction by working with business and IT leaders to understand the impact on roles, culture, and organizational design while ensuring a human-centric approach.

[Agentic AI Benchmarks Across the Enterprise and HR](#)

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**5 Support for location-based flexibility falls.** More organizations are planning to decrease flexibility offerings around where employees work (up to 32% from 18% in October 2024), and fewer are concerned about the risk of on-site work requirements increasing attrition (down to 51% from 63% in October 2024). CHROs should determine whether the organization's work model needs to evolve before making changes, considering the benefits, risks, challenges and opportunities related to factors such as collaboration, innovation and culture.

[Return-to-Office and Hybrid Work Trends and Benchmarks: 1Q25](#)

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# Market softening continues amid policy changes, cost optimization, agentic AI and flexibility demands

**37%**

of HR leaders say they anticipate their organization laying off employees in the next three months — reaching its highest level in over two years.

**49%**

of HR leaders say they anticipate communicating changes as a result of the One Big Beautiful Bill Act (OBBBA).

**47%**

of HR leaders anticipate their HR function's budget to decrease in the next fiscal year compared to the current fiscal year.

**68%**

of HR leaders expect up to 10% of their organization's current human workforce to be replaced by agentic AI solutions in the next two years.

**Read on for full analysis**

# The unrivaled Gartner perspective



## Advanced analytics

Continuous client diagnostics and labor market surveys



## Expert authority

Advisor and analyst expertise in all key topic domains



## Client network

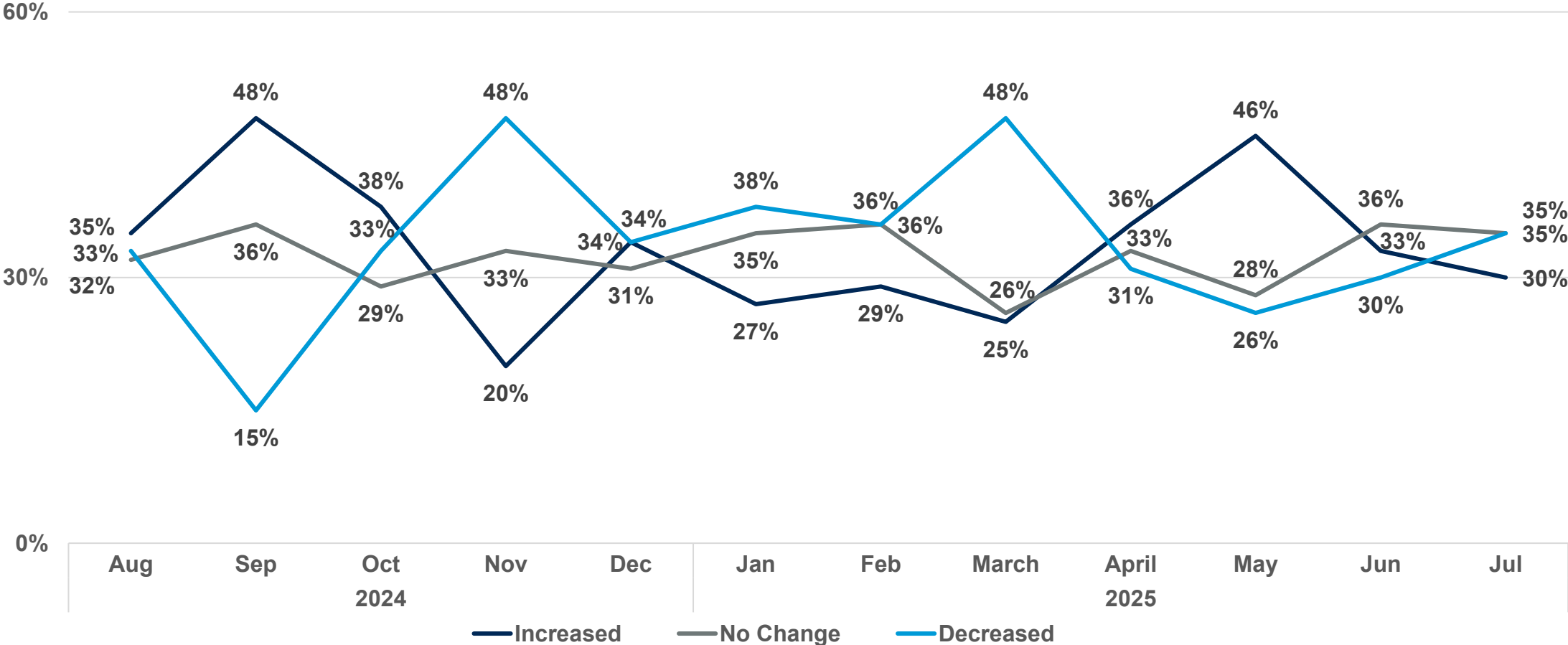
Unrivaled network of C-Level executives and their teams

The Labor Market Outlook is a monthly Gartner publication made possible by Gartner's unrivaled footprint in the global labor market. Data and analysis comes from Benchmark with Gartner, a monthly real-time analysis of the global labor market climate and current issues hosted by Dion Love. Data in this edition comes from Benchmark With Gartner: Balance Cost and Productivity With AI and Tackle Flexibility Demands, 23 July 2025 (180 HR leaders participating).

# Labor Market Climate

# Increased job postings decline for second month in a row

Percentage of HR leaders

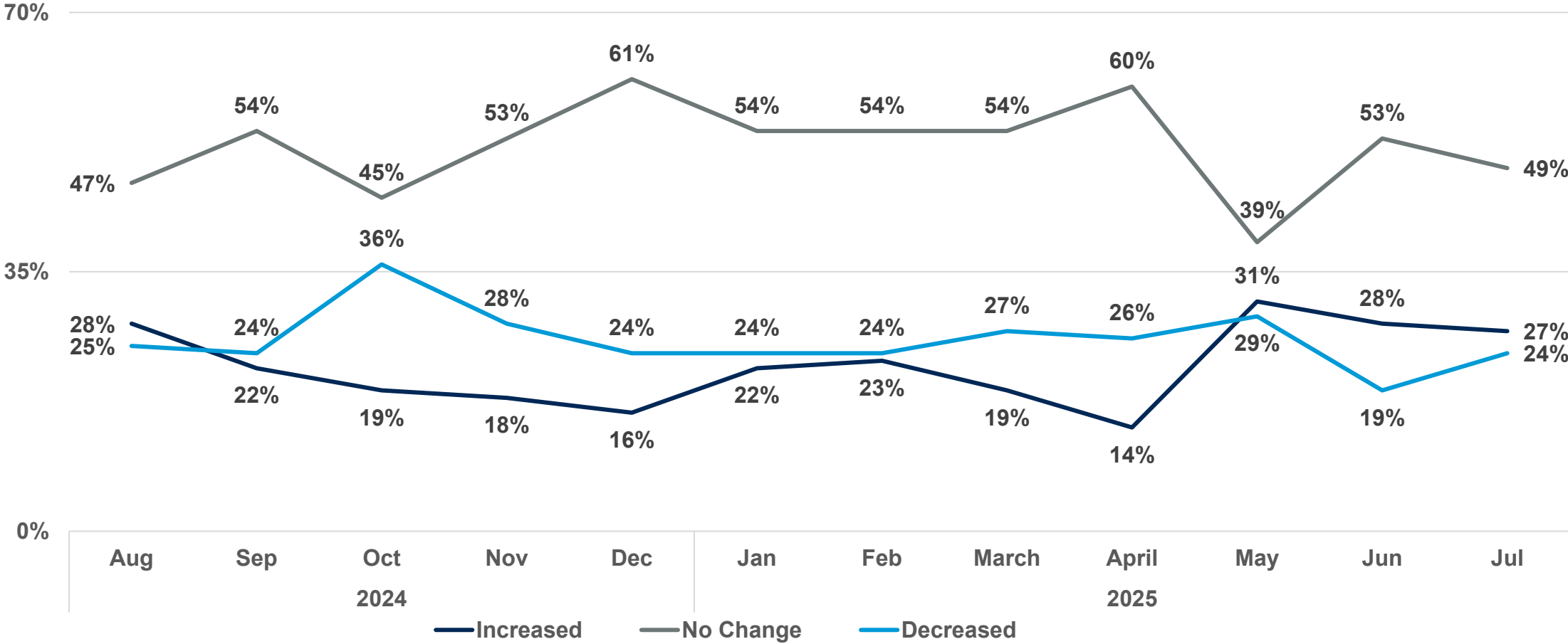


n = 40 (July 2025), 33 (June 2025), 50 (May 2025), 81 (Apr 2025), 102 (Mar 2025), 56 (Feb 2025), 88 (Jan 2025), 58 (Dec 2024), 46 (Nov 2024), 45 (Oct 2024), 33 (Sep 2024), 63 (Aug 2024)  
 Question: How have your organization's job postings changed this month compared to the average of the last three months? (Select one)  
 Source: Benchmark with Gartner



# Increased quits stabilize at elevated levels

Percentage of HR leaders

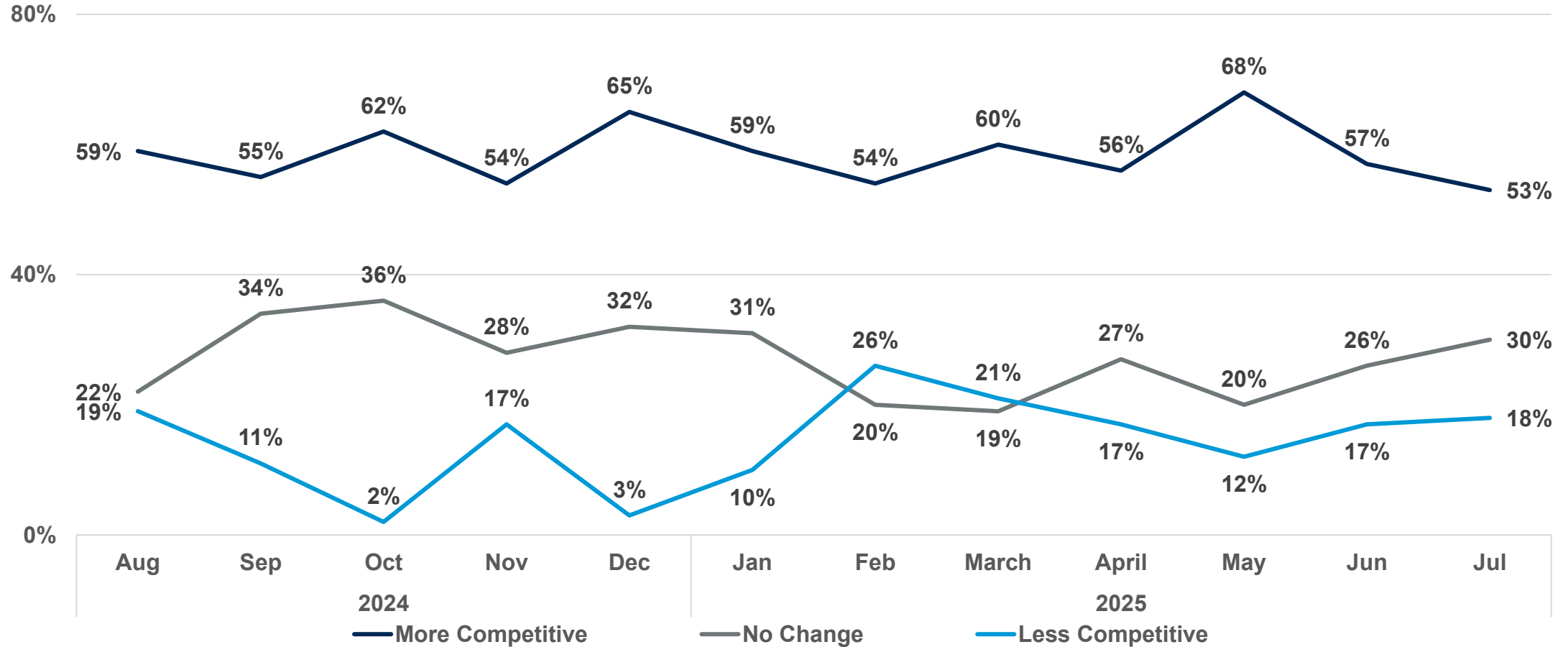


n = 41 (July 2025), 32 (June 2025), 51 (May 2025), 72 (Apr 2025), 104 (Mar 2025), 39 (Feb 2025), 72 (Jan 2025), 51 (Dec 2024), 45 (Nov 2024), 47 (Oct 2024), 37 (Sep 2024), 60 (Aug 2024)  
 Question: How has your organization's quits rate changed this month compared to the average of the last three months? (Select one)  
 Source: Benchmark with Gartner



# Talent Competition drops to lowest in 12 months

Percentage of HR leaders



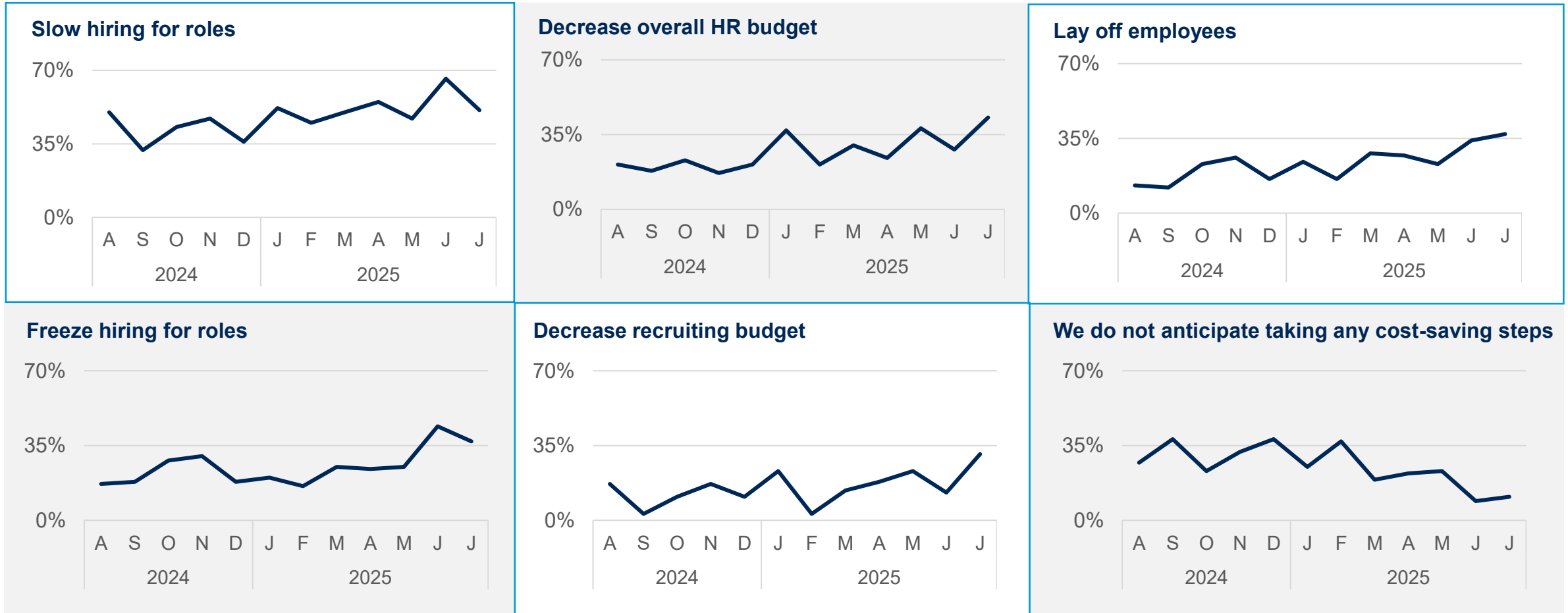
n = 40 (July 2025), 35 (June 2025), 50 (May 2025), 66 (Apr 2025), 106 (Mar 2025), 46 (Feb 2025), 83 (Jan 2025), 62 (Dec 2024), 46 (Nov 2024), 47 (Oct 2024), 38 (Sep 2024), 58 (Aug 2024)

Question: How do you expect talent competition to change in the next three months? (Select one)

Source: Benchmark with Gartner

# Anticipated rise in layoffs and HR/recruiting budget cuts

Percentage of HR leaders



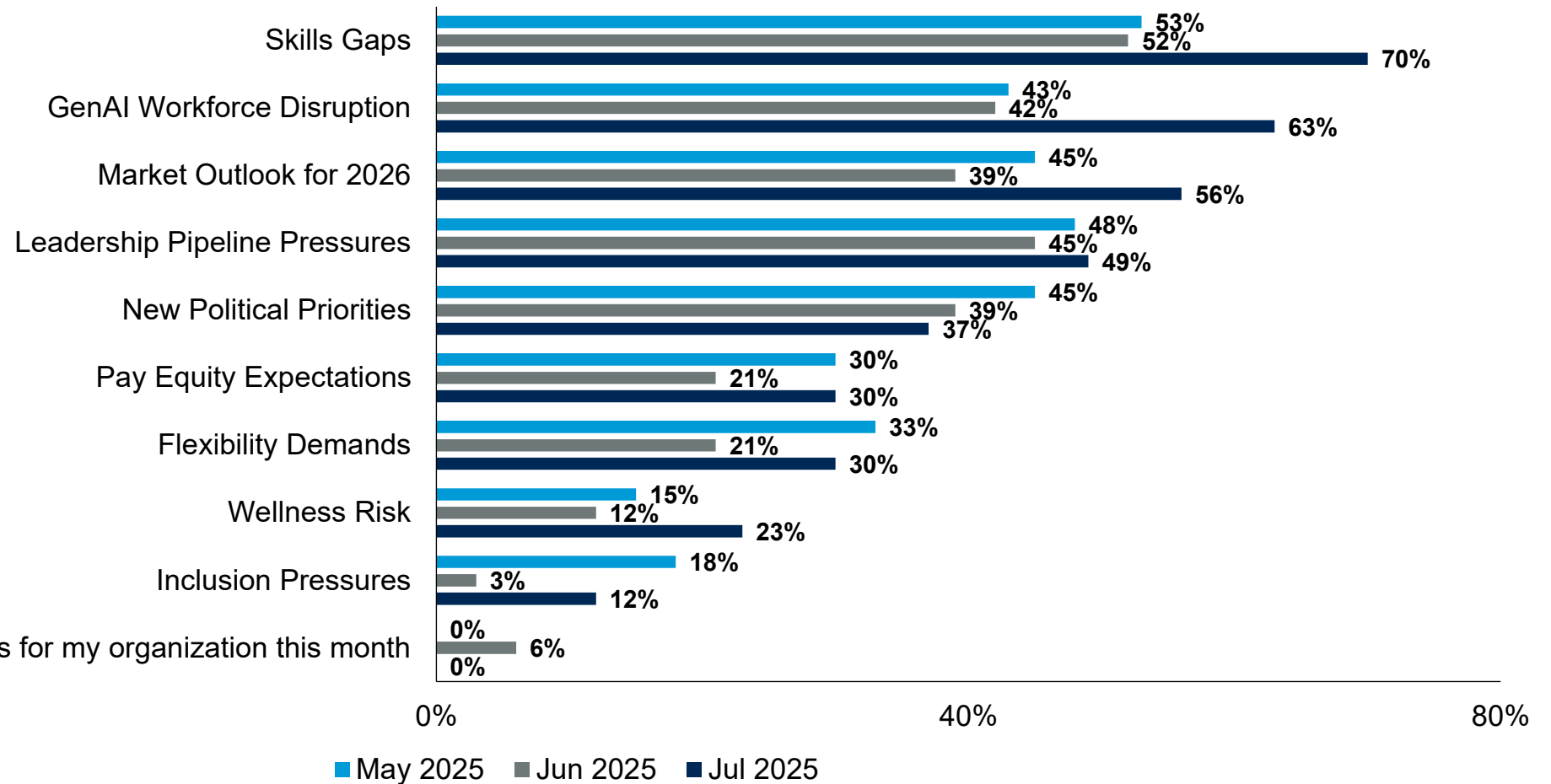
n = 35 (July 2025), 32 (June 2025), 53 (May 2025), 74 (Apr 2025), 111 (Mar 2025), 38 (Feb 2025), 87 (Jan 2025), 56 (Dec 2024), 47 (Nov 2024), 47 (Oct 2024), 34 (Sep 2024), 52 (Aug 2024)

Question: Which of the following talent cost-savings measures do you ANTICIPATE your organization taking in the next three months? (Select all that apply)

Source: Benchmark with Gartner

# Skills gaps and GenAI disruption surge as leading concerns

Percentage of HR leaders



n = 43 (Jul 2025), 33 (Jun 2025), 40 (May 2025)

Question: Which of the following topics are current issues for your organization this month? (Select all that apply)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Calibrate Talent Strategy Amid Market Shocks & Navigate Culture Tensions (Jun 2025), Mitigating Talent Strategy Risk Amid U.S.

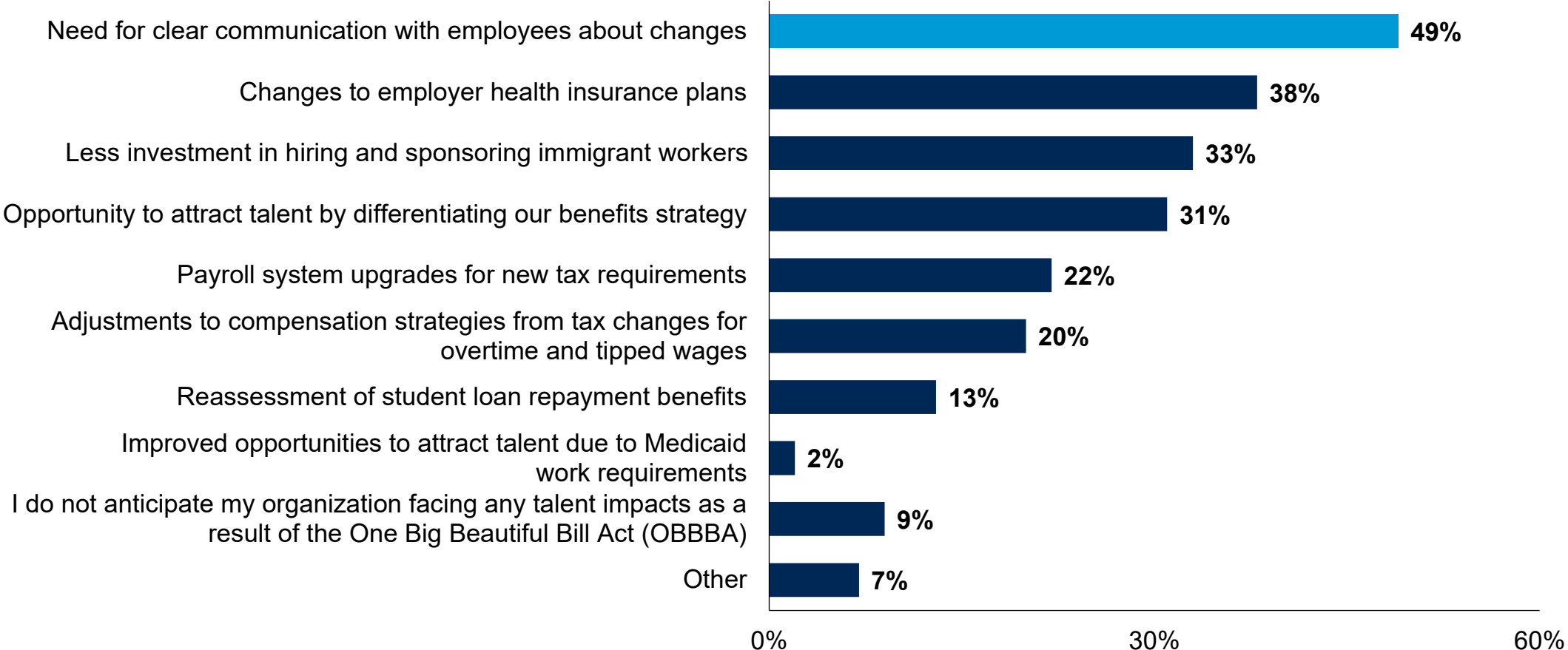
Policy Shifts & Tackling Skill Gaps (May 2025)

# **One Big Beautiful Bill Act (OB BBBA)**

## Emerging Issue

# Nearly half anticipate communicating changes to employees

Percentage of U.S. private sector HR leaders\*



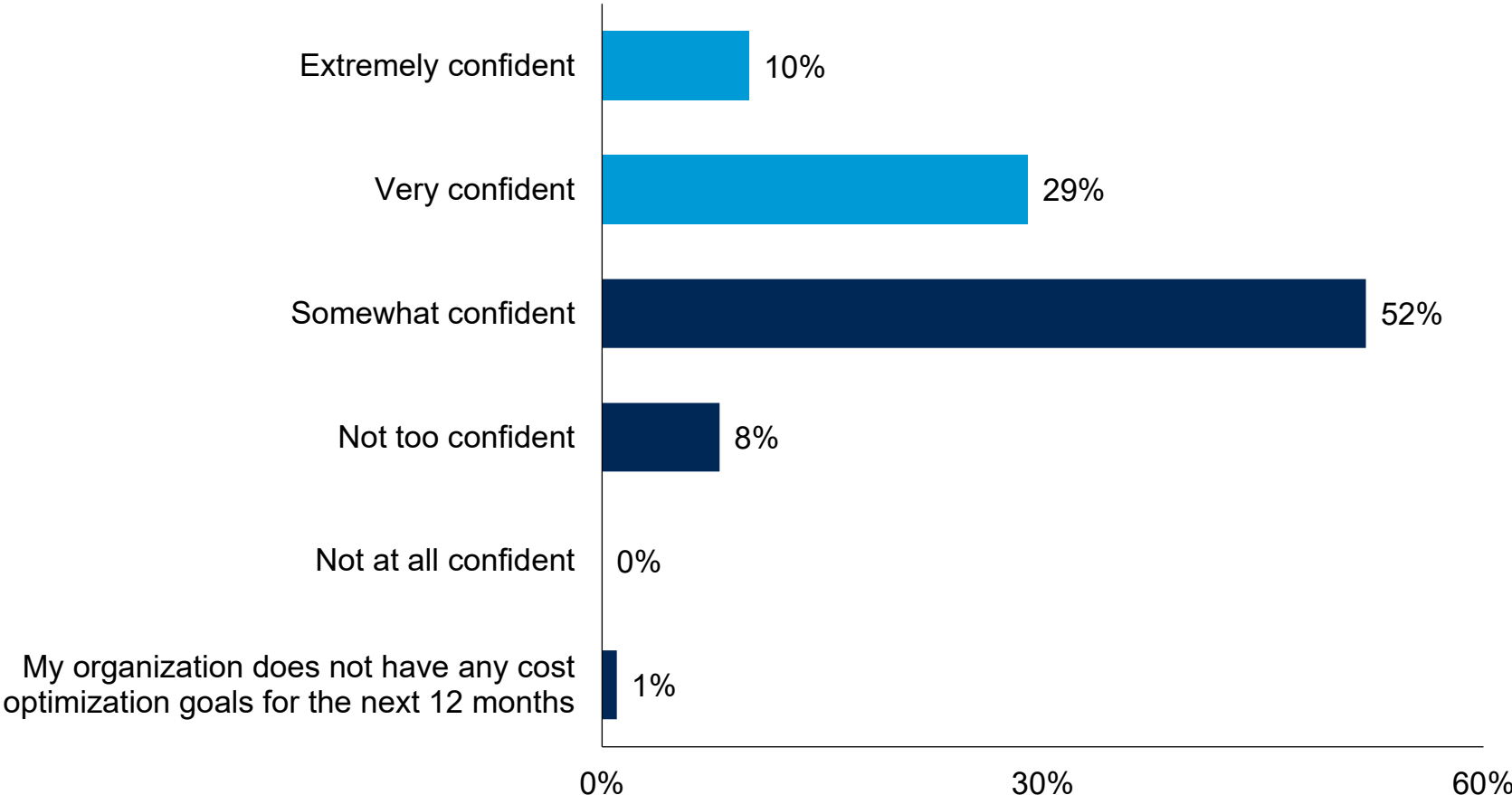
n = 45 (Jul 2025)  
Question: What specific talent impacts do you anticipate your organization facing as a result of the One Big Beautiful Bill Act (OBBBA)? (Select all that apply)  
Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)  
\*Note: Poll on One Big Beautiful Bill Act (OBBBA) only contains responses from the U.S. private sector.



# **Cost Optimization Pressures** Emerging Issue

# Few confident in achieving their cost optimization goals

Percentage of HR leaders

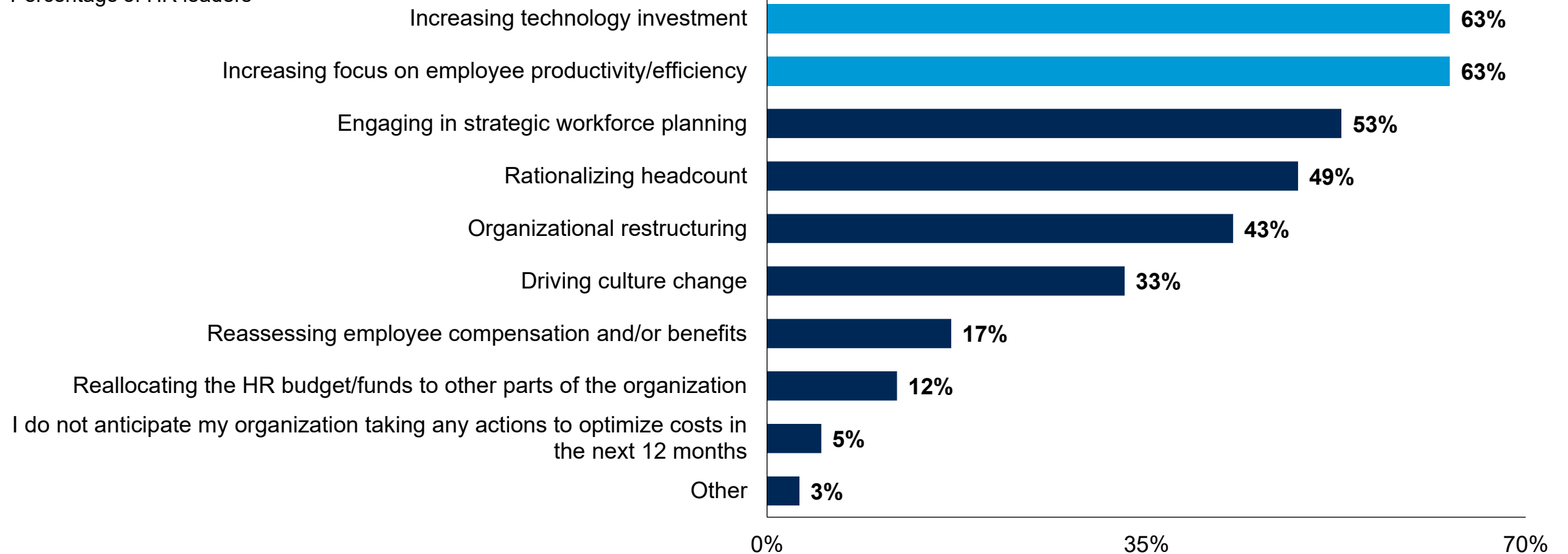


Only **39%** of HR leaders say they are confident that their organization will meet its cost optimization goals in the next 12 months.

n = 73 (Jul 2025)  
Question: How confident are you that your organization will meet its cost optimization goals in the next 12 months? (Select one)  
Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)

# Anticipated increases in tech investments and productivity focus to optimize costs

Percentage of HR leaders



n = 76 (Jul 2025)

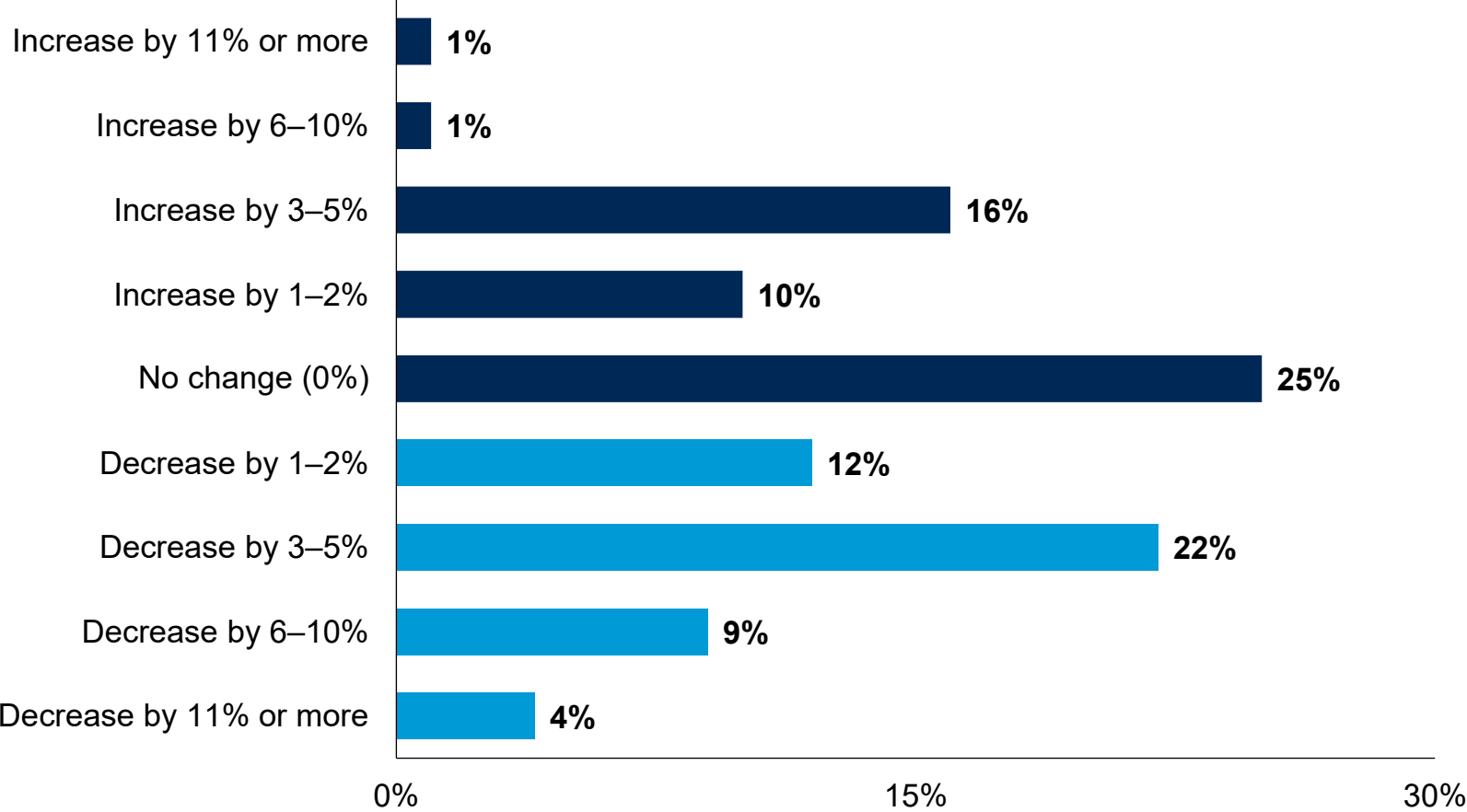
Question: In the next 12 months, what actions do you anticipate your organization taking to optimize costs? (Select all that apply)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)

Note: Increasing technology investment includes AI and automation. Rationalizing headcount includes laying off employees, freezing hiring, reducing work hours

# Many HR leaders anticipate a decrease in their HR budgets

Percentage of HR leaders



**47%** of HR leaders anticipate their HR function's budget to decrease in the next fiscal year compared to the current fiscal year.

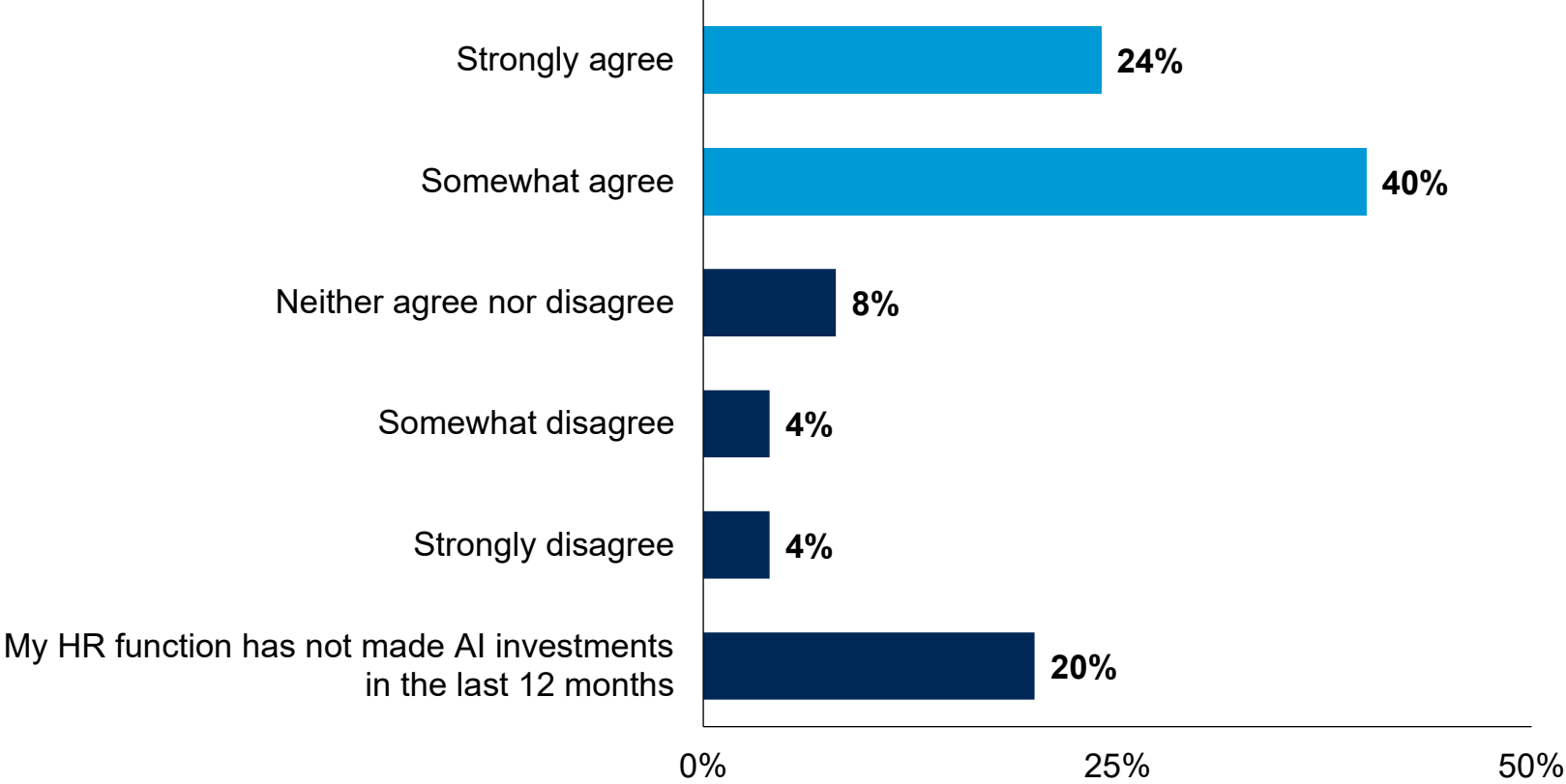
n = 69 (Jul 2025)  
Question: How do you anticipate your HR function's budget changing in your next fiscal year compared to the current fiscal year? (Select one)  
Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)

# **Balancing Cost and Productivity With AI**

Emerging Issue

# Most say AI has positively impacted HR productivity

Percentage of HR leaders



**64%** of HR leaders agree that AI investments their HR function made over the past 12 months have positively impacted HR's productivity.

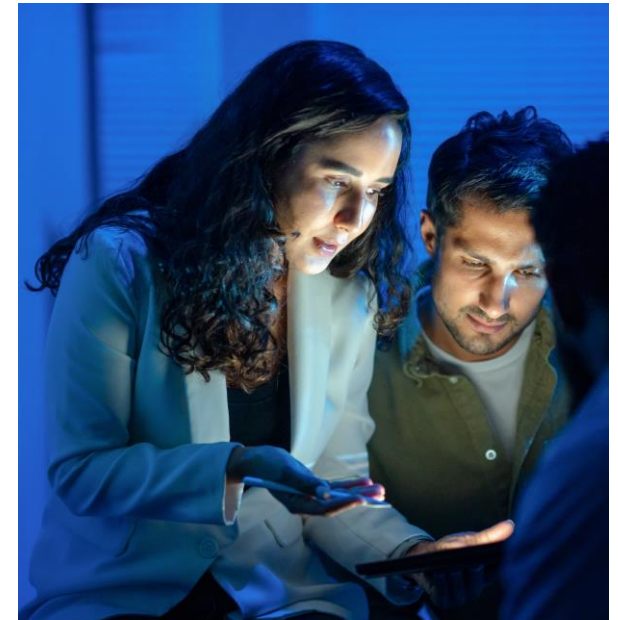
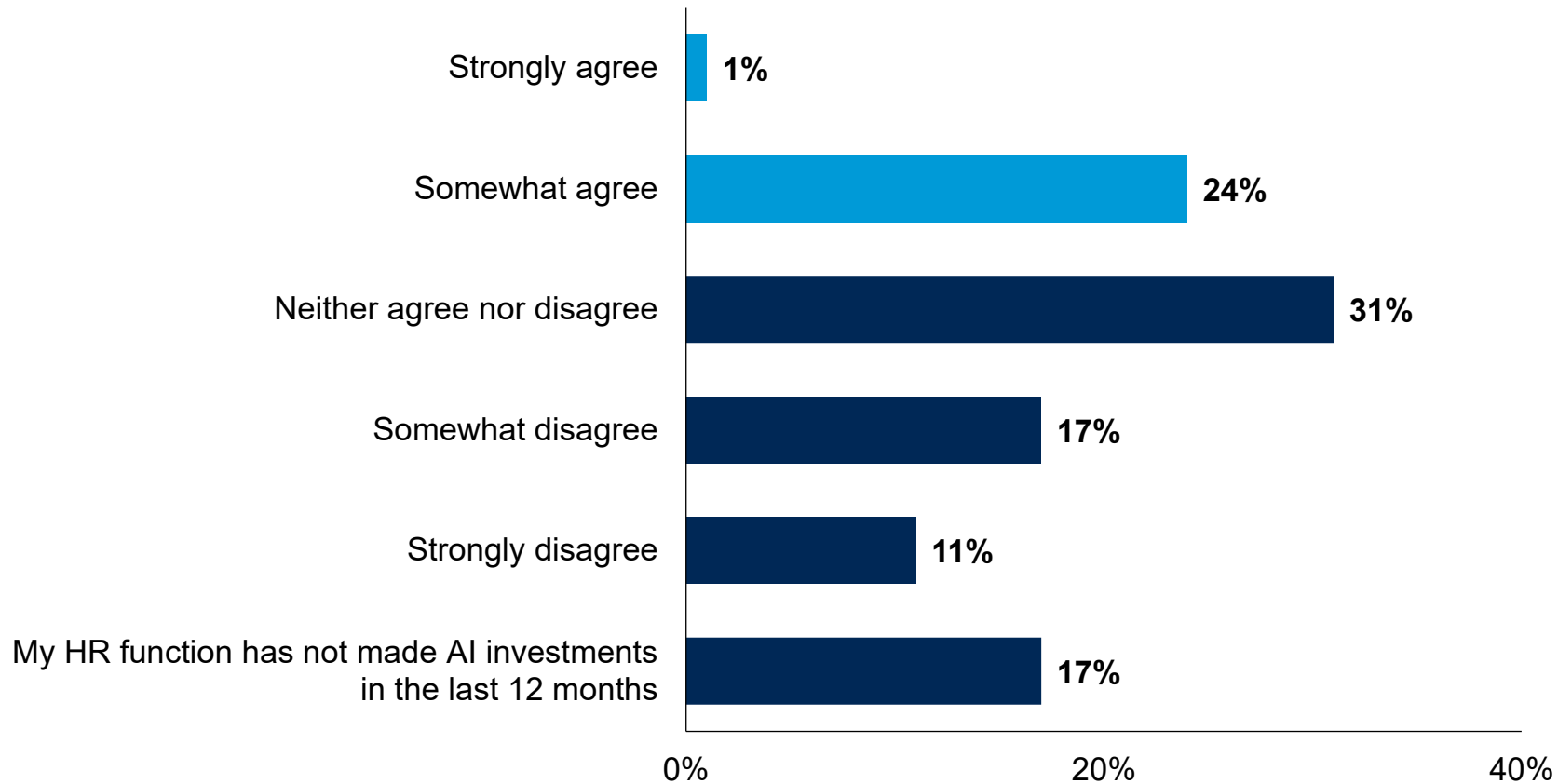
n = 84 (Jul 2025)

Question: Please indicate your level of agreement with the following statements. (Select one) — I believe that AI investments my HR function has made over the last 12 months have positively impacted HR's productivity.

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)

# Only 1 in 4 HR leaders agree AI lowered overall HR costs

Percentage of HR leaders



Just **25%** of HR leaders agree that AI investments their HR function made over the past 12 months have lowered overall HR costs.

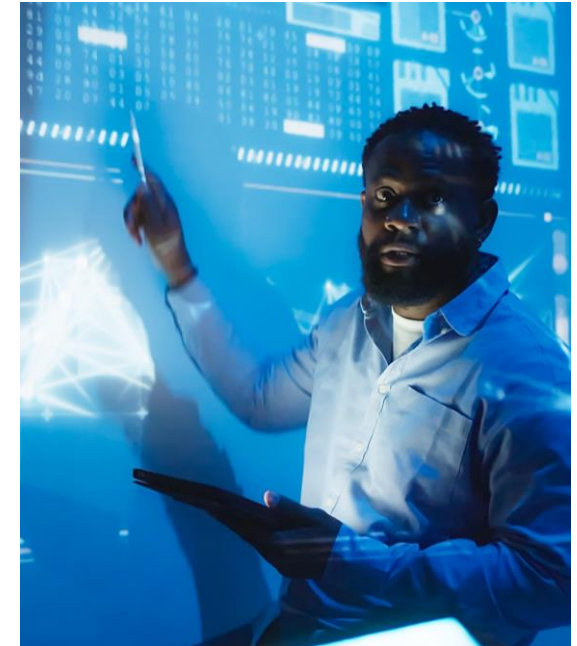
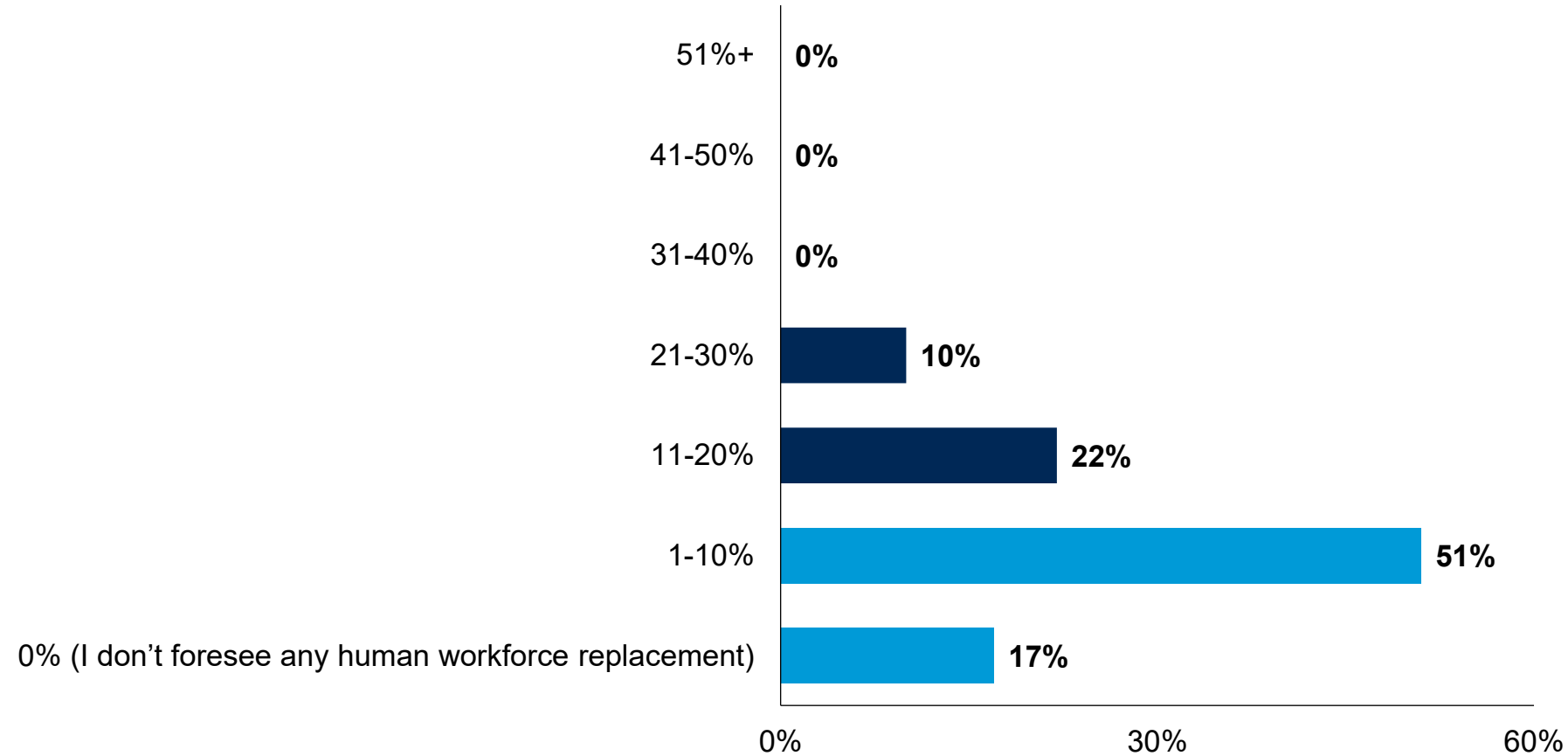
n = 72 (Jul 2025)

Question: Please indicate your level of agreement with the following statements. (Select one) — I believe that AI investments my HR function has made over the last 12 months have lowered overall HR costs.

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)

# HR leaders expect minimal agentic AI job replacements at organization

Percentage of HR leaders



**68%** of HR leaders anticipate up to 10% of their organization's current human workforce will be replaced by agentic AI within two years, with an average expectation of **8.75%**.

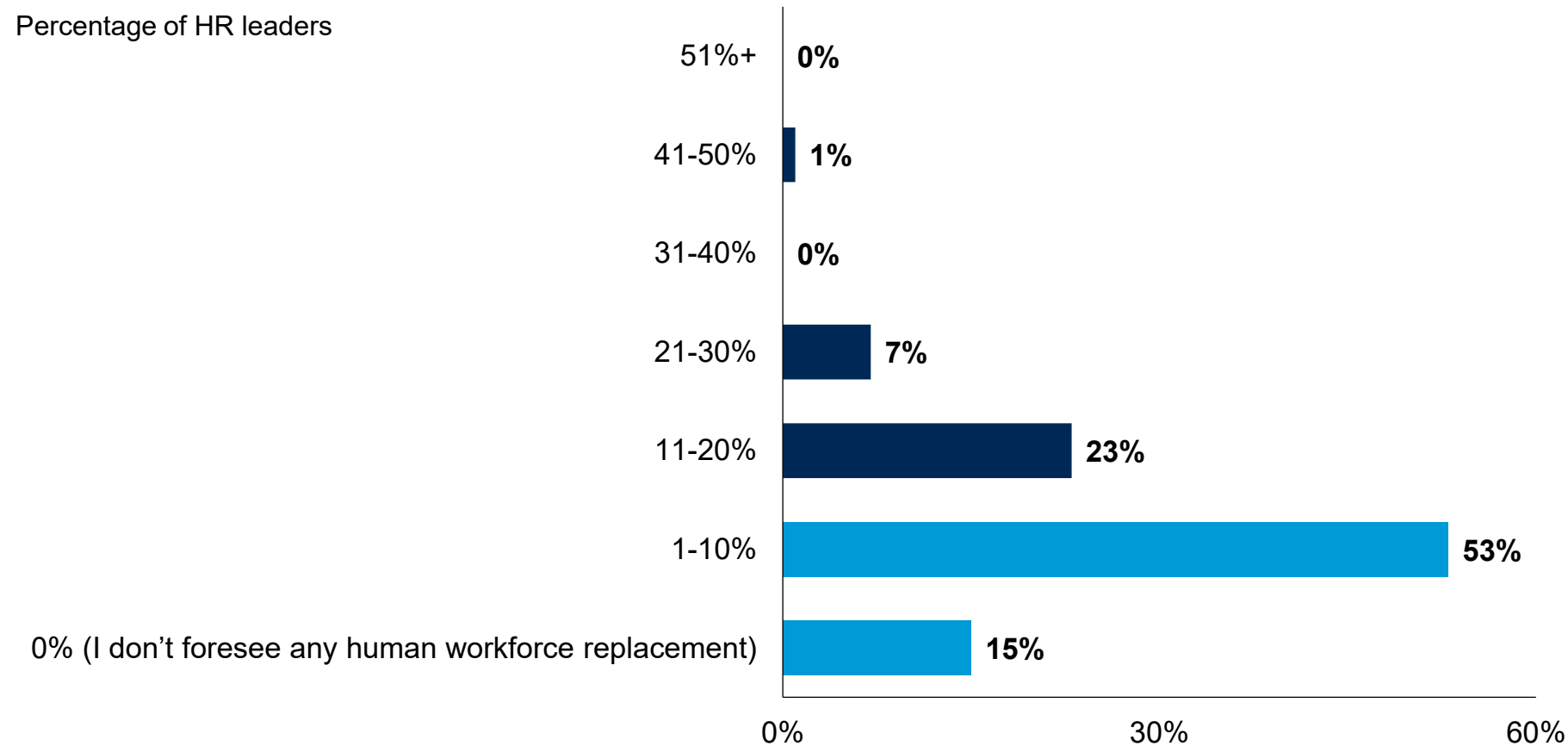
n = 72 (Jul 2025)

Question: In the next two years, how much of your organization's current human workforce do you expect to be replaced by agentic AI solutions? (Select one)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)

# HR leaders expect minimal agentic AI job replacements in HR function

Percentage of HR leaders



**68%** of HR leaders anticipate up to 10% of their HR function's current human workforce will be replaced by agentic AI within two years, with an average expectation of **8.92%**.

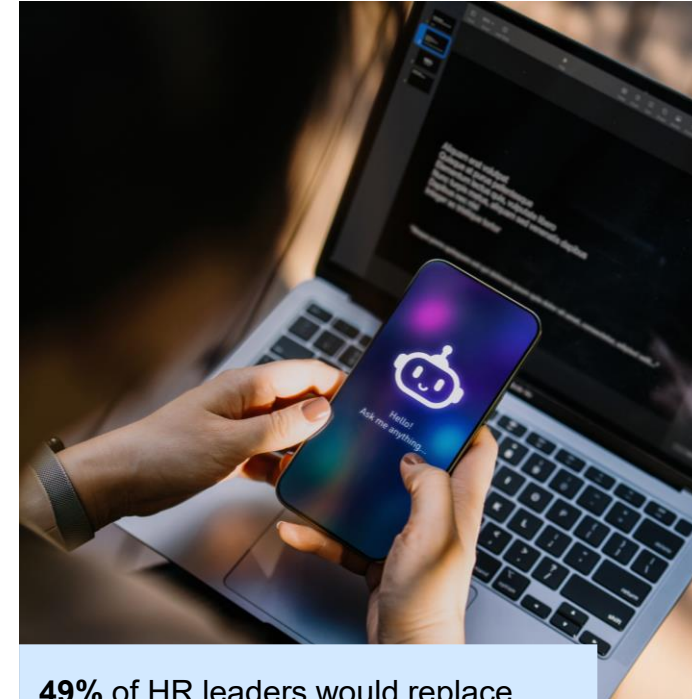
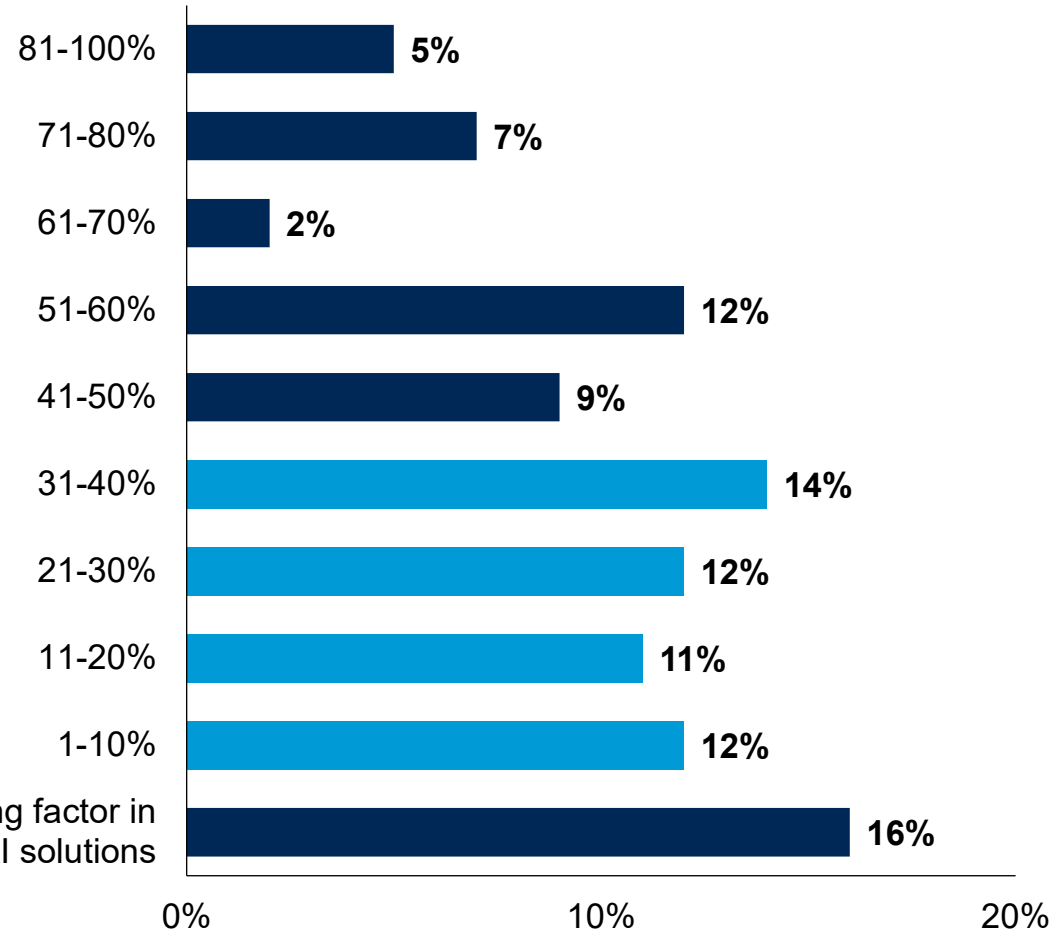
n = 73 (Jul 2025)

Question: In the next two years, how much of your HR function's current human workforce do you expect to be replaced by agentic AI solutions? (Select one)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)

# Half would replace staff with agentic AI for modest cost savings

Percentage of HR leaders



**49%** of HR leaders would replace human headcount with AI for up to 40% cost savings, with a weighted average threshold of only **32.4%**.

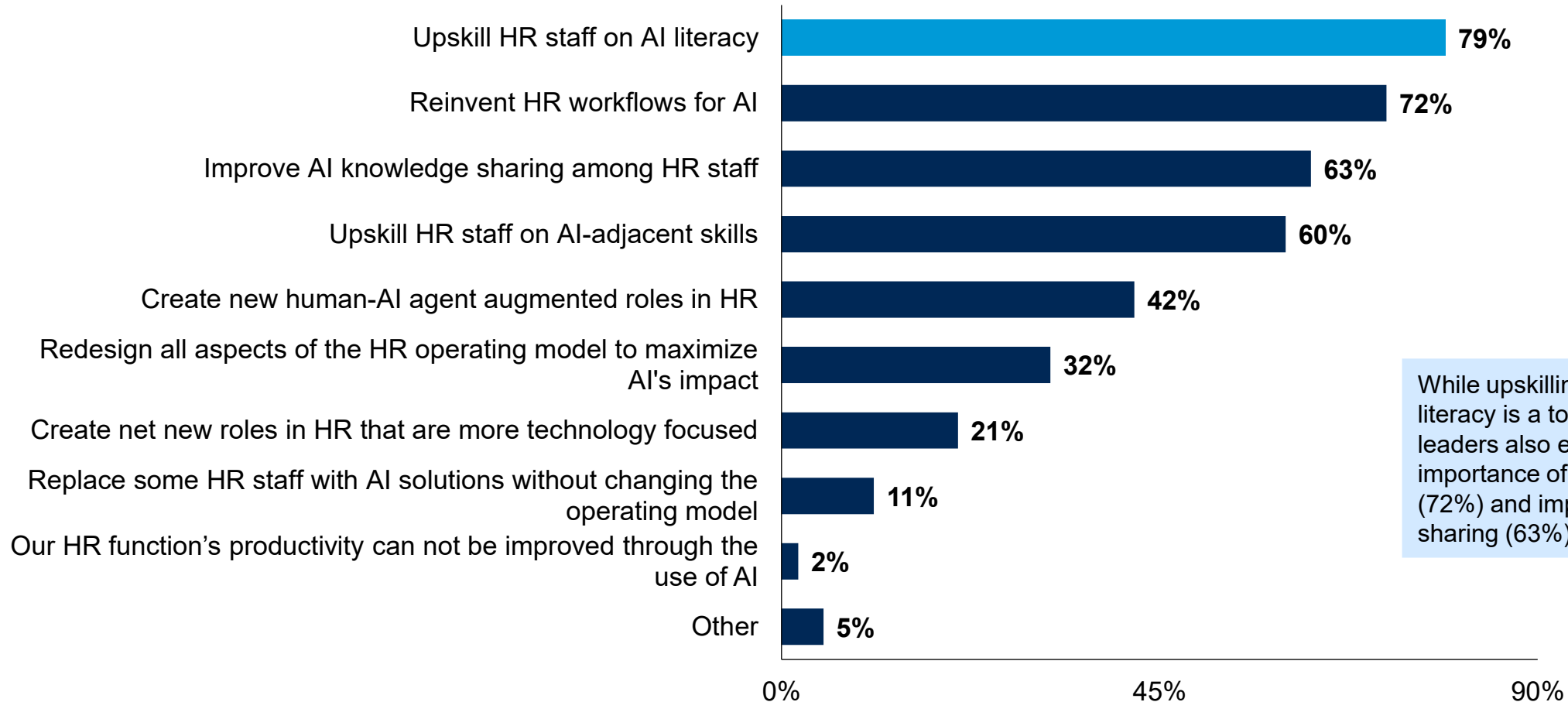
n = 57 (Jul 2025)

Question: What percentage cost savings would the agentic AI solution need to present over the equivalent human headcount costs for your organization to replace human headcount with the agentic AI solution? (Select one)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)

# AI literacy among HR staff needed to boost AI productivity

Percentage of HR leaders



While upskilling HR staff on AI literacy is a top priority (79%), most leaders also emphasize the importance of reinventing workflows (72%) and improving knowledge sharing (63%) to drive AI productivity.

n = 57 (Jul 2025)

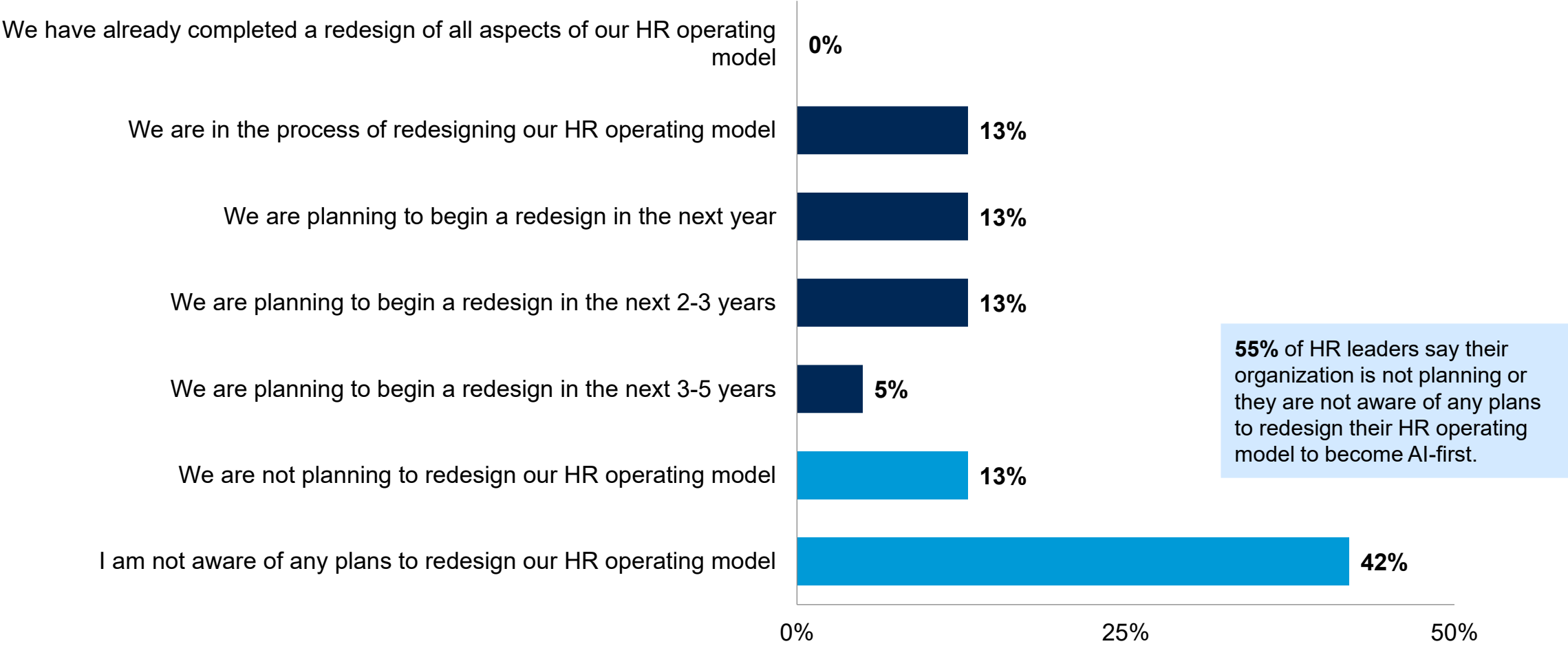
Question: What is necessary for your HR function to successfully improve productivity using AI? (Select all that apply)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)

Notes: AI-adjacent skills include data judgement, digital dexterity, design thinking etc.

# Over half not planning AI-first HR operating model redesign

Percentage of HR leaders



n = 60 (Jul 2025)

Question: How far along is your HR function in redesigning your HR operating model (including workflows, roles, and service delivery) to become AI-first? (Select one)

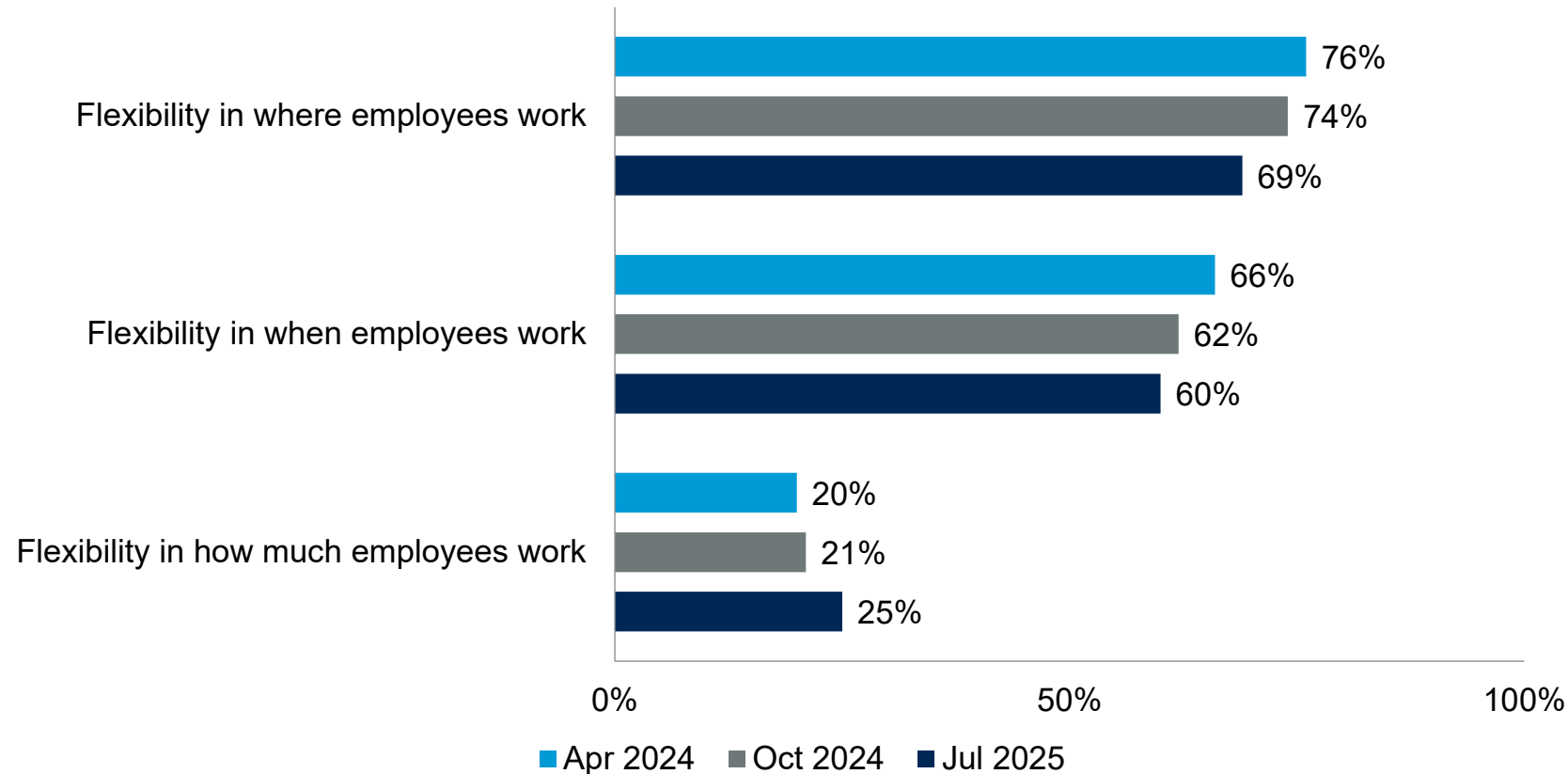
Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025)



# **Flexibility Demands** Trending Issue

# Strong commitment to flexible work locations remains despite slight decline

Percentage of HR leaders committed to providing each type of flexibility



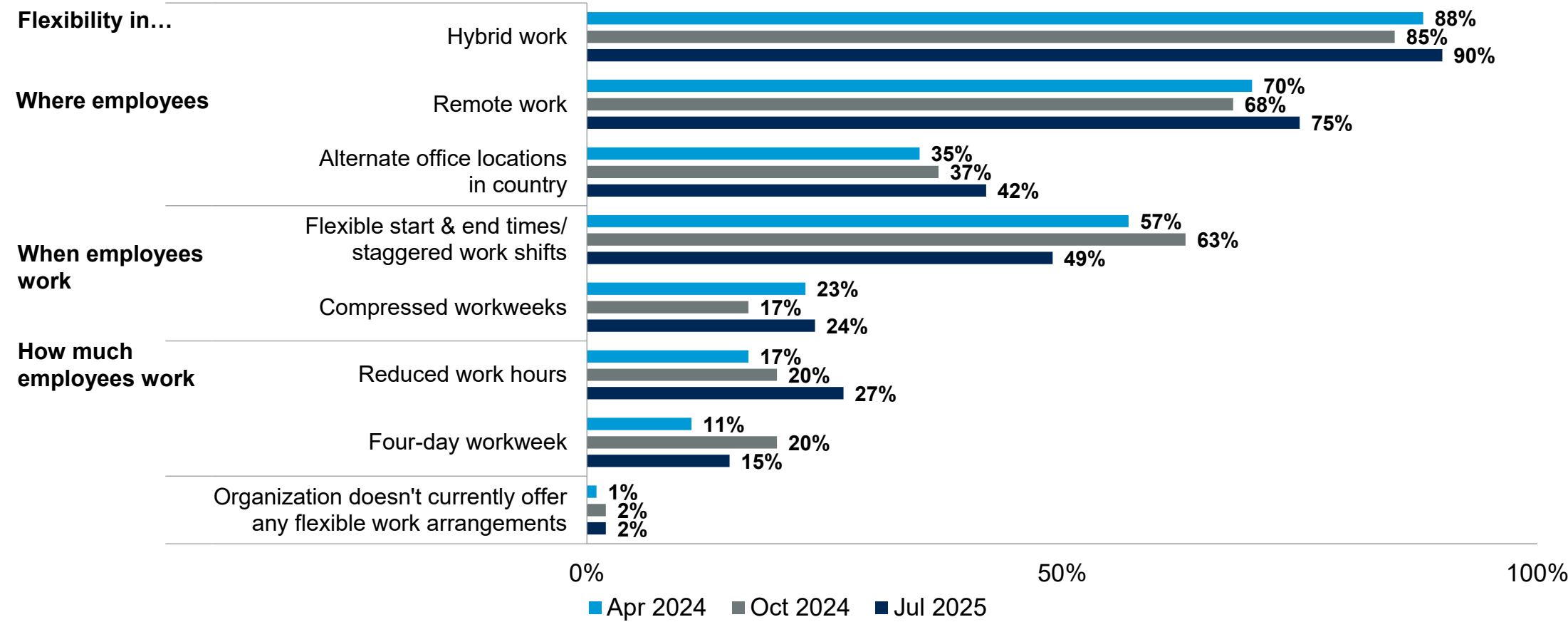
n = 52-59 (Jul 2025), 39-47 (Oct 2024), 75-91 (Apr 2024)

Question: How committed is senior leadership to providing each of these types of flexibility at your organization? (Select one)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)

# Flexibility offerings in where employees work still most common

Percentage of HR leaders

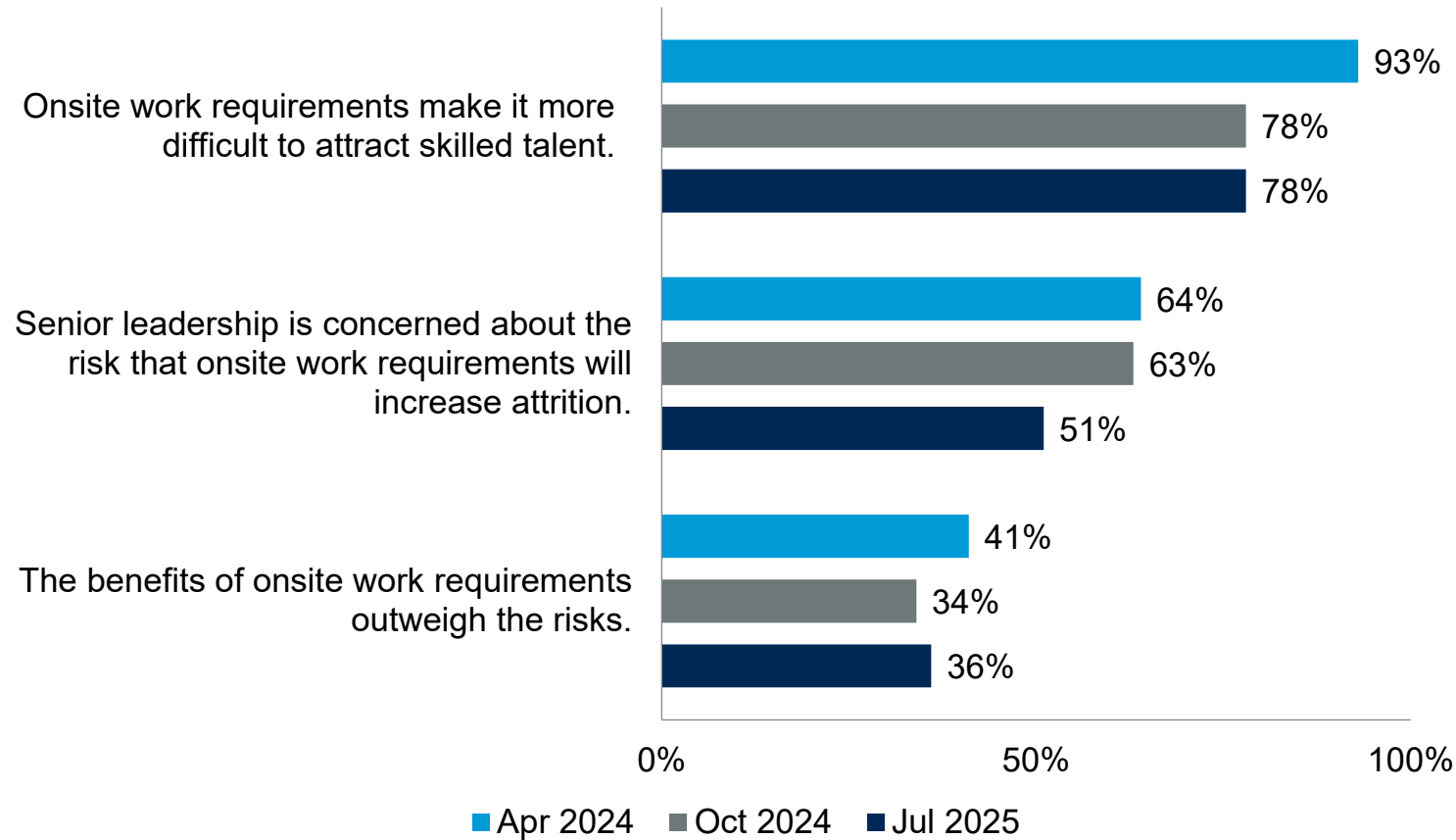


n = 59 (Jul 2025), 41 (Oct 2024), 81 (Apr 2024)  
 Question: What types of flexible work arrangements does your organization currently offer? (Select all that apply)  
 Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)  
 Note: Other was 2% in July 2025, 2% in October 2024, and 0% in April 2024



# Senior leaders less concerned about attrition from on-site work

Percentage of HR leaders agreeing with each statement



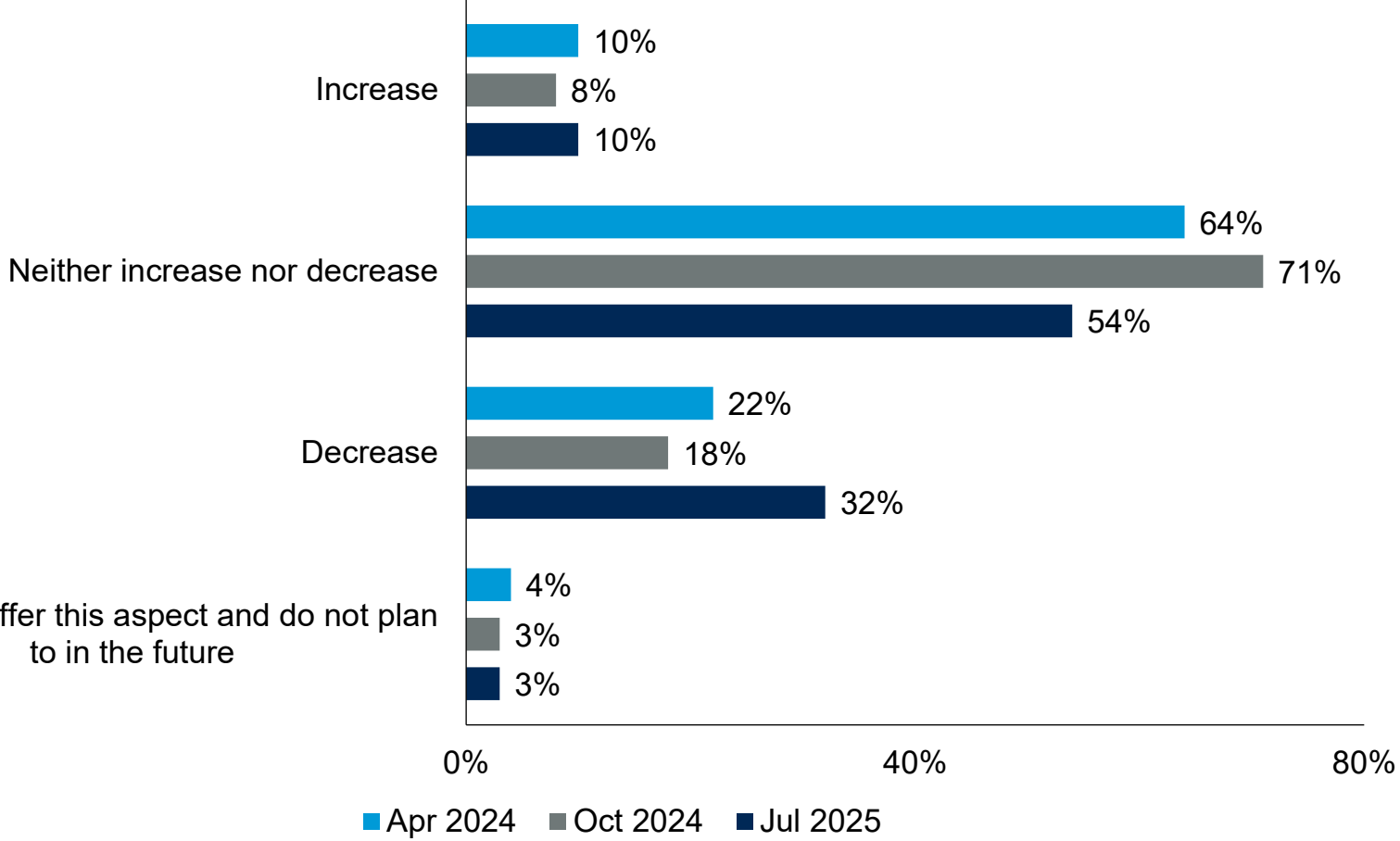
n = 55-61 (Jul 2025), 38-41 (Oct 2024), 59-64 (Apr 2024)

Question: Please rate your level of agreement with the following statements about on-site work requirements. (Select one)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)

# More orgs decreasing flexibility around where employees work

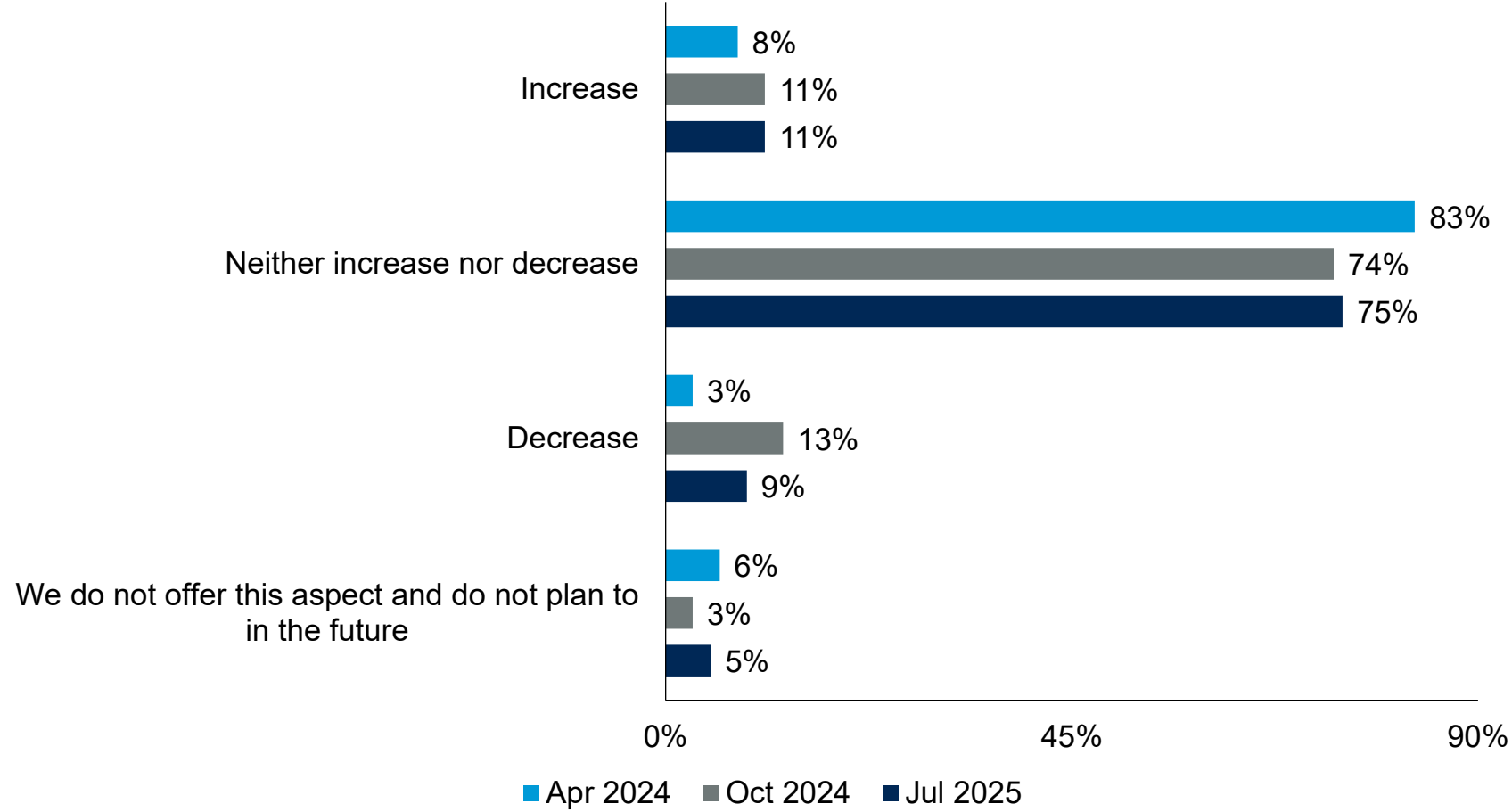
Percentage of HR leaders



n = 59 (Jul 2025), 38 (Oct 2024), 69 (Apr 2024)  
 Question: How does your organization plan to change each flexibility offering over the next 12 months? (Select one) — Flexibility around where employees work (e.g., hybrid work, remote work, alternate office locations)  
 Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)

# Few plan to change flexibility offerings in when employees work

Percentage of HR leaders

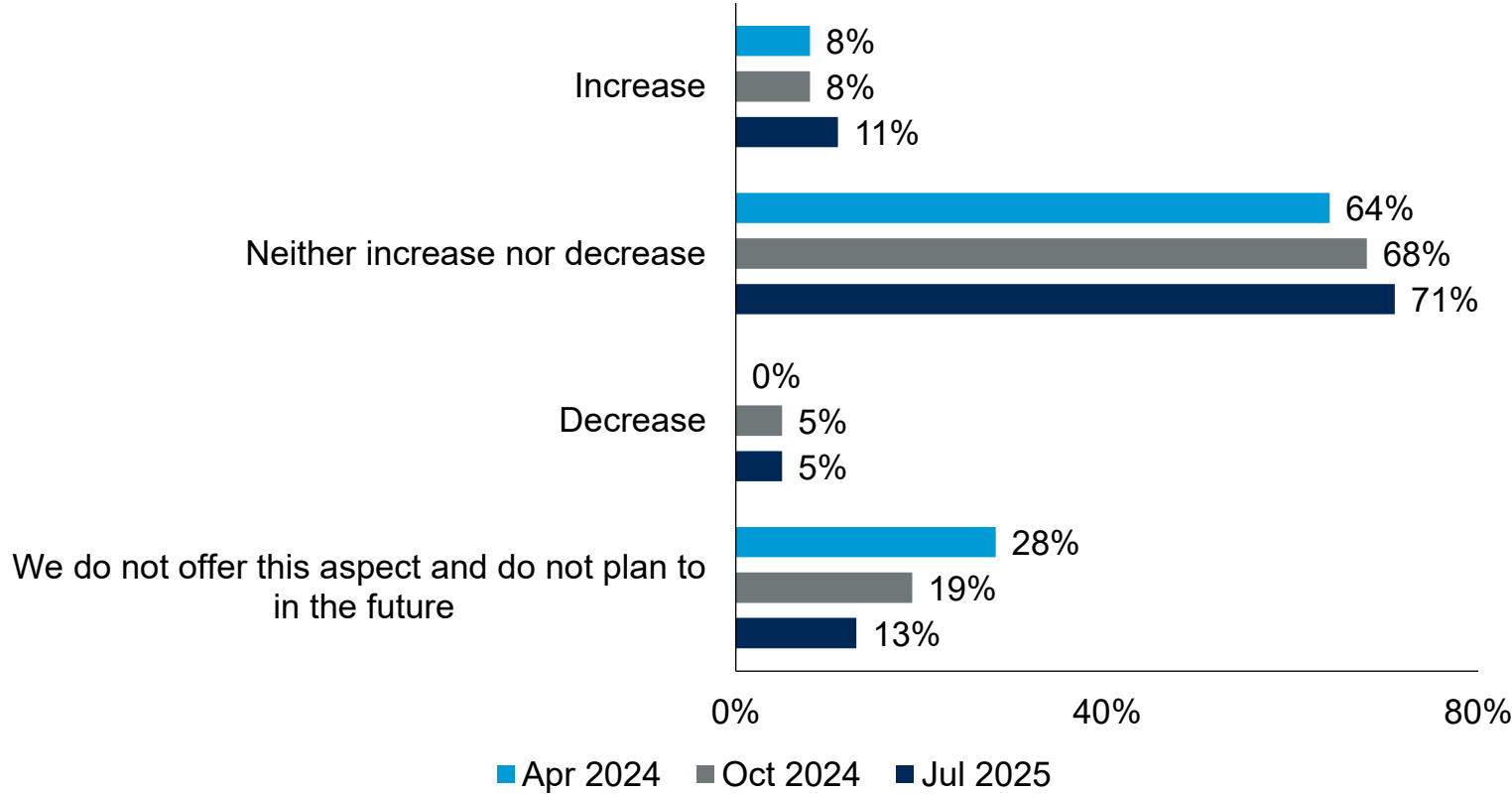


n = 56 (Jul 2025), 38 (Oct 2024), 66 (Apr 2024)

Question: How does your organization plan to change each flexibility offering over the next 12 months? (Select one) — Flexibility around when employees work (e.g., flexible start and end times/staggered work shifts, compressed workweek)

# Few plan to change flexibility offerings in how much employees work

Percentage of HR leaders



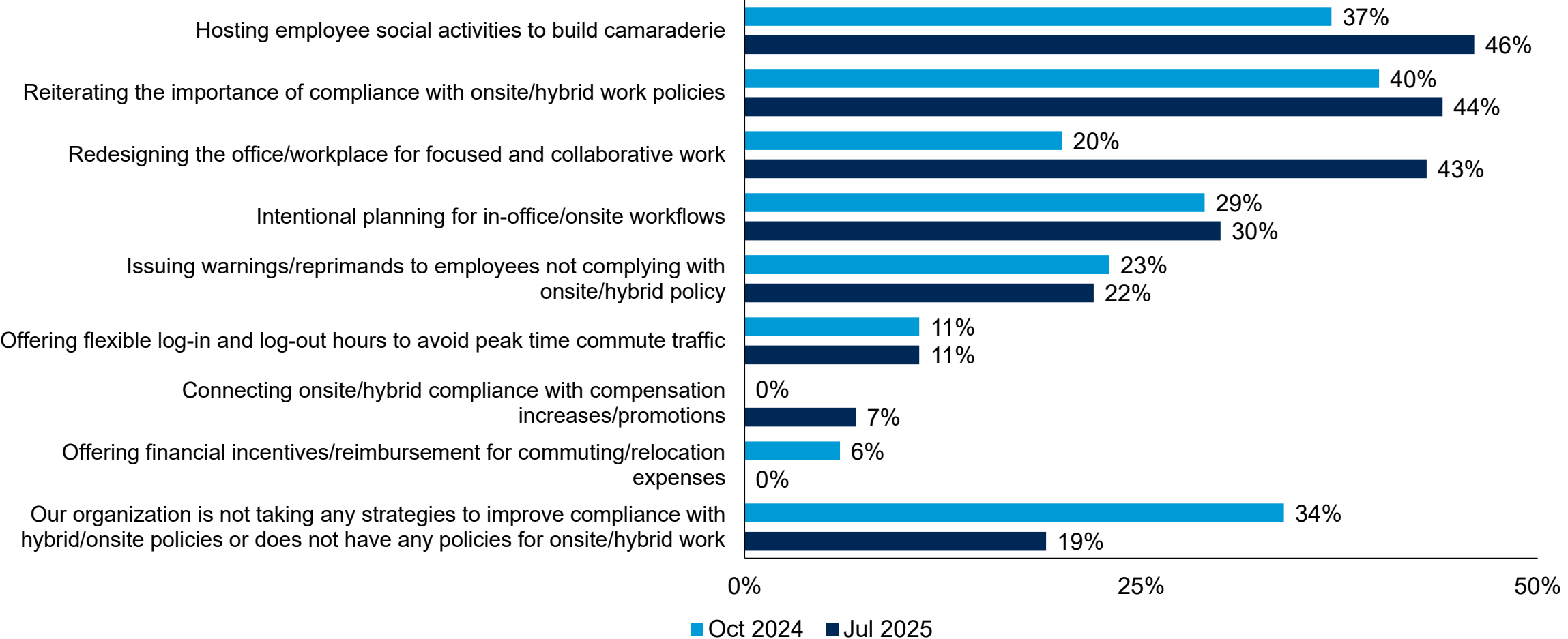
n = 55 (Jul 2025), 37 (Oct 2024), 64 (Apr 2024)

Question: How does your organization plan to change each flexibility offering over the next 12 months? (Select one) — Flexibility around how much employees work (e.g., four-day workweek, reduced work hours)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)

# Fewer orgs taking steps to improve on-site work compliance

Percentage of HR leaders



n = 54 (Jul 2025), 35 (Oct 2024)

Question: What strategies is your organization using to improve compliance with on-site/hybrid work policies? (Select all that apply)

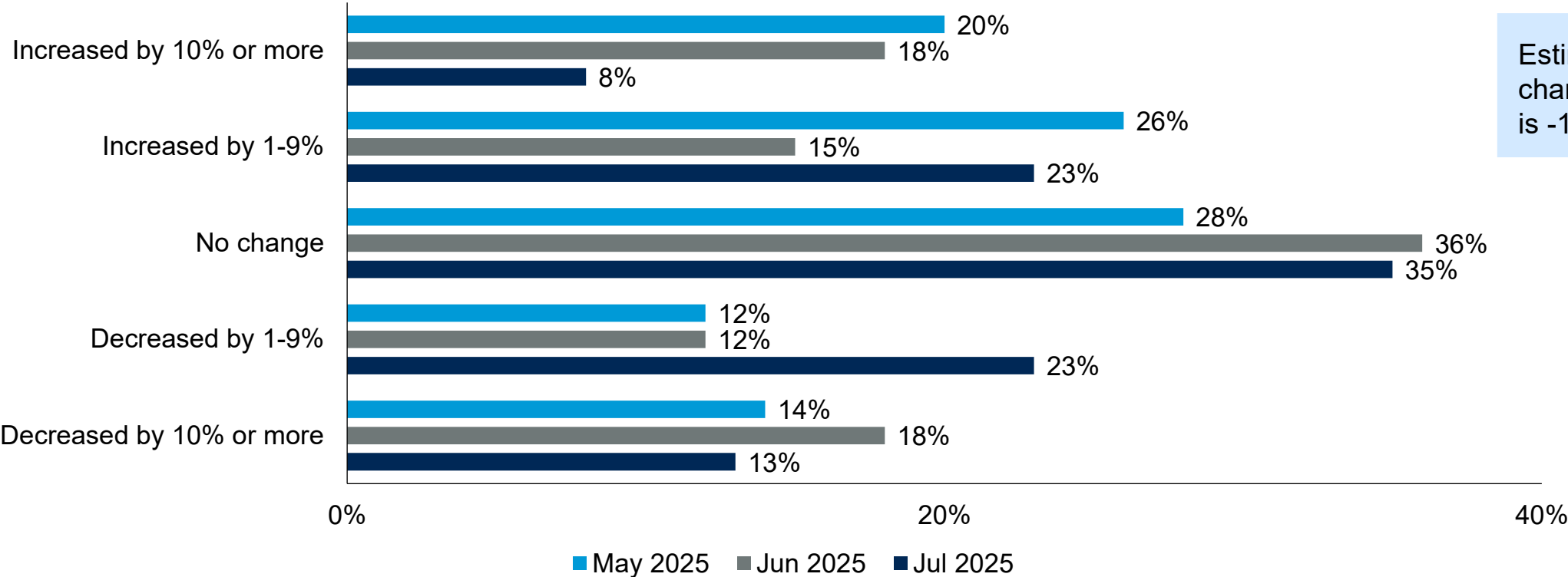
Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024)



# Appendix

# Increased job postings decline for second month in a row

Percentage of HR leaders



Estimated average change in job postings is -1.1%.

n = 40 (Jul 2025), 33 (Jun 2025), 50 (May 2025)

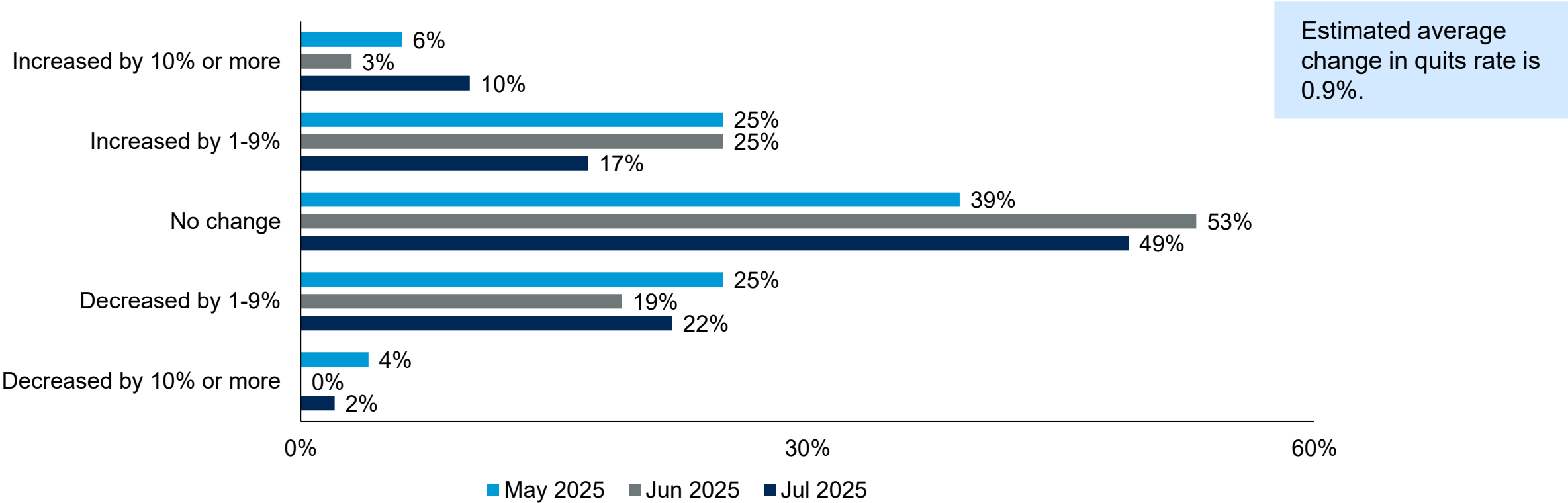
Question: How have your organization's job postings changed this month compared to the average of the last three months? (Select one)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Calibrate Talent Strategy Amid Market Shocks & Navigate Culture Tensions (Jun 2025), Mitigating Talent Strategy Risk Amid U.S. Policy Shifts & Tackling Skill Gaps (May 2025)

Note: the estimated average change in job postings was computed using the mid-point of each response option's interval (i.e., 5% was used for "Increase by 1-9%") from the original question before intervals were aggregated in this figure (i.e., "10-19%" and "more than 20%" were combined into "more than 10%"). The percentage of leaders selecting each option are weighted in the average.

# Increased quits stabilize at elevated levels

Percentage of HR leaders



n = 41 (Jul 2025), 32 (Jun 2025), 51 (May 2025)

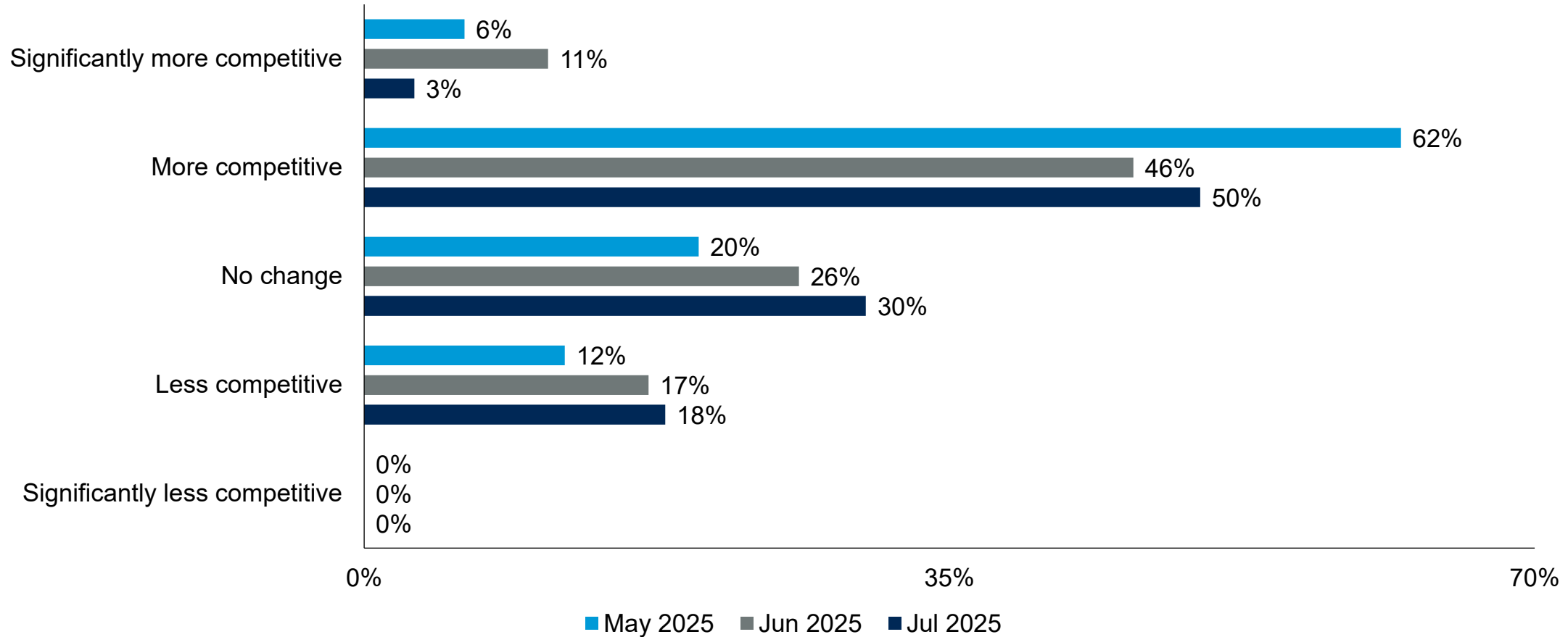
Question: How has your organization's quits rate changed this month compared to the average of the last three months? (Select one)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Calibrate Talent Strategy Amid Market Shocks & Navigate Culture Tensions (Jun 2025), Mitigating Talent Strategy Risk Amid U.S. Policy Shifts & Tackling Skill Gaps (May 2025)

Note: the estimated average change in quits rate was computed using the mid-point of each response option's interval (i.e., 5% was used for "Increase by 1-9%") from the original question before intervals were aggregated in this figure (i.e., "10-19%" and "more than 20%" were combined into "more than 10%"). The percentage of leaders selecting each option are weighted in the average.

# Talent competition drops to lowest in 12 months

Percentage of HR leaders



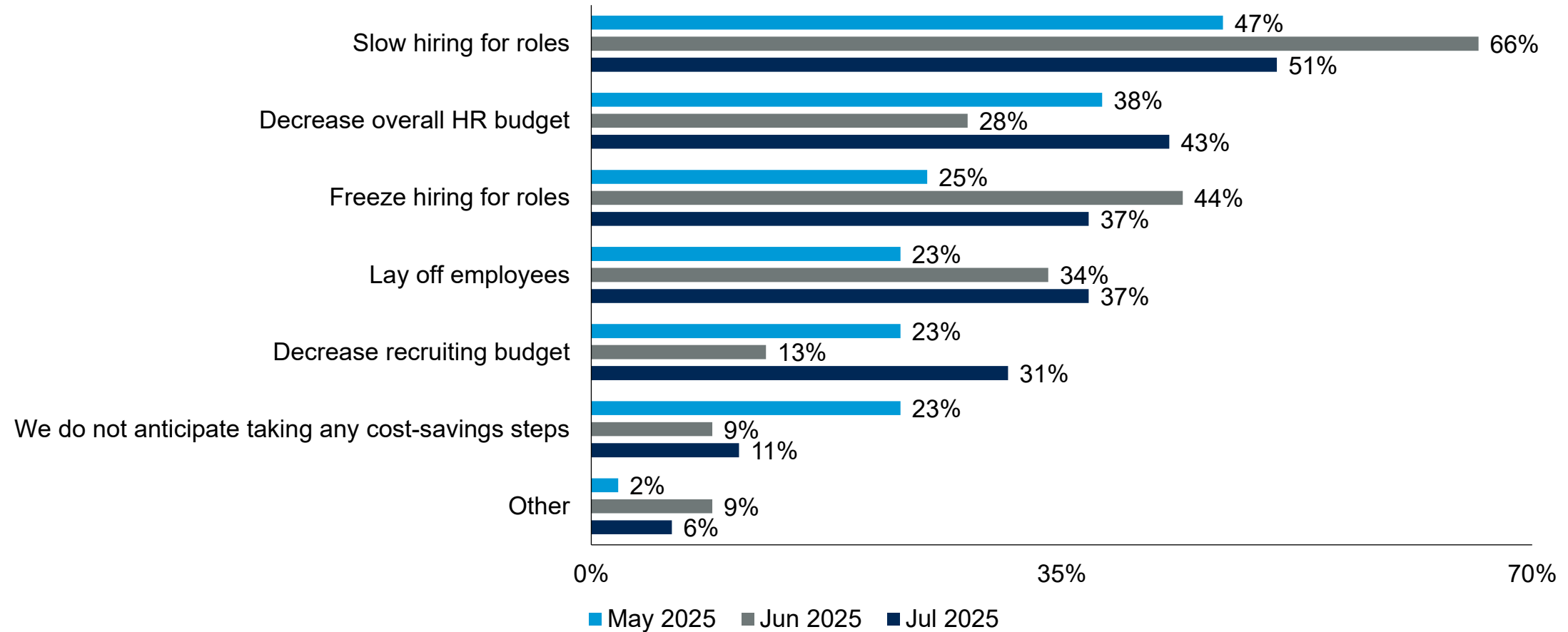
n = 40 (Jul 2025), 35 (Jun 2025), 50 (May 2025)

Question: How do you expect talent competition to change in the next three months? (Select one)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Calibrate Talent Strategy Amid Market Shocks & Navigate Culture Tensions (Jun 2025), Mitigating Talent Strategy Risk Amid U.S. Policy Shifts & Tackling Skill Gaps (May 2025)

# Anticipated rise in layoffs and HR/recruiting budget cuts

Percentage of HR leaders



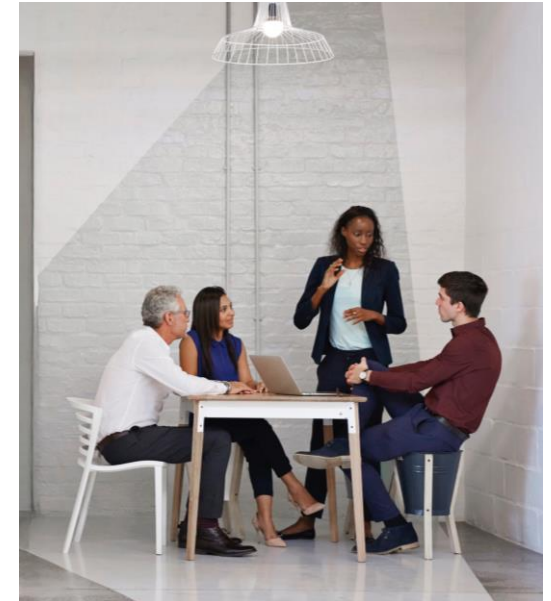
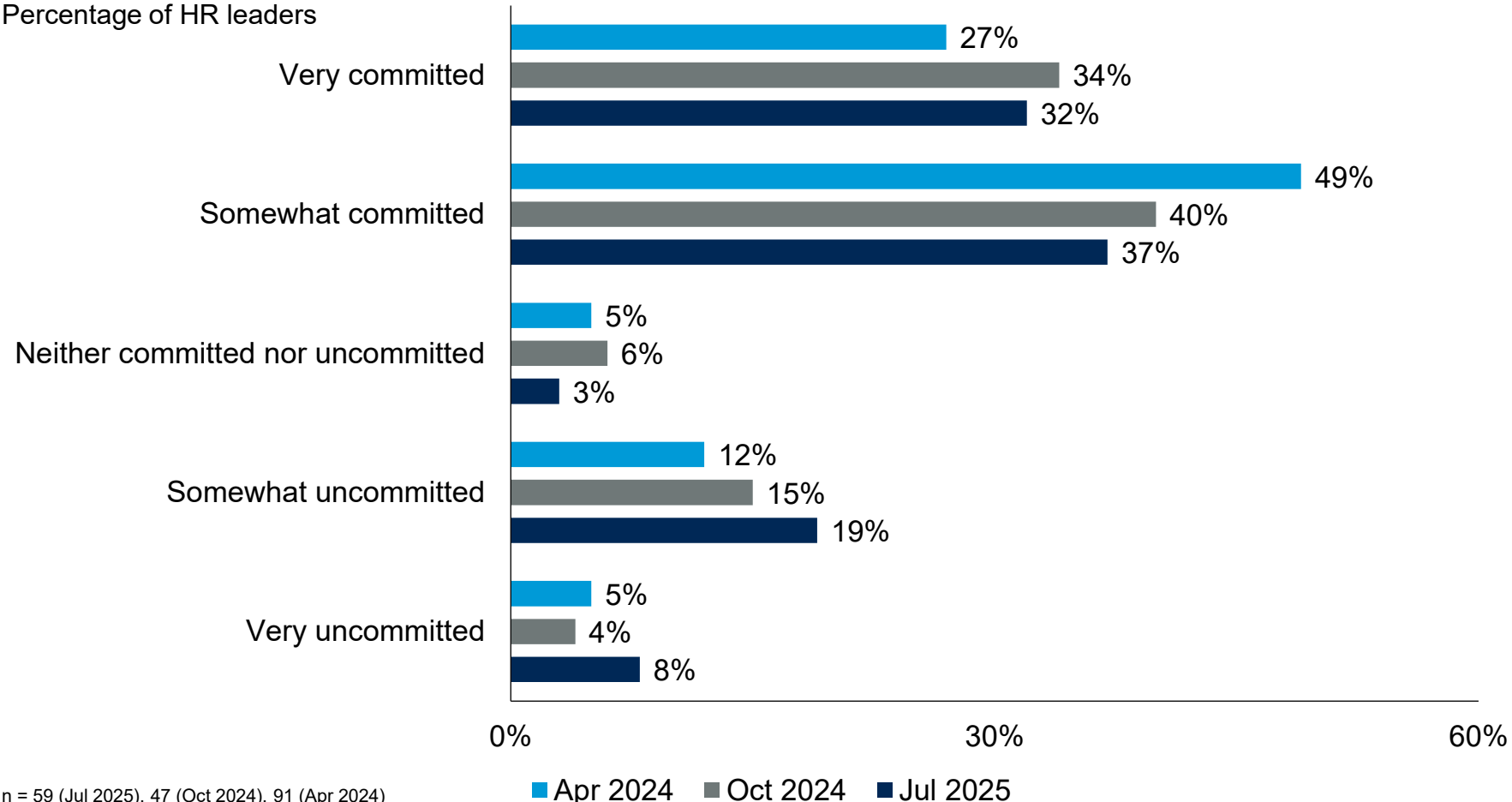
n = 35 (Jul 2025), 32 (Jun 2025), 53 (May 2025)

Question: Which of the following talent cost-savings measures do you ANTICIPATE your organization taking in the next three months? (Select all that apply)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Calibrate Talent Strategy Amid Market Shocks & Navigate Culture Tensions (Jun 2025), Mitigating Talent Strategy Risk Amid U.S. Policy Shifts & Tackling Skill Gaps (May 2025)

# Strong commitment to flexible work locations remains despite slight decline

Percentage of HR leaders



**69%** of senior leaders are committed to providing flexibility in **where** employees work in July 2025, compared to 74% in Oct 2024 and 76% in April 2024.

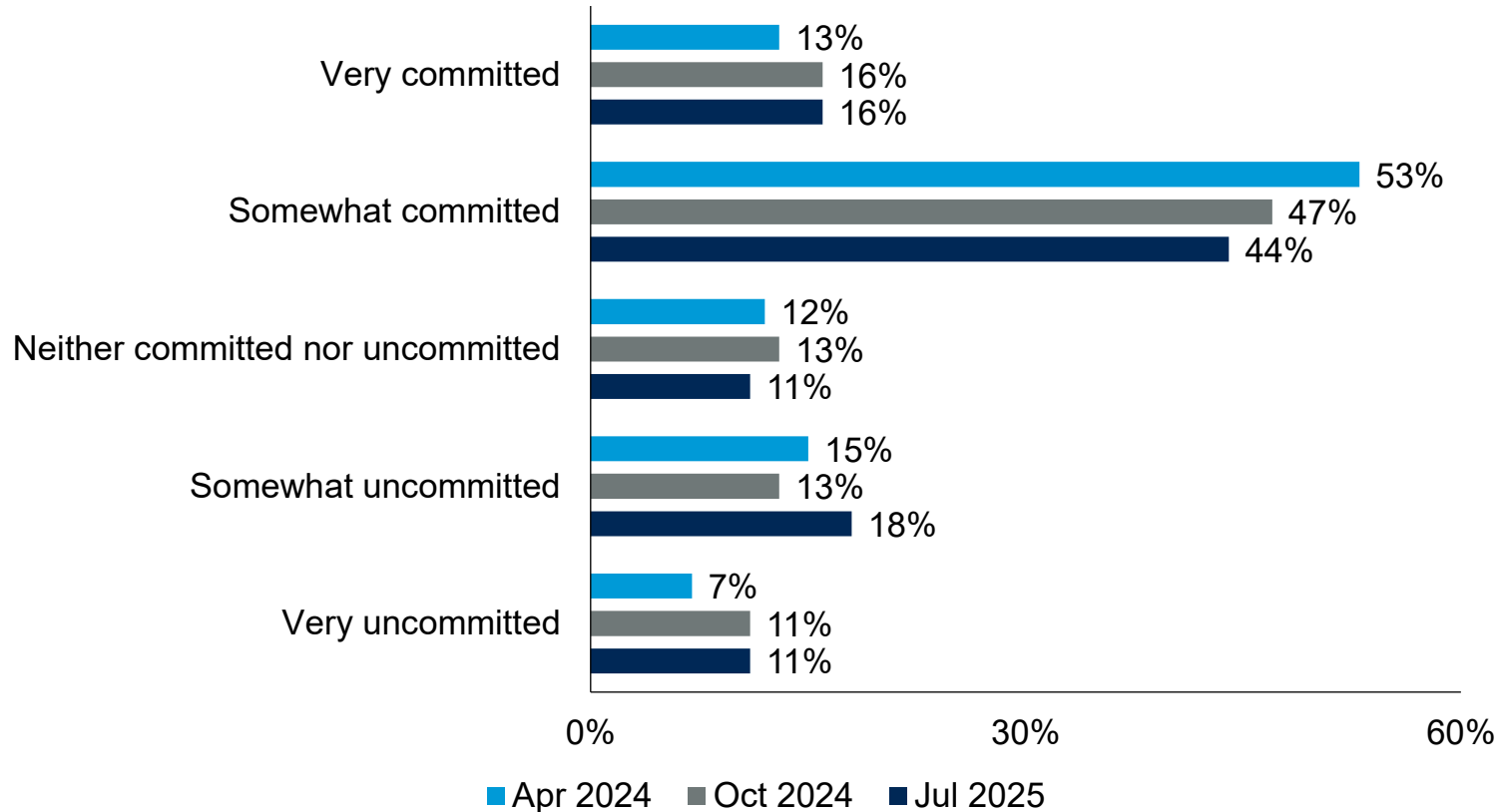
n = 59 (Jul 2025), 47 (Oct 2024), 91 (Apr 2024)

Question: How committed is senior leadership to providing each of these types of flexibility at your organization? (Select one) — Flexibility in where employees work (e.g., hybrid work, remote work, alternate office locations)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)

# Continued commitment to flexibility in when employees work despite slight decline

Percentage of HR leaders



**60%** of senior leaders are committed to providing flexibility in **when** employees work in July 2025, compared to 63% in Oct 2024 and 66% in April 2024.

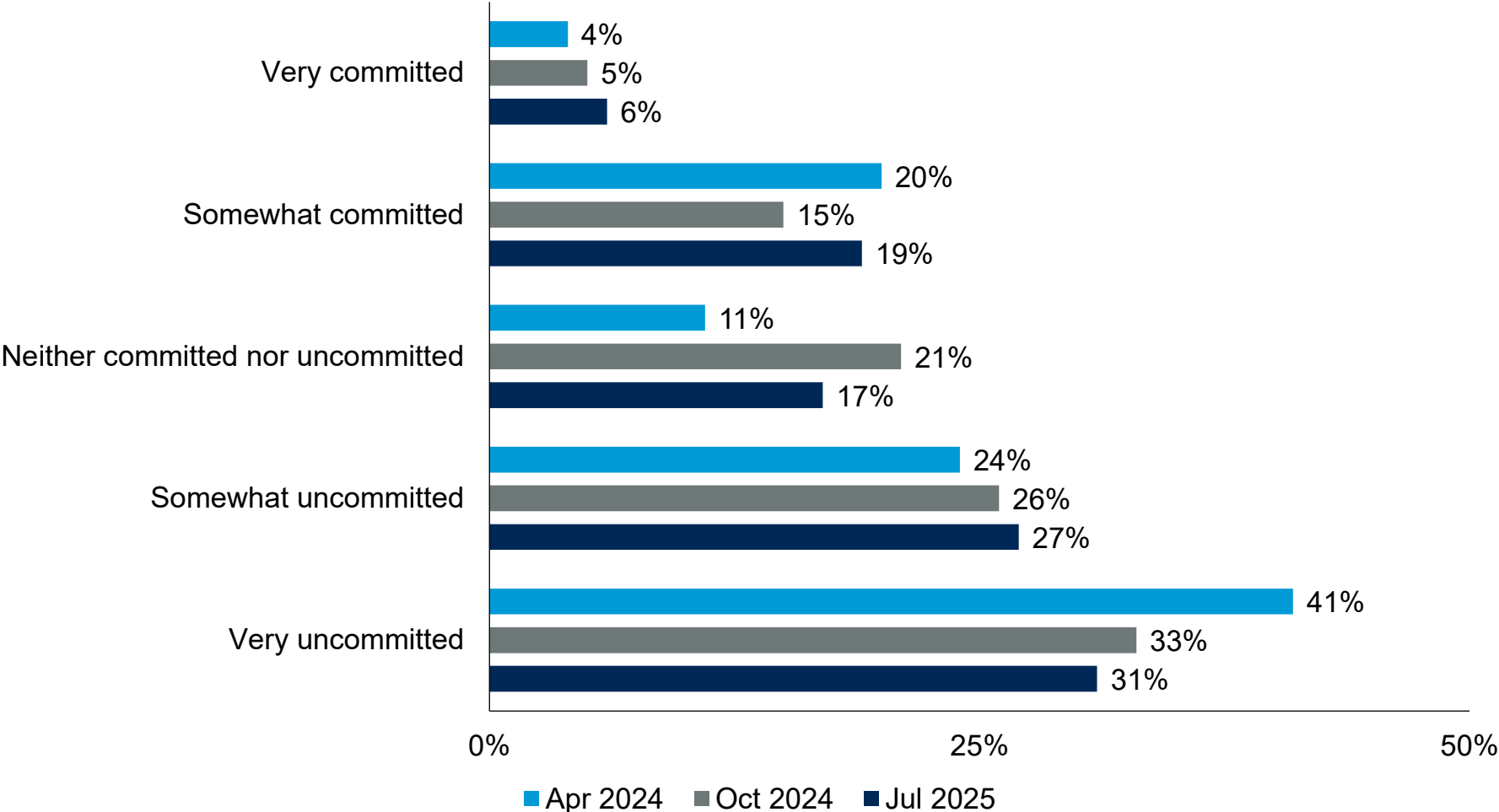
n = 55 (Jul 2025), 45 (Oct 2024), 86 (Apr 2024)

Question: How committed is senior leadership to providing each of these types of flexibility at your organization? (Select one) — Flexibility in when employees work (e.g., flexible start and end times/ staggered work shifts, compressed workweek)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)

# Low commitment to flexibility in how much employees work

Percentage of HR leaders



**58%** of senior leaders are not committed to providing flexibility in **how much** employees work in July 2025, compared to 59% in Oct 2024 and 65% in April 2024.

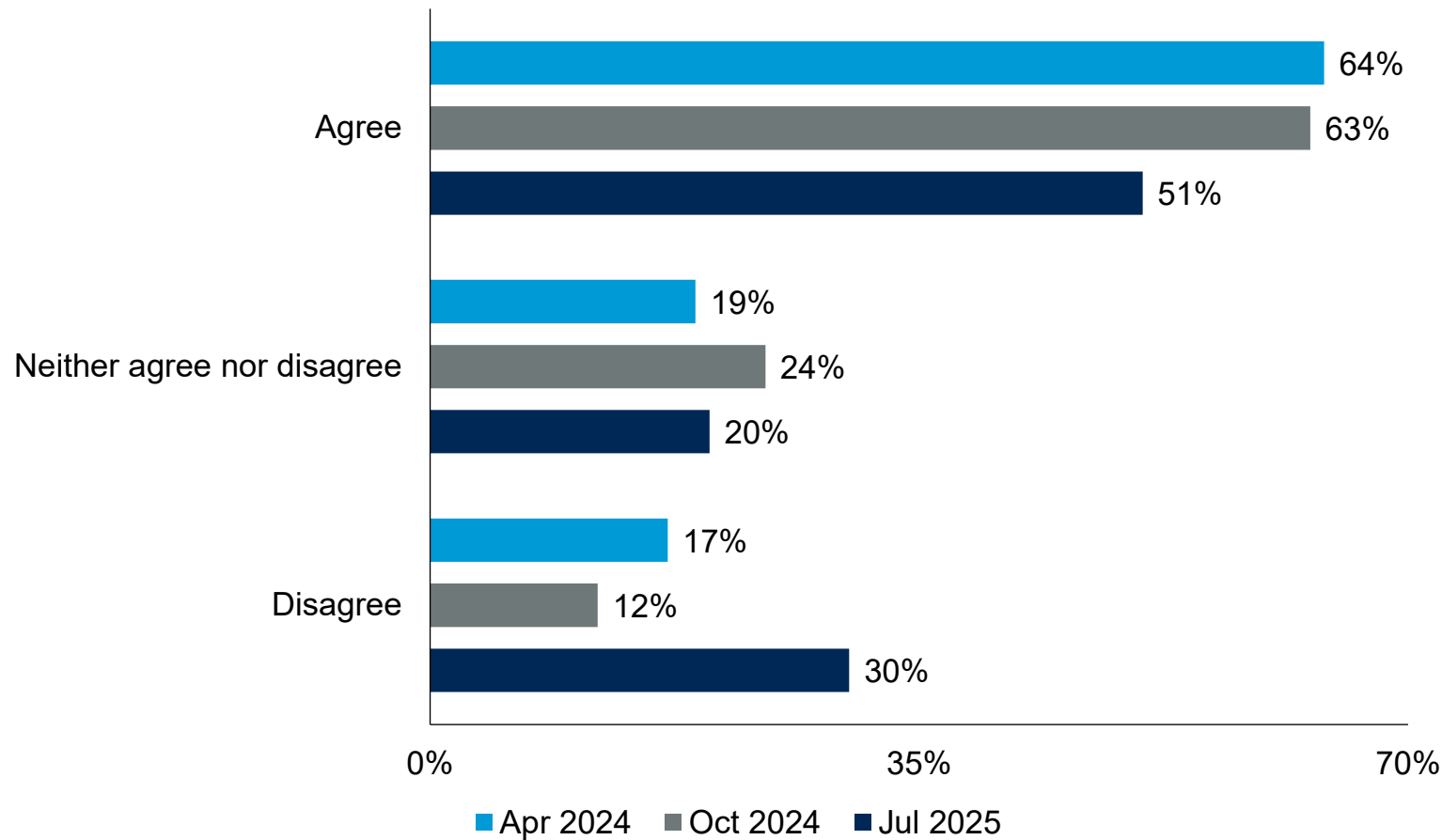
n = 52 (Jul 2025), 39 (Oct 2024), 75 (Apr 2024)

Question: How committed is senior leadership to providing each of these types of flexibility at your organization? (Select one) — Flexibility in how much employees work (e.g., four-day workweek, reduced work hours)

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)

# Senior leaders less concerned about attrition from on-site work

Percentage of HR leaders



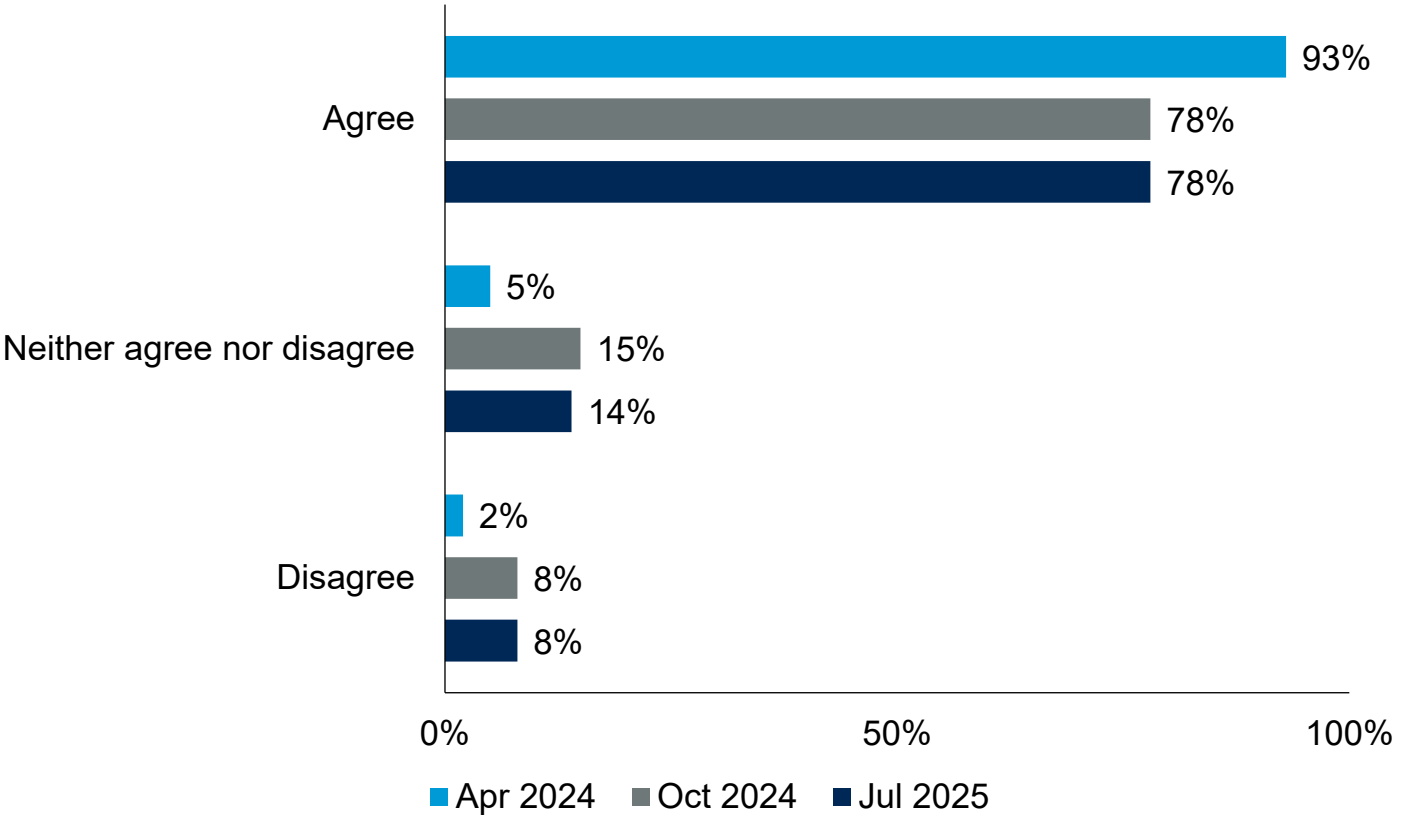
n = 61 (Jul 2025), 41 (Oct 2024), 64 (Apr 2024)

Question: Please rate your level of agreement with the following statements about on-site work requirements. (Select one) — Senior leadership is concerned about the risk that on-site work requirements will increase attrition.

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)

# Stable concern about impact of on-site requirements on attraction

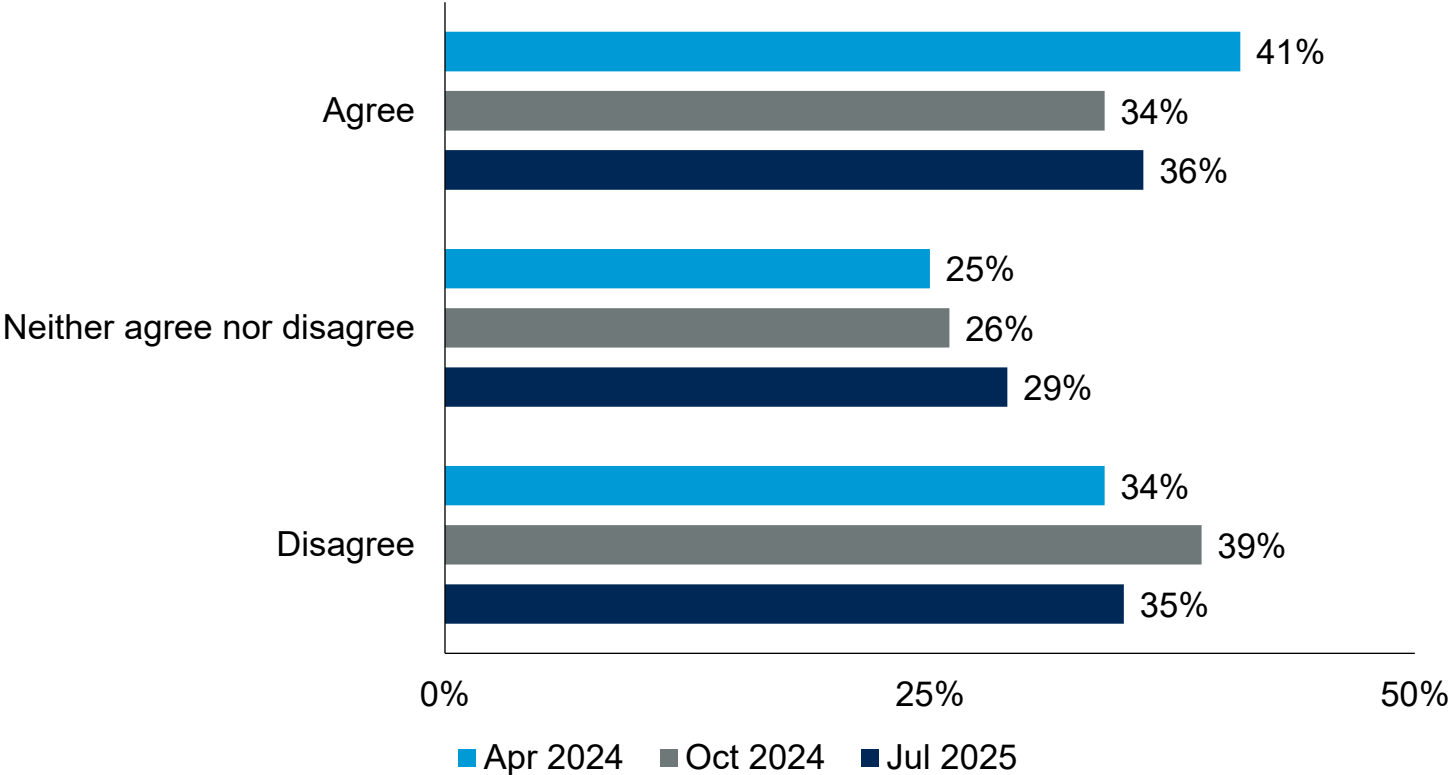
Percentage of HR leaders



n = 59 (Jul 2025), 40 (Oct 2024), 60 (Apr 2024)  
Question: Please rate your level of agreement with the following statements about on-site work requirements. (Select one) — Onsite work requirements make it more difficult to attract skilled talent.  
Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)

# Few orgs say benefits of on-site work outweigh risks

Percentage of HR leaders



n = 55 (Jul 2025), 38 (Oct 2024), 59 (Apr 2024)

Question: Please rate your level of agreement with the following statements about on-site work requirements. (Select one) — The benefits of on-site work requirements outweigh the risks.

Source: Benchmark with Gartner: Balance Cost and Productivity With AI & Tackle Flexibility Demands (Jul 2025), Flexibility Demands, C-Suite Turnover and the Labor Market Climate (Oct 2024), Flexibility Demands, Unhealthy Attrition and the Current Labor Market Climate (Apr 2024)