



2025 CHRO Budget Benchmarks

Compare your HR function's budget efficiency against peers and prioritize future HR investments.

Introduction

This research provides benchmarking insights from our 2024 HR Budget and Efficiency Benchmarking Survey. It enables chief human resources officers (CHROs) to compare their HR function's performance and investments with peers, assess cost optimization strategies and prioritize future HR investments.

Evidence

The findings are based on responses from over 500 HR organizations globally, including 46% from the Americas, 12% from the EMEA region and 6% from the APAC region. These organizations participated in the survey conducted throughout 2024, representing all major industries, revenue sizes and organization sizes.



Overview

Key findings



The median HR functional spend as a percentage of revenue is 0.80%.

Compared to other support functions, such as finance (1.25%), IT (3.14%), marketing (7.5%) and sales (4.47%), HR receives one of the lowest investments. The median HR function accounts for 1.35% of organizational operating expenses.



The median HR function spends \$2,908 per employee annually.

The top spending areas are recruiting (\$396 per employee), total rewards (\$241 per employee) and HR administration (\$213 per employee).



HR functions deploy one HR full-time equivalent (FTE) per 58 employees, on average.

Most HR FTEs are involved in recruiting (2.86 FTEs per 1,000 employees), HR administration (2.29 FTEs per 1,000 employees), employee relations (1.42 FTEs per 1,000 employees) and payroll (1.38 FTEs per 1,000 employees).



HR leaders focus on learning and development and HR technology investments in their 2025 budget adjustments.

This comes despite a general decline in anticipated budget increases compared to previous years.

Overview (continued)

Recommendations

- Use **benchmarks as a first step to validating HR's functional performance** and identifying potential areas to adjust spend.
- Benchmark the HR function by completing the **HR Budget and Efficiency Benchmark Survey** and receiving a personalized baseline comparison of how HR functional spend and efficiency compares to key HR performance metrics.
- Extend the **benchmarking analysis by assessing the depth, breadth and quality of HR services** to determine the trade-off between the efficiency and quality of HR services delivery.
- **Link cost and efficiency benchmarks to a larger discussion about HR's strategic priorities and business impact** by aligning HR spending and staffing allocations to business objectives. This enables deliberate decision making on which HR services should be best in cost or efficiency versus best in quality or effectiveness.

Data insights

CEOs continue to strategically prioritize growth, technology and the workforce in 2025. These top 3 priorities also align with another rising priority, productivity, which was senior executives' tenth top priority in 2025, up 8% from 2024.¹

As CHROs prepare to navigate 2025, they are increasingly focused on initiatives that will drive strategic success among these high-priority areas. Hence, CHROs must walk the tightrope of balancing CEO expectations of profitable growth and future talent investments while still carefully managing functional cost and efficiency.

CHROs must have a comprehensive understanding of how the HR function is performing. Access to comprehensive HR investment and spending data remains crucial to effectively communicate how resources are being strategically allocated to enhance business value. However, CHROs often lack fundamental data (i.e., accurate information about HR staffing allocation and HR spending ratios based on peer group benchmarks) to guide HR optimization plans and investment strategies.

¹2024 Gartner CEO and Senior Business Executive Survey.

This survey was conducted to examine CEO and senior business executive views on current business issues, as well as some areas of technology agenda impact.

Data insights (continued)

As such, CHROs must work with the CEO and CFO to reassess organizational priorities, reset expectations on critical talent investments and reduce talent risks. This report serves as a first step to validate their function's performance, identify potential areas to adjust spend and advocate for critical investment opportunities. Having high-quality peer group benchmarks will help CHROs evaluate and rethink functional spending and staffing and secure funding for non-negotiable HR investments.



CHROs can use this report to:

- Identify potential HR areas of overinvestment or underinvestment
- Pinpoint areas to adjust spend or optimize functional cost
- Validate staffing levels and reveal staff shortages or areas of overstaffing
- Pinpoint areas for investment to enable critical business objectives
- Inform their budgeting process
- Boost spending confidence



This report covers four fundamental metrics:

- HR function spend as a percentage of revenue
- HR function spend per employee
- HR productivity ratios
- HR budget outlook

HR function spend as a percentage of revenue

💡 Why it matters

HR cost as a percentage of revenue is often the most recognized metric, as it shows the investment levels in the HR function relative to organizational performance. This metric helps clarify the role HR plays in overall business spending patterns. The **median HR functional spend as a percentage of revenue is 0.80%**. Compared to other organizational support functions, such as finance (1.25%), IT (3.14%), marketing (7.5%) and sales (4.47%), HR receives a low level of investment.

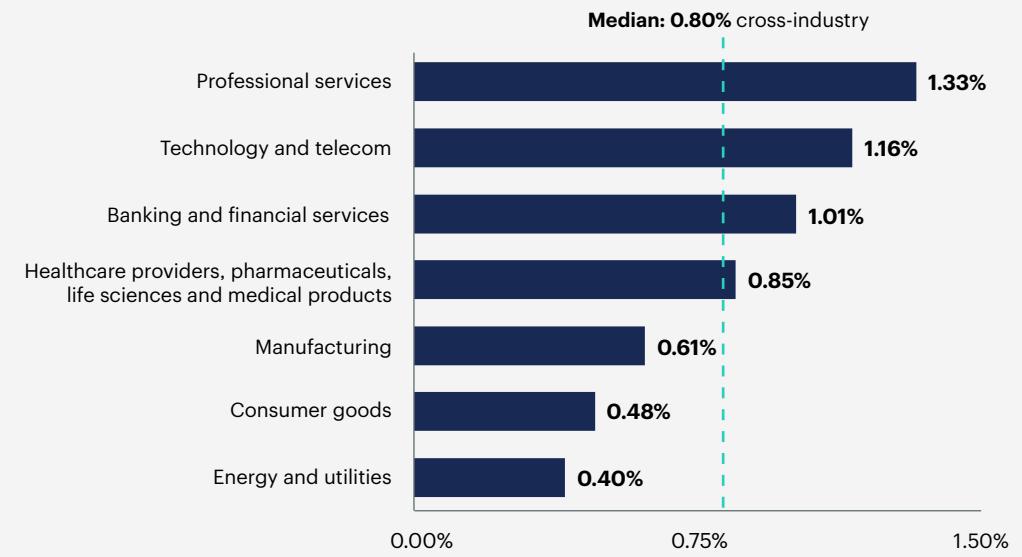
📊 How to interpret the results

When we look at HR cost as a percentage of revenue benchmarks across multiple industries, we see industries with a high ratio of highly skilled staff at the top of the list (e.g., professional services, technology, financial services or pharmaceutical companies). In contrast, more labor-intensive industries, such as energy and utilities, rank at the bottom (see Figure 1).

Organizations with higher HR investment relative to revenue see HR as a strategic enabler for productivity and performance. However, HR cost as a percentage of revenue shouldn't be judged solely as good or bad, as it doesn't reflect service quality or contribution.

Multiple factors, such as the HR function's maturity, business leader satisfaction, and investment in other support functions, influence this metric. Therefore, HR spending must be viewed in context to determine if it is at an appreciable level.

Figure 1: HR spend as a percentage of revenue



n = 397 HR leaders

Source: 2024 Gartner Budget and Efficiency Benchmarking Survey

HR function spend per employee

Why it matters

HR cost per employee is often used to determine the amount of HR support an organization's workforce receives. This metric can also serve as an initial litmus test as to whether the function should further explore reducing spend, shifting resources and/or investing in new capabilities.

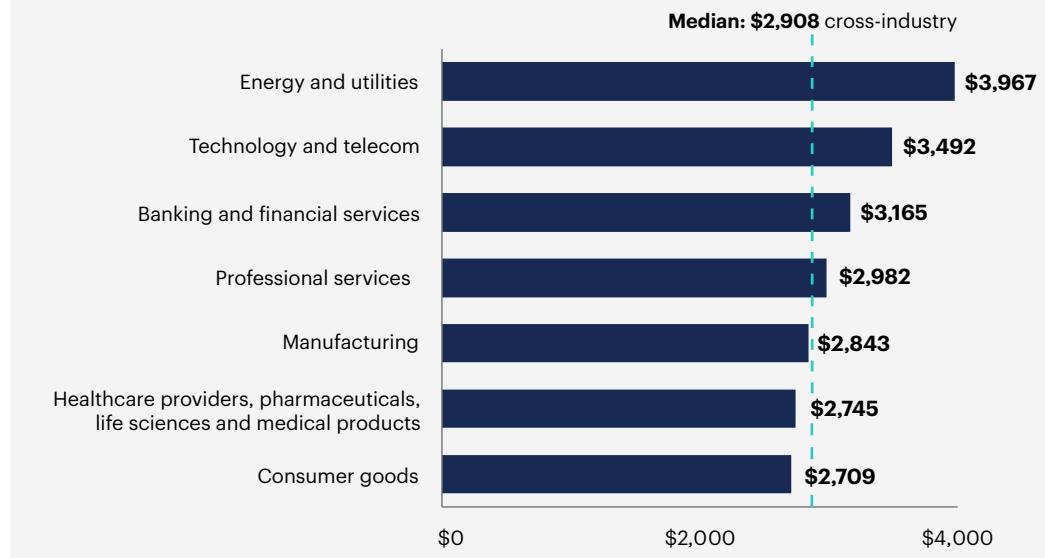
How to interpret the results

The **median HR spend per employee is \$2,908**. Industries with the highest HR cost per employee again tend to have the ones with high ratios of highly skilled staff. HR teams within the healthcare or consumer goods industries typically spend the least per employee (see Figure 2).

Variations in HR spend per employee can result from staffing changes or tech investments and may not reflect deliberate increases. In a volatile business environment, HR faces pressure to invest wisely, enhance employee experience and attract talent, leading to above-average costs.

With 69% of HR costs being people-related, high costs may indicate a people-heavy function that should focus on flexibility and efficiency, sharing responsibilities with business leaders and leveraging technology while avoiding excessive specialist roles that become costly when priorities shift.

Figure 2: HR spend per employee



n = 458 HR leaders

Source: 2024 Gartner Budget and Efficiency Benchmarking Survey

HR productivity ratios

💡 Why it matters

The number of employees served per HR staff FTE can help determine HR's productivity in terms of workforce support.

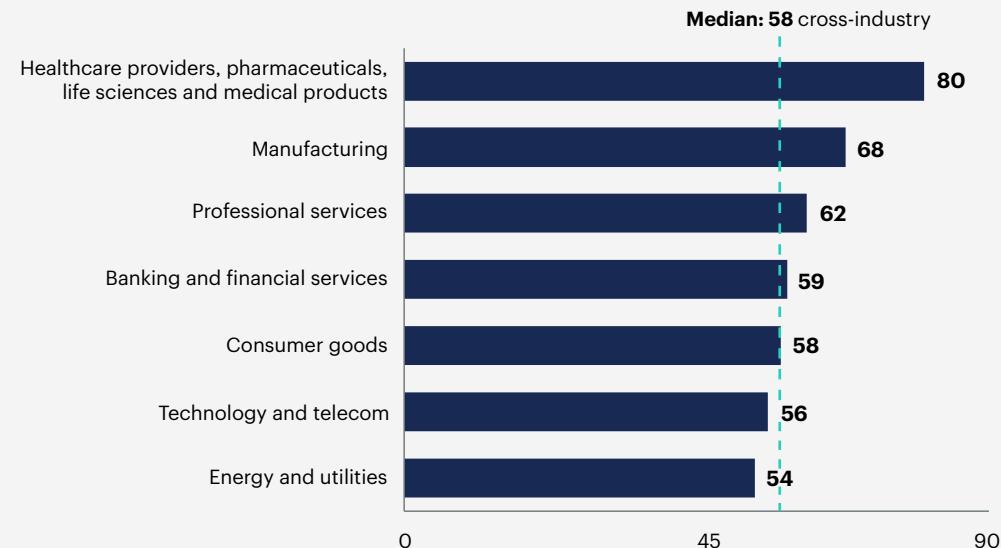
📊 How to interpret the results

On average, HR functions deploy one HR FTE per 58 employees.

Organizations with highly labor-intensive operations tend to have some of the highest HR productivity levels (e.g., manufacturing industries) (see Figure 3).

However, variations in HR productivity ratios are driven by industry-specific workforce characteristics and an organization's geographical footprint; in certain regions or business areas, dedicated HR resources are required. Further, CHROs should consider HR efficiency ratios within the context of effective HR technology use that enables automated HR processes and increased employee and manager self-service opportunities, thereby positively affecting HR's overall efficiency.

Figure 3: HR productivity ratios



n = 460 HR leaders
Source: 2024 Gartner Budget and Efficiency Benchmarking Survey

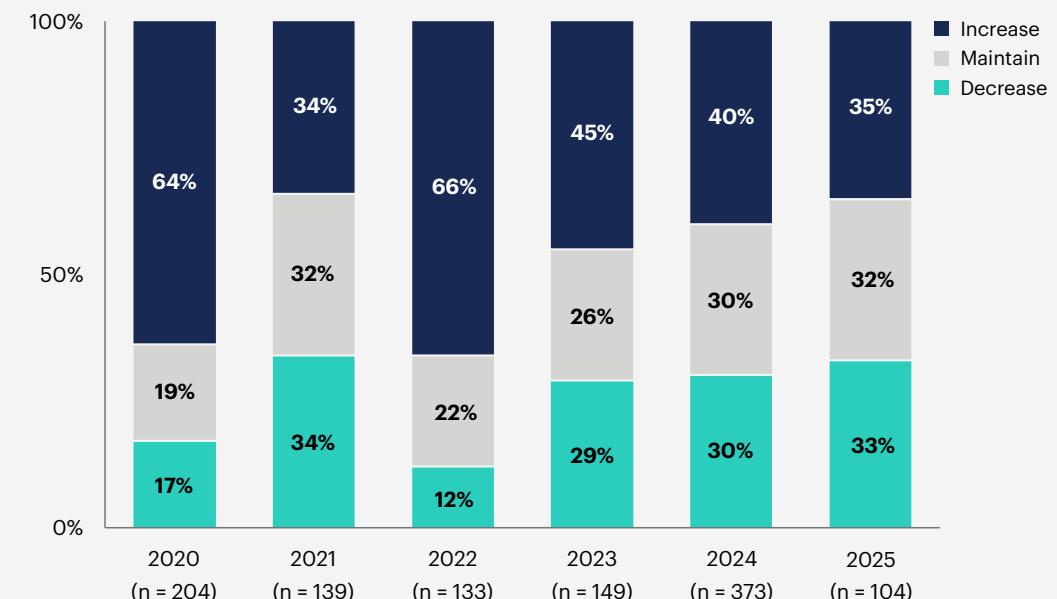
HR budget outlook 2025: Limited budget to meet rising demands

HR leaders have already started adapting their investments in anticipation of 2025's perpetual disruption, according to data from the 2024 Gartner HR Budget and Efficiency Benchmarking Survey. This year's budget outlook is more conservative than in 2024.

Thirty-five percent of HR leaders plan to increase their 2025 budgets (down from 40% in 2024), while 32% state they want to maintain previous budget levels and 33% plan to cut HR spending in 2025. Over the last three years, HR budgets have been more consistent compared to the volatile budget expectations between 2020 and 2022. However, the year-over-year budget outlook shows that the enthusiasm for 2025 spending is waning, and pre-2020 budget levels are still far out of reach (see Figure 4).

Figure 4: HR budget outlook 2020-2025

Percentage of HR leaders anticipating budget changes



n = varies, HR leaders

Q: How do you anticipate your overall HR functional budget at your organization changing over the next year?

Source: 2019 Gartner HR Cost Operations & Outsourcing Survey, 2020/2021/2022/2023/2024 Gartner HR Budget and Efficiency Benchmarking Survey

Where to invest HR budget in 2025

The current top 4 HR investment areas reflect organizations' needs to accelerate growth and efficiency through technology while reskilling and retaining critical talent.

The top 4 investment focus areas

Learning and development (L&D)

39%

of HR leaders plan to increase budget.

HR technology

34%

of HR leaders plan to increase budget.

Talent analytics

28%

of HR leaders plan to increase budget.

Total rewards

28%

of HR leaders plan to increase budget.

Source: Gartner

Where to invest HR budget in 2025 (continued)



Two in five HR leaders planning to increase L&D budgets

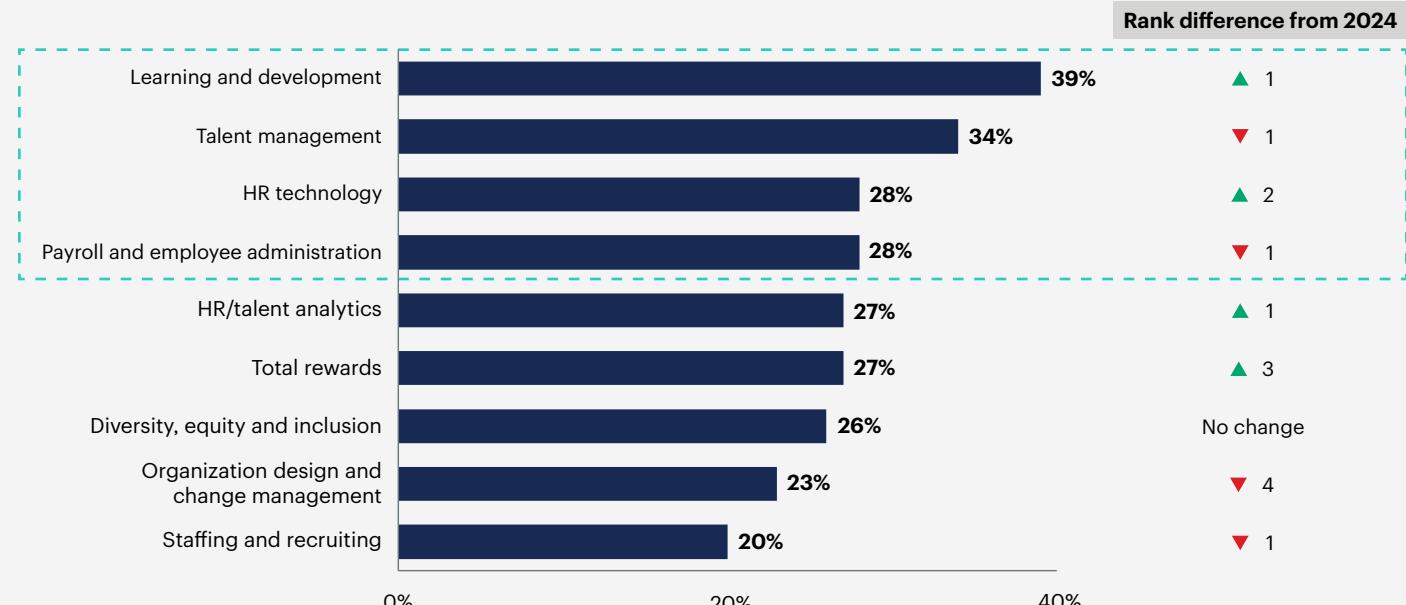


One in three aiming to increase HR tech budgets this year

L&D and HR technology stand out among the investment trends. CHROs are focusing investments in these areas to ensure employees can prioritize strategic work and keep pace with the rapidly evolving skills needed to leverage AI in everyday workflows (see Figure 5).

Figure 5: HR investment areas 2025

Percentage of HR leaders planning to increase budget



n = 81 – 84 HR leaders

Q: How do you anticipate HR budgets in the following areas changing over the next year?

Source: 2024 Gartner HR Budget and Efficiency Benchmarking Survey

Conclusion

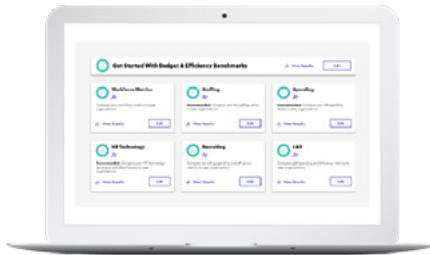
By providing context for required optimization strategies and advocating for critical investment opportunities, benchmarks can be a foundational component to guide CHROs in rethinking and reprioritizing functional spending. However, the metrics and benchmarks outlined in this research focus on HR's cost and efficiency, not its effectiveness and maturity. Therefore, CHROs should link these cost and efficiency benchmarks to a larger discussion about HR's strategic priorities and business impact.

This strategy includes moving beyond how much the HR function is spending compared to peer organizations to identifying HR services that require funding or additional investments to support business objectives and provide an opportunity to gain a competitive advantage. Having greater visibility into how HR spending and staffing allocations are aligned to strategic business priorities helps CHROs decide which HR services should ultimately be best in cost or efficiency versus best in quality or effectiveness.

How Gartner is helping CHROs improve budgets

As CHROs benchmark their HR function budget allocations and investments, they can rely on Gartner research, expert guidance, peer best practices, templates and benchmarks to make effective budgeting decisions.

Explore illustrative support you receive as a Gartner client to benchmark your HR function budget:



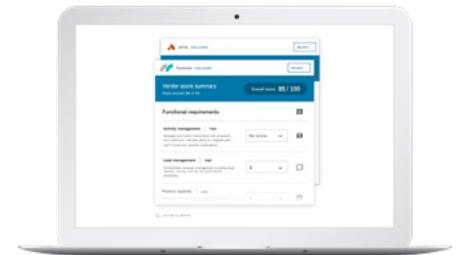
Rich Cober
CHRO Executive Partner

Complete your own benchmarking using our [HR Budget & Efficiency Benchmarks](#) to get personalized results against the metrics outlined in this report and filter results according to your peer group.

Schedule a call with a Gartner [expert](#) to understand whether you're making HR investments most likely to add value to your organization.



Leverage [Gartner HR Score](#) to assess the current maturity level of your HR function using objective, peer-based performance standards.



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Report

Top 5 Priorities for HR Leaders in 2025

Explore emerging HR trends, priorities and action
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Gartner HR Budget and Efficiency Benchmark

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