TL PARTNERS

JULY 2026 | SECOND EDITION

Mastering AI for HR

The 2026 Edition: from adoption to the agent boundary

In October 2024 we interviewed 28 HR leaders and published a CPO's playbook for unlocking value from AI. Twenty-one months later, the adoption numbers tripled, the regulators retreated, the plaintiffs arrived, the efficiency-only play failed on schedule, and the agents got logins. This edition re-scores the original eight chapters against the strongest published evidence of 2025 and 2026, keeps the score honestly, and adds the chapter that did not exist yet.

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THE SCOREBOARD

Ten numbers that tell the story

Adoption is no longer the constraint. Value, governance, and work design are.

43%

of organizations now use AI for HR tasks, up from 26% in 2024. The 2024 anchor was McKinsey's 12% of HR leaders using GenAI.

SHRM, 2025

88%

of HR leaders say their organizations have not realized significant business value from AI tools. Adoption tripled; value did not.

GARTNER, OCT 2025

14%

actually use the AI inside their core HR system; 57% say their HRIS has none, 29% have it and do not use it.

SHRM CORE HR SYSTEMS, DEC 2025

95%

of enterprise GenAI pilots show no measurable P&L return. The efficiency-only deployment failed on schedule.

MIT NANDA, JUL 2025

70%

of AI value comes from process and work redesign, versus 10% from algorithms and 20% from tech and data.

BCG, SEP 2025

~73%

of companies that made AI-justified layoffs report rehiring costs that met or exceeded the savings.

CAREERMINDS, FEB 2026

How we scored ourselves. The 2024 edition drew on 28 practitioner interviews. This edition trades that intimacy for verifiability: 30+ published sources from 2025-2026, cited in line, including SHRM, Gartner, McKinsey, BCG, MIT, Stanford, Pew, ILO, Challenger Gray, court filings, and vendor disclosures, plus field observations from TL Partners engagements. Figures marked vendor-reported, single-sourced, or aggregator-sourced should be weighted accordingly.

13–16%

relative employment decline for workers aged 22 to 25 in the most AI-exposed occupations. The impact is concentrated at the entry level.

STANFORD DIGITAL ECONOMY LAB, AUG/NOV 2025

~1.1B

rejected applications behind the Mobley v. Workday collective; opt-in notice closed March 2026. Enforcement came from plaintiffs, not regulators.

COURT FILINGS, 2026

130+

digital employees at BNY with their own logins, email addresses, and human managers. Headcount planning is quietly becoming capacity planning.

CNBC, FEB 2026

92%

of large-enterprise security leaders lack full visibility into their AI agent identities. The agents arrived before the governance did.

CISO SURVEY VIA STRATA, 2026

Adoption tripled. Value did not. The gap is the work.

Every chapter that follows is about that gap: where it hides, what it costs, and the specific move that closes it. Conflicting figures are presented with their definitions throughout, because a number you cannot interrogate is not evidence.

01

Your AI strategy is still sitting in your tech stack

2024 SAID: "YOU'VE GOT AN AI STRATEGY, IT'S SITTING IN YOUR TECH STACK"

In 2024 we argued most HR teams already owned more AI than they used. In 2026 the vendors have made that dramatically more true, and the usage gap has barely moved. Workday reports more than 75% of core customers touching its Illuminate AI and 4,000+ customers running at least one agent (earnings, Nov 2025 to May 2026, vendor-reported). SAP counts roughly 60% of cloud customers active on AI features (Jan 2026, vendor-reported). Oracle now embeds agents in Fusion HCM at no added cost (Oct 2025).

> **14%**
>
> of organizations actually use the AI inside their core HR system. 57% say their HRIS has none; 29% have it and do not use it.
>
> SHRM, N=1,138, DEC 2025

The buyer side tells the opposite story, and both sides are measuring honestly: vendors count feature touches, buyers count working habits. Among organizations using any AI technology at all, 58% means ChatGPT and 9% means embedded HR-application AI (Sapient Insights, Nov 2025). The distance between those numbers is your unexploited license spend, and in 2026 it includes agents you are already paying for.

THE MOVE

Before any new AI line item: inventory what your current stack shipped in the last 18 months (your HRIS almost certainly shipped agents), pick the two embedded capabilities closest to your costliest workflow, and run them to habit before buying anything new. The 2024 advice, now with agents in it.

02

AI fluency is still the number one unlock, and now there is proof

2024 SAID: "YOUR #1 STRATEGIC UNLOCK: BUILD AI FLUENCY"

In 2024 this was a pattern we saw in interviews. In 2026 it is measurable. BCG's four-year tracking finds employees with five or more hours of AI training become regular users at 79%, and that a clear AI strategy lifts measured business impact by 25 points, versus roughly 5 for better tools alone (BCG AI at Work, June 2025 and June 2026). McKinsey found the C-suite underestimates employee AI usage threefold, and that employees rank formal training as the top driver of daily use while nearly half report getting little or none (Superagency, Jan 2025).

> **8%**
>
> of HR leaders believe their managers have the skills to use AI effectively; only 14% of organizations support managers integrating GenAI into daily work.
>
> GARTNER, OCT 2025

The manager gap is the new headline. By March 2026, 45% of managers say AI has lived up to expectations (Gartner), and 74% of frontline employees are regular users (BCG, June 2026). Fluency programs aimed only at individual contributors miss where the leverage sits: the people who decide how teams use the time AI returns.

THE MOVE

Treat fluency as an operating program with a floor (five hours, role-specific, manager-first), not a webinar. Measure usage against the work, not attendance, and expect your self-reported usage numbers to be 3x low.

03

Good with data, dangerous with decisions: it got more dangerous

2024 SAID: "AI: GOOD WITH DATA, DANGEROUS WITH DECISIONS"

The 2024 warning was about delegating judgment. 2025 showed what scale delegation looks like.

66%

of surveyed US managers used AI to help decide layoffs; 78% for raises, 77% for promotions. Roughly 1 in 5 let AI decide without human input often or always. Only a third had formal training.

RESUMEBUILDER, FIELDED JUN 2025

Research also sharpened the mechanism: people mirror an AI's biased recommendations rather than correcting them (University of Washington, Nov 2025). A biased screen does not just err; it teaches its users to err. And model-vintage matters: bias direction in newer models is contested in 2026 research, which is an argument for testing your own stack, not for relaxing.

The line to hold in 2026: AI drafts, humans decide, and the decision owner is named for every consequential people decision. One in five is a lot of unowned terminations.

THE MOVE

Publish a decision-rights table for AI in people decisions: which decisions AI may draft, which it may never touch, and who signs each. If your managers are in the 78%, this document is overdue and discoverable, in both senses.

04

Trust but verify: the auditors never came, the plaintiffs did

2024 SAID: "TRUST, BUT VERIFY: AI AUDITS ARE CRITICAL"

This is the chapter where we most misread the mechanism while getting the conclusion right. We expected audits to become table stakes because regulators would demand them. The opposite happened, on both lanes at once.

THE REGULATORS RETREATED

- **Jan 2025:** EEOC pulls its AI guidance following executive order
- **Dec 2025:** NYC LL144 enforcement found "ineffective" by State Comptroller
- **May 2026:** Colorado delays its AI Act to Jan 2027 and strips the duty-of-care core
- **Jun 2026:** EU Digital Omnibus defers high-risk employment obligations to Dec 2027

THE PLAINTIFFS ADVANCED

- **May 2025:** Mobley v. Workday certified as nationwide age collective
- **Aug 2025:** Harper v. Sirius XM targets iCIMS screening under Title VII
- **Jan 2026:** Eightfold sued under FCRA as an unregistered consumer reporting agency
- **Mar 2026:** Mobley opt-in closes; collective drawn from ~1.1B rejected applications

Meanwhile most AI HR vendors cap liability at subscription fees and few warrant regulatory compliance (reported Jan-Feb 2026; secondary-sourced, verify in your own contracts, which is rather the point).

THE MOVE

Audit for the courtroom, not the regulator: run adverse-impact analyses on your actual screening funnel as if they will be read aloud in a deposition, secure audit rights and liability terms in vendor contracts, and document human oversight per decision. Illinois (Jan 2026) and California's ADS rules (Oct 2025) apply regardless of the federal mood.

05

AI is taking jobs, and the deciders who chose badly are rehiring

2024 SAID: "AI IS TAKING JOBS BUT YOU GET TO DECIDE HOW"

The 2024 framing held: the impact is real, and leadership choices determine its shape. Challenger counted 54,836 announced US cuts explicitly citing AI in 2025, inside the worst layoff year since 2020. The best-identified labor evidence finds a 13 to 16% relative employment decline for 22-to-25-year-olds in the most AI-exposed occupations (Stanford, Aug/Nov 2025), and new grads have fallen to roughly 7% of Big Tech hiring (SignalFire). Task estimates now run from 18% of tasks fully automatable (TechWolf) to 57% of work hours automatable with existing tech (McKinsey); the spread is definitional, and the 2024 rule still applies: tasks, not jobs, are the unit of change.

~73%

of companies that made AI-driven cuts report rehiring costs that met or exceeded the savings; about two-thirds are already rehiring.

CAREERMINDS, FEB 2026

Klarna, the marquee AI-workforce story of 2024, publicly reversed in May 2025, rehiring humans after quality declined. The give-back is no longer an anecdote; it is a measured pattern.

THE MOVE

Cut work before you cut people: inventory deliverables, kill the share with no remaining consumer, publish which tasks move to agents, and only then size the org. A reduction without a work redesign is a loan against next year's payroll, at a premium.

06

"More of the same" lost, on schedule

2024 SAID: "'MORE OF THE SAME' WITH AI IS A LOSER'S GAME"

The most validated chapter of the original. MIT's NANDA initiative found 95% of enterprise GenAI pilots deliver no measurable P&L impact (July 2025). McKinsey's 2025 survey: 88% of organizations use AI, 39% report any EBIT effect, mostly under 5%, and only 6% qualify as high performers.

70 / 20 / 10

BCG's split of where AI value actually comes from: 70% process and work redesign, 20% tech and data, 10% the algorithms everyone argues about. Workflow-redesign companies are 24 points more likely to see measurable improvement.

BCG, SEP 2025 + JUN 2026

Efficiency-only failed exactly the way the 2024 edition said it would: automating the existing process preserves the existing process, including the parts that should not survive.

THE MOVE

Stop funding pilots that automate the existing process. Fund the redesign: what should this workflow produce, who or what produces each step now, and what stops being produced at all. The pilots that pay are attached to a changed operating model, which is why this is an operating-model conversation and not a procurement one.

07

Multi-disciplinary and evergreen: HR's seat is now contested

2024 SAID: "YOUR AI STRATEGY MUST BE MULTI-DISCIPLINARY AND EVERGREEN"

In 2024, cross-functional AI implementation was a single-digit story in our interviews. In 2026 the structures exist, and HR is fighting for a chair. Chief AI Officer prevalence jumped from 26% to 76% in a year by IBM's count (May 2026; definitionally generous, but the direction is unambiguous), and Fortune 500 tracking counted 94 CAIO appointments in 2025 against 30 in 2024. Legal and compliance most often lead AI governance (37%, SHRM 2026).

52%

of organizations still exclude HR from AI strategy.

SHRM / MICROSOFT WTI ANALYSIS, 2026

That number should make a CPO angry, and then strategic: the functions holding the pen (legal, IT) do not hold the asset the strategy is about.

THE MOVE

HR's claim to the table is the one asset no other function owns: the work and the people who do it. Bring the work inventory, the fluency program, and the decision-rights table to the AI council, and the seat follows. Show up with policy alone and legal keeps the pen.

08

Ethics first: consent became the differentiator

2024 SAID: "ETHICS FIRST: DON'T UNDERESTIMATE GOVERNANCE"

Worker sentiment hardened: 52% of US workers are worried about AI's future in the workplace, versus 36% hopeful (Pew, Feb 2025). Monitoring expanded into that anxiety, with widespread AI productivity analytics and biometric collection reported in 2025 employer surveys (aggregator-sourced; treat as directional). Labor answered with contracts: SAG-AFTRA's 2025 agreement requires written consent for digital replicas; a French court required works-council consultation before even piloting AI; Deutsche Telekom signed an AI manifesto with its works council; US locals are writing bargain-before-AI clauses.

Invited, never passive

The provenance rule we now apply everywhere: every workplace AI input is invited, structured sessions and opt-in signals, never passive surveillance. An instrument hidden from the people it reads produces numbers nobody will act on, and in 2026, possibly a grievance.

TL PARTNERS FIELD RULE

THE MOVE

Write the consent architecture before the deployment: what is collected, what is never collected, who sees what, and what the employee gets back. Enterprise AI data terms (no training on business data by default at the major labs) make the vendor half easier than 2024; the internal half is yours.

09

New for 2026: the agent boundary

THE CHAPTER THAT DID NOT EXIST IN 2024

The biggest change since the first edition is not a better copilot. It is that software started showing up to work. BNY runs more than 130 digital employees with their own logins, email addresses, and human managers (CNBC, Feb 2026). Goldman Sachs is piloting an AI software engineer inside a 12,000-person developer org. Microsoft ships directory identities for agents, and 82% of leaders expect digital labor to expand their workforce within 18 months (2026 Work Trend Index). Agent software spend is forecast to jump from $86 billion in 2025 to $207 billion in 2026 (Gartner).

The honest counterweights: adoption figures vary tenfold by definition (57% "in production" in a builder survey; 23% scaling per McKinsey; under 5% of enterprise apps per Gartner's 2025 baseline). Gartner expects over 40% of agentic projects canceled by 2027. Production multi-agent systems still fail at high rates. And "workslop" is measured: 41% of workers received low-quality AI output in a month, costing nearly two hours per instance to untangle (BetterUp/Stanford, Sept 2025).

92%

of large-enterprise security leaders lack full visibility into AI agent identities; 95% doubt they could detect a compromised agent.

CISO SURVEYS VIA STRATA, 2026

The HR question nobody owns yet: when capacity is part human and part agent, who plans it, who governs it, and who manages the humans who manage the agents? "Agent manager" postings exist today. The workforce plan that counts only people is already wrong at BNY, and will be wrong at your portfolio companies inside this fund cycle.

THE MOVE

Draw the agent boundary per function, on one page: what agents own, what humans own, what pairs, who signs for each agent's access and output. Put digital capacity in the workforce plan with an owner and a review cadence. The function that instruments this becomes the function that runs work itself. That seat is open, and it is HR's to take or lose.

KEEPING SCORE

What we got wrong, and what we are watching

Wrong mechanism, right conclusion

We expected regulators, not plaintiffs, to drive audit discipline. The EEOC withdrew, the EU deferred, Colorado gutted its act, and the enforcement wave arrived through the courts instead. Audit anyway; the reader changed, the requirement did not.

We underweighted the entry level

The job impact concentrated on the youngest workers faster than we projected: a 13 to 16% relative employment decline at ages 22 to 25 in exposed occupations, and new grads down to 7% of Big Tech hiring. The adjustment is being carried by the people with the least leverage.

We did not say the word "agents"

Nobody gets that one back. The 2024 edition treated AI as a capability inside tools. Twenty-one months later it is a workforce category with logins, managers, and a spend line growing 140% year over year.

Watching into 2027

Whether the EU's December 2027 date survives. Whether Mobley changes vendor contracting the way securities litigation changed audit committees. Whether the rehiring wave teaches the redesign lesson or just resets the cycle. And whether a chief work officer title appears on an org chart before the function exists everywhere in practice.

Method and sourcing: published research and reporting from 2025-2026, cited in line: SHRM, Gartner, McKinsey, BCG, MIT NANDA, Stanford Digital Economy Lab, Pew, ILO, Challenger Gray, court filings, vendor disclosures, plus TL Partners field observations. The 2024 edition drew on 28 practitioner interviews; this edition trades that intimacy for verifiability, and the 2027 edition will aim for both. Contact:
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