HR TECH

A STATISTA DOSSIERPLUS ON THE GLOBAL MARKET FOR DIGITALIZED HUMAN RESOURCES SOLUTIONS
# Introduction to HR
- Number of HR employees in the U.S.
- HR market segments
- What is HR tech?

## HR tech: Market segments
- Personnel management and payroll
- Recruitment
- Engagement and connectivity
- Learning and development
- Recognizing and rewarding

## HR tech: Incumbents and startups
- Classic incumbents and tech giants
- Exemplary HR tech startups
- Market revenue

## HR tech: Worldwide markets
- North America
- Europe
- The Asia-Pacific region

# Conclusion and outlook
The management of human resources is pivotal in modern firms, and the HR tech market is expected to expand quickly

Executive summary

Human resources (HR) is becoming more important and more complex, as it focuses on many diverse aspects of the workforce, employer-employee relationships. As with most industries, technology is reshaping the way in which firms approach HR in the fast-growing field known as HR tech. This process has been further accelerated by the corona pandemic.

This DossierPlus considers five segments of HR (tech), which are critical for managing and engaging employees. The two most established areas of HR tech are recruitment, and personnel management and payment (personnel M&P). Further segments are engagement and connectivity, recognizing and rewarding, and learning and development.

Given that it is one of the more easily digitizable areas, HR tech began in personnel M&P. Accounting software as an HR tech tool was quickly adapted to include payroll, and this evolved into employee management systems. This segment continues to dominate the HR tech market. Recruitment software, on the other hand, uses more and more schemes from the social networks' world, developing platforms to connect job seekers and employers and share their experiences. An early star of HR tech, this segment seems to have largely saturated its market.

The COVID-19 pandemic increased rapidly the number of remote workers, and HR tech provided critical engagement and connectivity solutions, giving this segment a sharp and lasting increase in market share. However, neither learning and development nor recognizing and rewarding have found widespread acceptance in the HR tech market so far. Nevertheless, these areas provide opportunities.

With the exception of engagement and connectivity, the COVID-19 recession has stalled the progress of HR tech, but growth is expected to be robust in the upcoming years. In 2019, the overall revenue of HR tech was estimated at 47.4 billion, a number which is expected to increase at a compound annual growth rate (CAGR) of 11.3 percent reaching 90 billion in 2025. Incumbent firms, those established over ten years ago, dominate the sector, occupying over 90 percent of market share. However, the forecast indicates that startups will see twice the growth of their established rivals.

As with much of the tech sector, firms headquartered in North America dominate the global HR tech market. However, firms in the Asia-Pacific region (APAC) are poised to build on economic growth in the area, promoting and promote new HR tech companies and platforms that may rival the established firms. This DossierPlus examines the importance of company age, sector, and region in the forecast through 2025.
HR leaders are in the unique position of being able to lead the business conversation on how the world of work is taking shape in the 21st century. But you cannot occupy that space with other business leaders without a deep comprehension of the technology involved.

– Susan Ferrier, Global Head of People at KPMG
Introduction to HR

- Number of HR employees in the U.S.
- HR market segments
- What is HR tech?
The number of workers in HR fields is on the rise, only briefly interrupted by the pandemic, as seen in the United States.

Number of human resources workers in the United States, from 2015 to 2025

Human resources is a growing sector, with more firms giving greater attention to their labor force. In the United States alone, there were over 700,000 people employed in HR in 2019, a number expected to increase by over 15 percent by 2025.

The expanding scope of HR has fueled this growth. Once simply the department that hired people and managed payroll, HR now includes recruiting, training, monitoring and rewarding performance, and assisting employees to adapt to policy changes. The COVID-19 pandemic has led to a drop in HR employment, in line with an overall drop in labor force. However, growth in this sector is forecast to accelerate, expected to return to the pre-pandemic trend by 2022.
HR segments handle diverse aspects of the employer-employee relationship throughout the entire employment period

Definition of the main HR market segments

**Recruitment**
The recruitment of incoming employees is a key responsibility of HR, tasked with finding the best possible people for the job.

This segment includes all activities involving the selection, screening, and final recruitment of new employees.

**Personnel management and payroll**
The management of the workforce involves many routine tasks and the almost-daily production and storage of documents.

This segment includes all activities linked to the day-to-day management of employees (monthly payroll, vacations, sick leave, etc.).

**Engagement and connectivity**
In more recent views of HR's role, having a motivated and informally connected workforce is gaining importance.

This segment includes all activities linked to keeping employees engaged and connected to each other, such as organizing events, and town hall meetings.

**Recognizing and rewarding**
Measuring employees' performance is a delicate yet central HR task, driving the development of the workforce.

This segment includes all activities linked to measuring and assessing employee performance.

**Learning and development**
Rolling out new technologies and practices requires a well-trained and up-to-date workforce.

This segment includes all activities linked to organizing and offering internal training to employees.

Source(s): McKinsey, Statista
HR tech companies are recovering from the impact of the pandemic faster than traditional HR consulting companies

Stock price index of selected HR companies as of December 31, 2020

HR tech incorporates software into HR tasks. This began with payroll software and other accounting tasks but has expanded to include all aspects of HR.

The shift to include HR tech has been accelerated by the pandemic. As companies moved parts of their businesses online, they have taken the opportunity to embrace solutions such as employee performance measurement apps.

This shift seems to curry favor with investors. Since January, HR tech firms, such as Service Now, Ceridian, or Workday have generally outperformed traditional firms in the stock market. ADP’s stock price however, despite being an HR tech firm, has only increased in the given period slightly.

Note(s): Based on closing values, Last Adecco value is from Dec 30, 2020

Source(s): Yahoo Finance
The HR tech market can be analyzed from different perspectives: Company’s age, specific market segment, and HQ location

The HR tech market by company age, segment, and region 2019 and 2025

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>Incumbents</th>
<th>Startups</th>
<th>Total, billion U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company age</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>95.9%</td>
<td>4.1%</td>
<td>47.4</td>
</tr>
<tr>
<td>2025</td>
<td>91.8%</td>
<td>8.2%</td>
<td>52.6</td>
</tr>
<tr>
<td><strong>Focus of chapter 2</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Market segment</strong></td>
<td>Personnel M&amp;P**</td>
<td>Recruitment process</td>
<td>Engagement and connectivity</td>
</tr>
<tr>
<td>2019</td>
<td>57.8%</td>
<td>26.4%</td>
<td>10.3%</td>
</tr>
<tr>
<td>2025</td>
<td>55.6%</td>
<td>24.8%</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Focus of chapter 3</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Location of HQ</strong></td>
<td>North America</td>
<td>Europe</td>
<td>APAC</td>
</tr>
<tr>
<td>2019</td>
<td>79.0%</td>
<td>12.2%</td>
<td>8.5%</td>
</tr>
<tr>
<td>2025</td>
<td>77.7%</td>
<td>12.4%</td>
<td>9.6%</td>
</tr>
<tr>
<td><strong>Focus of chapter 4</strong></td>
<td></td>
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</tr>
</tbody>
</table>

**Note(s):**
* Incumbents are defined as companies established more than 10 years before the reference year. Startups are defined as companies established less than 10 years before the reference year.
** Personnel M&P stands for personnel management & payroll.

**Source(s):** Statista
HR tech: Incumbents and startups

- Classic incumbents and tech giants
- Exemplary HR tech startups
- Market revenue
The HR tech market is dominated by incumbents, but the share of startups is forecast to double in five years

Overview of the HR tech market

Incumbent HR tech firms, here defined as those at least ten years old, controlled the lion’s share of the market in 2019, with a total value of approximately 45.5 billion U.S. dollars. The overall value of the HR tech market is expected to nearly double by 2025.

In general, incumbents are more robust than startups which served as an advantage during the recession due to the COVID-19 pandemic. Furthermore, many are connected to larger firms. For example, the online recruiting platform LinkedIn is owned by Microsoft and enjoys both the financial and institutional support of one of the original tech giants.

However, startups tend to be more innovative, providing products that are entirely novel or have not yet been embraced by the mainstream, such as in engagement and connectivity. The growth of startups also follows the different startup environments. North America is expected to see the largest overall startup growth in terms of generated revenue, but the APAC region should see the largest gains in the share of startups.

Source(s): Statista
Startups are the newborn and younger firms in the HR tech market, competing against the longer-established incumbents

**Definition of incumbents and startups**

<table>
<thead>
<tr>
<th>Foundation year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Est.: after 2011 (active in the market since less than 10 years)</td>
</tr>
</tbody>
</table>

### Incumbents

Incumbents are firms that have been in the market for a long time and emerged as powerhouses. They are divided into two categories:

1) Specialized HR tech incumbents: long-established HR tech firms.

2) Unspecialized HR tech incumbents: other firms that are entering the HR tech market (e.g., the tech giants).

### Startups

Startups are newly founded companies established less than ten years ago. They are characterized by high growth rates. Startups tend to be clustered in certain areas of the world, including Silicon Valley in California, Hong Kong, London, and Tel Aviv.

Today's successful startups are likely to become tomorrow's incumbents.

Startups with estimated revenues of more than 100 million U.S. dollars are highlighted on page 14.

Source(s): Investopedia; Statista
The HR tech market is expected to nearly double within six years, reaching 90 billion U.S. dollars by 2025.

Revenue of incumbents and startups from 2019 to 2025, in billion U.S. dollars

The HR tech market is projected to increase by 81 percent by 2025, and much of this growth will be led by newer firms. Startups are expected to grow at well over double the rate of incumbent firms. This forecast shows resilient growth after the pandemic, most of which is concentrated in the more established companies.

However, as the effects of the current crisis fade, the more flexible business models of the startups should give them the ability to outperform their larger rivals. As businesses continue to embrace novel HR tech solutions in the post-coronavirus world, this should reward more innovative firms that offer a wider range of HR functions.

Source(s): Statista
American tech giants are entering the HR tech market, bringing with them further innovations

Examples of HR tech incumbents

**Specialized HR tech incumbents: long-established HR tech firms**

- **ADP**
  - Headquarters: United States
  - Main product: Personnel M&P
  - Revenue 2019: 14.6 billion USD

- **Workday**
  - Headquarters: United States
  - Main product: Personnel M&P
  - Revenue 2019: 2.8 billion USD

- **ServiceNow**
  - Headquarters: United States
  - Main product: Personnel M&P
  - Revenue 2019: 3.5 billion USD

- **Kronos**
  - Headquarters: United States
  - Main product: Personnel M&P
  - Revenue 2019: 1.4 billion USD

**Unspecialized HR tech incumbents: other firms that are entering the HR tech market**

- **Google for Jobs**
  - Headquarters: United States
  - Main product: Recruitment
  - Parent company: Alphabet

- **Microsoft Dynamics 365**
  - Headquarters: United States
  - Main product: Personnel M&P
  - Parent company: Microsoft

- **Workplace**
  - Headquarters: United States
  - Main product: Engagement and connectivity
  - Parent company: Facebook

- **LinkedIn**
  - Headquarters: United States
  - Main product: Recruitment
  - Parent company: Microsoft

**Source(s):** Statista, ADP, Workday, ServiceNow, Kronos, Google, Microsoft, Facebook,
Startup companies have found fertile ground in the HR tech market, especially in North America and Asia

HR tech startups that generated annual revenue of more than 100 million U.S. dollars in 2019

<table>
<thead>
<tr>
<th>Company</th>
<th>Headquarter</th>
<th>Market segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>BetterUp</td>
<td>United States</td>
<td>Learning and development</td>
</tr>
<tr>
<td>Gusto</td>
<td>United States</td>
<td>Personnel management and payroll</td>
</tr>
<tr>
<td>Justworks</td>
<td>United States</td>
<td>Personnel management and payroll</td>
</tr>
<tr>
<td>Liepin</td>
<td>China</td>
<td>Recruitment</td>
</tr>
<tr>
<td>Mettl</td>
<td>India</td>
<td>Recruitment</td>
</tr>
<tr>
<td>Toptal</td>
<td>United States</td>
<td>Recruitment</td>
</tr>
<tr>
<td>Udemy</td>
<td>United States</td>
<td>Learning and development</td>
</tr>
<tr>
<td>Visier</td>
<td>Canada</td>
<td>Personnel management and payroll</td>
</tr>
<tr>
<td>Zenefits</td>
<td>United States</td>
<td>Personnel management and payroll</td>
</tr>
<tr>
<td>ZipRecruiter</td>
<td>United States</td>
<td>Recruitment</td>
</tr>
</tbody>
</table>

Although the learning and development segment is one of the smallest components of HR tech, the platform Udemy generated over 100 million U.S. dollars in 2019. This illustrates the main advantage of startup companies in the HR tech market: their innovation.

Taking market share from established incumbents requires more than simply offering a quality product. New firms must distinguish themselves, and they often do so through innovation and specialization. Incumbent firms are largely focused on personnel M&P services, leaving space in other segments for startups. Notably, European firms are absent from this list. The APAC region, rather than Europe, appears to be the one to challenge North America for HR tech market share in the coming years.
The United States is the leading venture capital market, making it the most attractive country for startups.

Venture capital investments in startups in selected countries from 2007 to 2019

Silicon Valley is a thriving startup area in large part due to the local talent and network. It also has access to plentiful venture capital (VC) financing options, which enables startups to scale rapidly.

The access to VC has ballooned in the United States over the past decade, reaching 135 billion U.S. dollars in 2019.

Europe is one of the smallest markets in raising VC, although there has been a notable increase since the end of the eurozone crisis. VC financing across Asia is gaining momentum and now rivals the rates in Europe.

In 2019, South Korea’s share of VC on GDP was higher than in the UK. However, due to its smaller economy, it attracted just over 2.7 billion U.S. dollars in investments, while the amount in the UK reached nearly three billion U.S. dollars.
03 **HR tech: Market segments**

- Personnel management and payroll
- Recruitment
- Engagement and connectivity
- Learning and development
- Recognizing and rewarding
Personnel M&P and recruitment platforms generate more than 80 percent of the HR tech market

Overview of the HR tech market by product

The traditional association with HR is personnel management and payroll (M&P), which is the area that garners the most revenue from the HR tech market. The share of personnel M&P is forecast to drop by around two percentage points by 2025. However, the value of the segment is expected to amount to 50 billion U.S. dollars, which is more than the entire HR tech market in 2019.

According to this analysis, the big winner for HR tech in the forecast period is engagement and connectivity. Much of this increase is driven by the advancements in remote work, a result of the COVID-19 lockdowns. Products like Microsoft Teams have helped to connect workers with management. The high demand for remote work is likely to remain even after the pandemic subsides, meaning growth will continue in this segment of the HR tech market.

This growth in market share will come at the expense of recruitment, a sector that generated revenue of 12.5 billion U.S. dollars in 2019 but is only expected to reach 14.1 billion in 2025. As the most established HR tech segment, the forecast suggests that the market is already saturated. The learning and development segment is also projected to lose market share, as is the recognizing and rewarding segment. Although both have effects on overall productivity, they are not as essential as recruitment and personnel M&P.

Source(s): Statista
In 2019, personnel M&P represented the majority of the HR tech market, followed by recruitment, which made up over 26 percent. The upcoming years, however, are expected to bring change in the market share of the various HR tech segments.

Most apparent is the projected shift in importance from recruitment to engagement and connectivity. Recruitment is expected to grow at only two percent annually, which is relatively lackluster compared to the 29 percent growth of engagement and connectivity. With this growth, engagement and connectivity will represent 24.8 percent of the HR tech market by 2025.

Also notable is the persistence of personnel M&P. While it experiences a slight decline in market share, the overall revenue increases by over 20 billion U.S. dollars, driving the overall growth of the industry.
Personnel M&P is the largest HR tech segment, and incumbents occupy almost all of the market share.

Revenue and market share of personnel management and payroll from 2019 to 2025

The top graph focuses on personnel management and payroll as a share of the market, as seen on the previous page. The chart beneath divides this segment between startups and incumbent firms. Similar to the HR tech market in general, incumbents generated the overwhelming majority of personnel M&P’s revenue in 2019. Given that this is the oldest segment of HR tech, it is not surprising that incumbent firms dominate. However, startups are expected to grow faster than their established rivals and could generate total revenues of nearly four billion U.S. dollars by 2025.

The sector’s overall growth is projected to be 10.6 percent, which is slightly lower than the industry average. However, startups are expected to grow faster, potentially making them more attractive to investors.

Note(s): Missing or exceeding percentage points to 100 percent are due to rounding
Source(s): Statista
The HR tech firms focused on digital recruitment services are expected to be the most strongly impacted by the pandemic.

Revenue and market share of recruitment process from 2019 to 2025

Recruitment processes will see a drop in revenue in 2020 and 2021 due to the high unemployment caused by the pandemic. For this reason, the growth of the segment is forecast to be just two percent.

Existing platforms, such as LinkedIn, contain the trappings and familiarity of a social media account, but with a focus on employment. This business model presents the economies of scale for a single large platform, giving incumbents a distinct advantage.

However, these incumbent firms are likely to see far greater competition from startups. By 2025, newer firms will account for around 13 percent of all revenue. Following a complete recovery from the COVID-19 pandemic, startups are expected to see a 35 percent increase in revenue between 2024 and 2025.
Engagement and connectivity may have been the dark horse segment before the pandemic, but the changing business landscape has made it the star, with projected annual growth of 28.9 percent. At that pace, the segment will eclipse the market share of recruitment processes in 2023, making it the second-largest segment in HR tech.

Platforms such as Microsoft Teams and Skype for Business have provided valuable support for remote offices during the pandemic lockdowns. However, startups are notably absent. Even after the immediate effects of the pandemic subside, startups are not projected to constitute a full percentage of the revenue earned in this segment. Given the familiarity that most workers have with established names, perhaps trust in the incumbent firms overrides the desire for innovators in this case.
Technology's quickening pace and a desire for personal growth are among the reasons why the learning and development segment is becoming a more integral part of HR.

Naturally, in the wake of an economic crisis, such as that caused by COVID-19, firms are more focused on retaining their workers than training them in new areas. However, the segment is expected to recover, and an overall annual growth rate of 7.6 percent is forecast for this period.

Most notably, startups are expected to drive almost all of this growth. While incumbent firms have laid the foundations in this segment, the startups have the vision to create new, innovative products.
Recognizing and rewarding platforms represent the smallest HR Tech market segment, but startups are expected to grow

Revenue and market share of recognizing and rewarding from 2019 to 2025

The smallest segment of the HR tech market is also the slowest growing. Recognizing and rewarding employment achievements may have positive effects on morale, these effects are difficult to monitor. As such, firms are hesitant to invest resources into such programs.

Notably, this is the only segment in which incumbents are expected to exit. Startups are forecast to replace the departing incumbents, but not at a rate sufficient to grow this particular market – growth is projected to be just 1.6 percent per year.

One possible explanation for this is that the more sophisticated personnel management systems can incorporate employee recognition. Therefore, the incumbents are not exiting the market but instead reclassifying their services. Another reason is that this is the hardest segment to digitize and doing so may require the innovative mindset of a startup.
04 HR tech: Worldwide markets

- North America
- Europe
- The Asia-Pacific region
North American HR tech firms generate the most market revenue, but APAC is forecast to be the fastest growing region

Overview of the HR tech market by region of headquarters

Technology companies are often associated with Silicon Valley, and that certainly holds true for HR tech. Nearly four in five HR tech revenue dollars are earned by a firm headquartered in North America, a number that is expected to decrease only slightly by 2025. In that period of huge market expansion, the continent’s market share is only expected to decrease by 1.3 percentage points.

The Asia-Pacific region (APAC) is expected to gain the majority of that revenue, with Europe only seeing a small bump in market share over that period. This makes the APAC region the fastest growing HR tech hub. Much of this growth will occur in China, where the business environment favors domestic firms. However, India is the world’s second-largest labor market, and startups from that country could have a significant impact on the market.

Notably absent are Africa and Latin America, accounting for 0.3 percent of the market. This reflects the lack of tech companies headquartered in those regions. However, the regions have large labor forces, and HR tech platforms headquartered in other countries are happy to charge them for their services.

Source(s): Statista
The pandemic is forecast to only slow down the market’s expansion, without stopping it.

COVID-19 has depressed growth in the short run, but the compound annual growth rate (CAGR) is projected to be approximately 11 percent from 2019 to 2025.

Post-pandemic growth will be led by Europe at first, but the analysis forecasts APAC as the fastest-growing region over the entire period.

Notably, the share for the rest of the world remains small but constant. This suggests that a few persistent firms remain there, able to grow at the same speed as the overall industry but incapable of gaining market share.

Note(s): Missing or exceeding percentage points to 100 percent are due to rounding
Source(s): Statista
The North American HR tech market is largely represented by incumbents that pioneered the sector.

Revenue and market share of HR tech in North America from 2019 to 2025

HR tech can trace its roots to North America. Since most tech giants are headquartered in the United States, such as Microsoft and Google, it is not surprising that incumbent firms dominate the market in the region, and startup firms have a particularly hard time gaining access.

In addition to having great programmers, the large companies also bring their powerful brands. Businesses feel more comfortable handing control of their payroll to an established firm, for example.

However, North America offers startups more venture capital, as discussed on page 16. Startups are projected to comprise only 5.4 percent of the North American market in 2025, but that share also represents 3.8 billion U.S. dollars.
Revenues generated in Europe are much lower than in North America, but market share is forecast to remain stable.

Revenue and market share of HR tech in Europe from 2019 to 2025

The HR tech firms headquartered in Europe report lower revenues than those in North America. However, at 11.6 percent, the compound annual growth rate is forecast to be slightly more favorable. Startups command more of the European market than that of North America. However, incumbent firms are expected to outperform startups, increasing their market share by half a percentage point between 2019 and 2025. While this could point to a more viable startup ecosystem in cities like Berlin and London, it may also indicate weaknesses of the established firms.

Notably, some of the largest European incumbents come from the recognizing and rewarding segment. For example, Darwin, headquartered in the UK, tracks and manages employee benefits.
The HR tech market in the APAC region is poised to accelerate, with revenues growing at an annual rate of 13.5 percent from 2019 to 2025, making this the fastest growing region. This is not surprising, however, as the APAC region has faster economic growth overall. Furthermore, as these countries continue to develop, new firms appear, creating more HR tech opportunities. Much of this market is expected to be captured by startups.

Many of the startups in APAC have explicitly set their sights on the large North American incumbent firms. For example, as a way of expanding into the U.S. market, the Chinese recruiting platform Liepin has recently opened an office in Boston, Massachusetts. However, significant growth could also be achieved by eclipsing global firms in other domestic markets that have large populations, such as China, India, and Indonesia.
Conclusion and Outlook
Double-digit growth is forecast for the global HR tech market, with the pandemic boosting connectivity platforms

Conclusion and outlook

As Millennials age into management positions, converting to digital platforms becomes more natural. These digital natives have inspired a shift to technology in the HR department, and HR tech is expected to grow at double-digit rates overall until at least 2025.

As indicated by the data, the COVID-19 pandemic has slowed the growth of this sector. However, its continued expansion at a time when most other industries have been contracting indicates its staying power in the progressing economy. In fact, HR tech has become an essential service for many firms as lockdowns have given rise to remote working on an unprecedented scale. Growth in other sections of the market may have stalled in the immediate aftermath of the pandemic, but forecasts predict robust growth once a full recovery has been made.

However, not all segments hold the promise of this growth. Recognizing and rewarding employees is projected to perform relatively poorly, as is the recruitment process. It seems that even digital natives require a human touch from their human resources department, making HR tech less appealing for these market segments.

Computers will continue to excel in areas where humans are less reliable, such as rapid and accurate calculations. For this reason, the largest segment of the HR tech market will still be personnel management and payroll. Automated employee records, paycheck deductions, and accounting entries make such programs secure and reliable, helping to create the right combination of HR tech.

<table>
<thead>
<tr>
<th>HR Tech global market: (revenues in billion U.S. dollars)</th>
<th>2019</th>
<th>2025</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel management and payroll</td>
<td>27.4</td>
<td>50.0</td>
<td>+ 10.6%</td>
</tr>
<tr>
<td>Recruitment process</td>
<td>12.5</td>
<td>14.1</td>
<td>+ 2.0%</td>
</tr>
<tr>
<td>Engagement and connectivity</td>
<td>4.9</td>
<td>22.3</td>
<td>+ 28.9%</td>
</tr>
<tr>
<td>Learning and development</td>
<td>1.5</td>
<td>2.4</td>
<td>+ 7.6%</td>
</tr>
<tr>
<td>Recognizing and rewarding</td>
<td>1.1</td>
<td>1.2</td>
<td>+ 1.6%</td>
</tr>
</tbody>
</table>

Source(s): Statista
Personnel M&P will continue to generate the most revenue, while startups in the APAC region will be the fastest growing

Conclusion and outlook

HR tech is predicted to grow rapidly through at least 2025, but this growth is not expected to be comparable across the sector. Incumbent firms, those at least ten years old, control the majority of the market but are only expected to grow at an annual rate of 10.5 percent. By contrast, startups are expected to grow at 25.1 percent globally.

Regional differences also play a major role. North America’s estimated revenue was already 37.4 billion U.S. dollars in 2019, and figures are expected to nearly double among incumbent firms and nearly quadruple for startups headquartered in the region.

While North America holds a commanding share of the market, it does not dominate growth prospects. The total revenue of startups in the Asia-Pacific region is expected to grow at a rate of 40.7 percent per year. On the incumbents’ side, European firms are forecast to be the fastest-growing at an average rate of 11.7 percent per year.

The dominant revenue-generating segment in HR tech is personnel M&P, where computers can handle the calculations of paychecks, tax deductions, and personnel files. This is where HR tech began and is likely to be the area in which it will keep the strongest foothold.

The rise in remote work has also shifted the engagement and connectivity (E&C) segment to the forefront of employers’ minds. This, along with the small learning and development (L&D) segment, holds the promise of the largest growth through 2025. Even after the COVID-19 lockdowns, remote work is expected to stay, making E&C software a likely companion in most offices for the foreseeable future.
Glossary

**CAGR**
Compound annual growth rate.

**Incumbent**
Firm established since more than 10 years

**Startup**
Firm established since less than 10 years
Methodology

HR tech market model and definitions

Market revenue

Classification of the firms:

• **Incumbents and startups**: Incumbents are defined as companies being established more than 10 years before the reference year. Startups are firms established less than 10 years before the reference year. For example, a firm founded in 2011 would be a startup in this analysis for the years 2019-2021 and an incumbent for 2022-2025.

• **Split by market segment**: Following the definition of the HR segments used in this study, the HR tech market is divided into five segments: recruitment, personnel management and payroll, engagement and connectivity, recognizing and rewarding, as well as learning and development. Definitions can be found on page 7 of this study. When a firm only partially belongs to one of these segments (i.e., it provides only one/few HR tech products within a broader scope of offerings), or it belongs to more than one segment (i.e., it provides, at the same time, multiple HR tech services from distinct segments), available data is used to approximate which share of the firm’s revenue can be apportioned to each relevant HR tech segment.

• **Split by world region**: Each firm is classified as belonging to one of the regions (North America, APAC, Europe, or the rest of the world) based on the location of the headquarters of the company, or the parent company in the case of groups.
Sources

ADP
Bureau of Labor Statistics
Facebook
Google
Kronos
Investopedia
McKinsey
Microsoft
OECD
ServiceNow
Workday
Yahoo Finance
Recommendations for further reading on Statista

**DossierPlus:**
- B2C Insurtech U.S.
- B2C Insurtech Germany
- B2C Insurtech UK
- Diversity and equality in European companies
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**Dossiers:**
- Insurtech
- Insurtech in Brazil
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- Startups in Asia Pacific

**Report**
- LinkedIn brand report
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