



Top Predictions for HR and Compensation Management in 2025

Going into 2025, HR leaders and compensation professionals may be faced with some uncertainty as we transition to a new U.S. government administration. Here, we disclose the top predictions from Payscale thought leaders across areas of expertise that impact HR and compensation management.



Legislation



People leadership



Compensation management



Artificial intelligence (AI)

Predictions

Legislation

The new U.S. administration may seek deregulation and a weakening of the EEOC, NLRB, and DOL, which oversee discrimination claims, union activities, and wage enforcement. If this occurs, it could impact initiatives that seek to benefit workers, such as minimum wage and pay transparency, which will create challenges for global organizations with widely distributed employees due to varied state-level adoption.

Despite federal legislative delays being likely, we do not anticipate a total halt of pay transparency legislation on the state level. In addition, employee demands for transparency will persist, making clear pay communications a key advantage for employers who engage in them.

However, employers may find other ways to decrease expenditure on talent, such as hiring more contractors who do not qualify for benefits and are subject to different pay practices.

AI regulation will continue to be a hot topic, but legislative response is likely to be slow.

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Top predictions for 2025

Pay transparency initiatives may slow down.

The change in U.S. administration may impact the scope or direction of pay transparency. At the state level, it will depend on whether the state legislature and governorship are controlled by Republicans or Democrats. Organizations managing talent in multiple locations with different regulations may become frustrated by the inconsistency of pay transparency laws by location and the lack of progress at the federal level.

Pay communications will remain a priority.

Even if legislation on the topic slows or fails, the workforce will continue to demand pay transparency. Employers who provide clear communication around compensation will secure a competitive advantage in talent acquisition and retention.

The definition of an independent contractor may broaden.

Under the new U.S. administration, what constitutes an independent contractor may be redefined, allowing organizations to hire more contractors without the burden of having to pay benefits and with more ambiguous pay practices that could disadvantage workers. To promote team harmony and fairness, HR leaders are encouraged to invest in internal processes that help ensure pay equity.

The federal minimum wage will likely not increase.

While a Republican-controlled Congress is unlikely to raise the federal minimum wage, states and municipalities will likely continue to do so. For example, Alaska and Missouri approved measures to increase their state minimum wages to \$15.00 over the next few years.

AI regulation will become a hot-button issue.

A federal movement around AI regulation is likely to take time and be contentious, but legislation could be introduced faster at the state level. Employers investing in AI need to be cognizant of potential legal ramifications and become intimately acquainted with how AI is being used by vendors. It is important for employers to understand that AI might carry biases in ways that unfairly impact job candidates or employees.



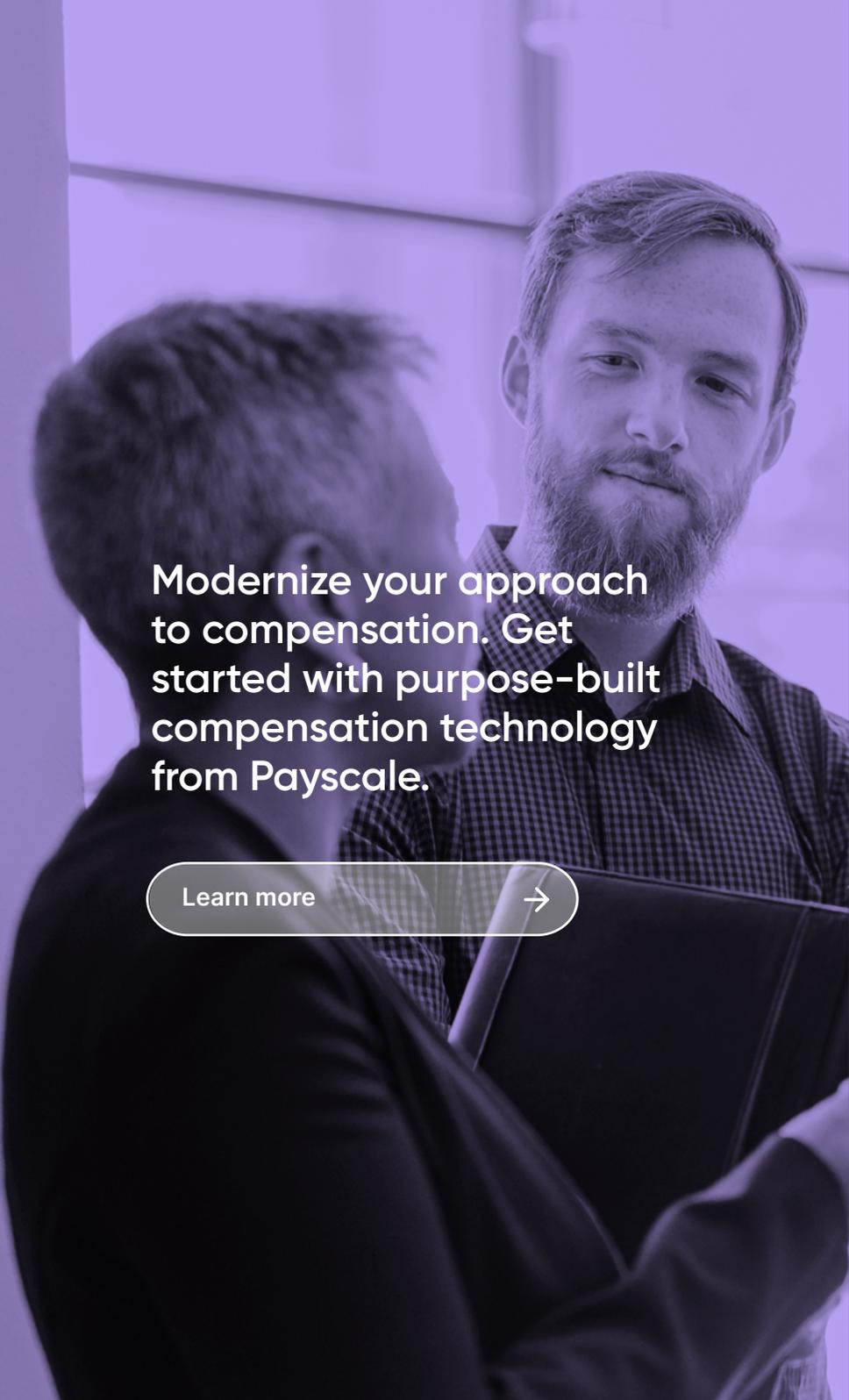
“Under the new U.S. administration, we may see an attempt to weaken the EEOC, NLRB, and DOL, which oversee discrimination claims, union activities, and wage enforcement. We may also see a more relaxed definition of independent contractors and a surge toward the gig economy to cut costs for employers when it comes to benefits, which could blur the lines on fair pay practices. Pay transparency legislation could also slow down, but it will not come to a complete halt. Make no mistake: Employees will still demand clear and honest pay communications. Organizations that get ahead on fair and transparent pay will win the talent game.”



Lulu Seikaly

Sr. Corporate Employment
Counsel, Payscale





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Predictions

People leadership

Rising friction in the employer-employee power dynamic will make prioritizing fair pay, flexibility, and career growth essential in the coming year. Despite return-to-office mandates, employees will continue to seek work-life fit, pushing leaders to offer greater workplace flexibility and more personalized benefits.

Employers will react by embracing the gig economy, relying more on contractors and freelancers to fill skills gaps at a cost saving. This will require HR leaders to integrate gig talent into strategic planning and adopt advanced sourcing and compensation tools for hiring, onboarding, and rewarding talent.

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Top predictions for 2025

Friction in the employer-employee power dynamic will heighten.

Employers can't afford to ignore employee sentiment. Prioritizing fair pay, flexibility, and career growth will be essential, as a pro-employer stance will only increase tensions. HR leaders need to continue to balance advocating for workers with business priorities.

Employee demand for work-life fit will grow despite labor market pressures and return-to-office mandates.

Return-to-office mandates might become even more widespread. However, forward-thinking HR leaders should anticipate workplace flexibility to become a competitive necessity. It is worth noting that **82 percent** of executives plan to make working styles more flexible in the next two years, including exploration of four-day work weeks.

Rising medical costs will make healthcare benefits more expensive.

Healthcare will be a hot topic in 2025. Employers should respond to employee needs and rising medical costs by diversifying strategies to manage expenses while continuing to offer quality healthcare benefits.

The gig economy will expand as employers turn to freelancers and contractors to fill skills gaps, save on full-time employee (FTE) costs, and adapt to short-term business needs.

HR leaders will need to prepare to integrate gig workers into strategic workforce planning, adopt technology to source talent and match tasks to skills, and be prepared to ensure fair compensation.



“As we head into 2025, the power dynamic between employers and employees is shifting, but ignoring what workers want — fair pay, flexibility, and growth opportunities — is a recipe for trouble. The demand for work-life fit isn't going away, even with return-to-office pushes. We need to rethink our approach to flexibility and benefits to stay competitive. Plus, with the gig economy booming, it's time for HR to get serious about integrating freelancers into our strategy. It's not just about filling gaps; it's about smart hiring, efficient onboarding, and fair compensation.”



Lexi Clarke

Chief People
Officer, Payscale



Predictions

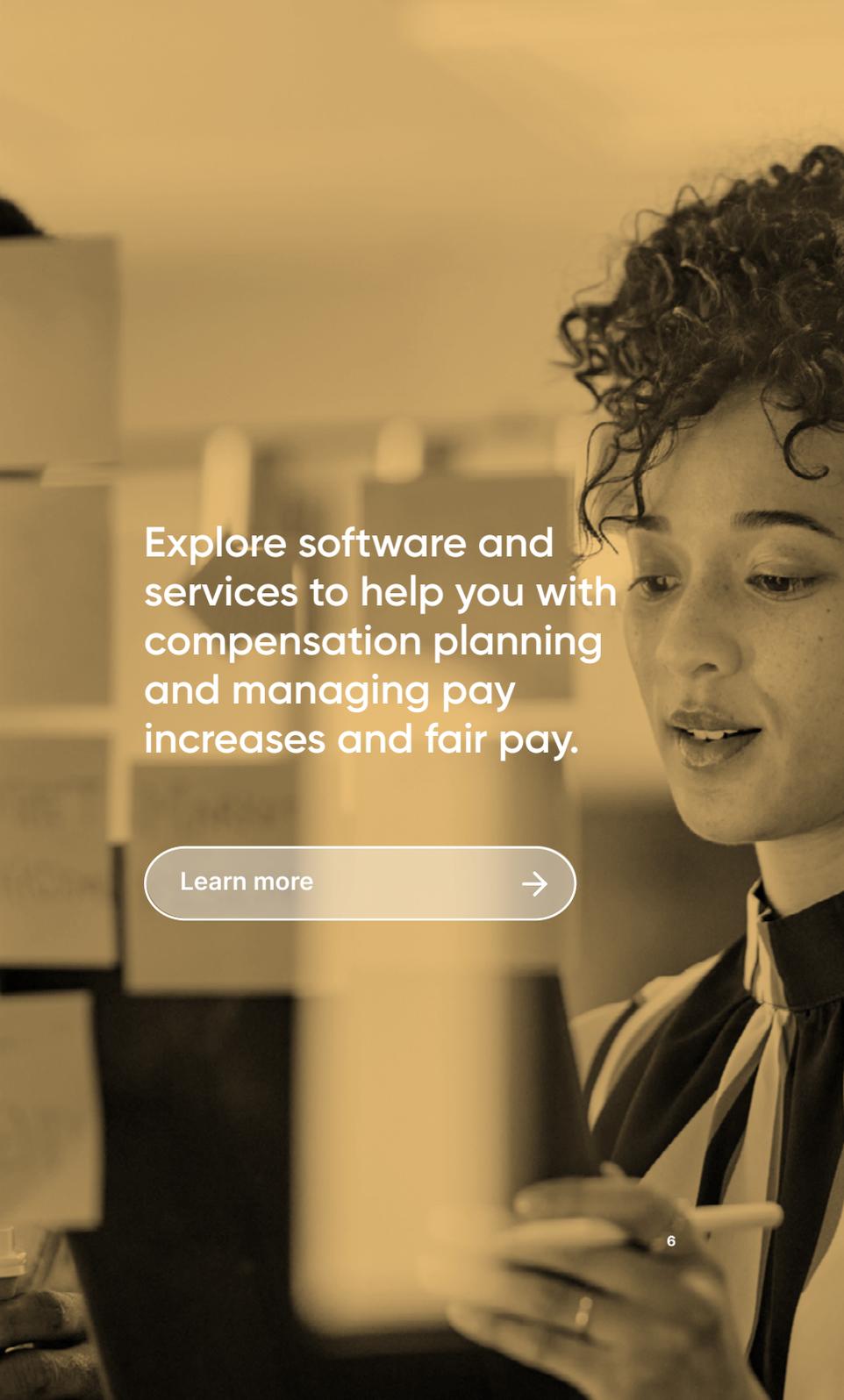
Compensation management

Overall, wage growth in 2025 is likely to remain steady due to economic conditions, inflationary pressures, increased transparency expectations, and continued competition for skilled workers.

Employees will demand fair and transparent pay, pushing employers to address pay structures and inequality proactively. Job architecture will become critical for managing fair pay, with employers needing to simplify and organize job levels and promotion processes.

Despite a weakening of public support, DEI initiatives — including pay equity — will remain integral to HR strategies, providing a competitive edge for employers committed to these values.

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Top predictions for 2025

Pay increases will dip below four percent but remain strong, especially in sectors where talent is more competitive.

Employers will need to keep an eye on policy decisions that impact inflation and put more investment into up-to-date salary data and pay analysis to keep up with market changes. Economic and regulatory factors as well as sector-specific demands may drive significant variation.

Employees will continue to expect fair and transparent pay as a fundamental right.

Pay transparency laws, cultural shifts, and the availability of pay data have all heightened employee expectations for fair pay. Fair compensation reinforces a worker's sense of dignity and worth within an organization, ensuring that they feel respected and recognized. Transparent pay policies also foster trust between employees and employers. When pay practices are opaque, employees may suspect unfair treatment, which can erode trust, reduce morale, and increase turnover.

Job architecture will become essential for managing fair pay.

Employers will need to take a hard look at their job leveling and both simplify and organize their jobs, pay structures, and promotion processes to defensibly define the value of work across job families and the organization. By providing a structured and transparent foundation for managing positions and compensation, job architecture plays a pivotal role in fostering pay equity and creating a fair workplace culture.

Forward-thinking HR leaders will continue with DEI.

DEI came under attack in 2024. Commitment to DEI initiatives may become “quiet” in 2025 but will likely continue as HR leaders defend programs that ensure equity — including pay equity — in the workplace as important parts of talent strategy. Employers committed to DEI and who have seen its benefits will secure a competitive advantage.

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In 2025, wage growth will stay strong but steady, shaped by inflation and competition for talent. Employees are no longer willing to accept anything less than fair and transparent pay, which means organizations will need to clean up their pay structures and tackle inequality head-on. Job architecture will be key in ensuring fairness, and despite criticism around virtue signaling and political pushback on the efficacy, DEI initiatives — especially around pay equity — will remain crucial for staying competitive.”



Ruth Thomas

Chief Product
Evangelist and Pay Equity
Strategist, Payscale



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Predictions

Artificial intelligence

By 2025, AI will become a strategic tool transforming HR functions, including compensation. HR professionals must embrace AI-powered technology to increase efficiency and fairness in market pricing, pay structures, pay equity, and communications.

As AI adoption accelerates, HR's role will shift away from doing repetitive, rote work toward evaluating and synthesizing inputs from AI features and agents, including identifying and mitigating sources of data and model bias. Advanced analytics and AI will enable organizations to make strategic workforce planning decisions around when and where to hire employees, which positions to fill with part-time or contract workers, and how best to grow and upskill existing talent.

Finally, AI, along with the explosion of richer job postings, will produce more meaningful insights about how much particular skills are worth from a recruiting perspective.

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Top predictions for 2025

AI will shift from a hyped trend to a practical, strategic asset with real use cases that can transform HR functions, including compensation.

HR professionals need to adopt AI-powered technology that can provide actionable insights and automate processes to improve efficiency and support better decision-making related to market pricing, pay equity, compliance, and communications. Models related to compensation ranges will be scrutinized (and eventually regulated) for fairness and explainability. Organizations that leverage AI will save time, increase fairness, and drive toward strategic use of compensation to support their most important goals.

HR's role will expand into guiding AI ethics and fostering a culture that balances automation's benefits with empathy and human-guided insight.

HR professionals need to receive specific training on working effectively with AI tools, and this training should also address ethical standards and concerns around bias and data privacy. HR professionals will then be able to spend less time doing rote calculations and data processing and more time on more complex tasks and relationship development.

There will be advancements in data availability and analytics that will reshape how organizations approach compensation decisions.

HR professionals need to modernize their compensation technology stack to take advantage of AI-powered tools that can assist with market pricing, pay analysis, and strategic workforce planning.

There will be an expansion of data sets, such as compensation and job postings data, which will provide new insights into how much particular skills are worth.

There is no universal solution on the horizon that will solve all skills-based talent management needs. However, HR professionals interested in the shift to a skills-based workforce should use job postings and emerging AI technology to derive meaningful insights into how posted pay ranges vary by skill requirements. With the boom of this publicly available information, employees are developing a clearer picture of how much their skills, education, and experience are worth in the market. To retain and grow employees, organizations will also need to leverage this understanding.



“As we head toward 2025, it's clear that AI isn't just buzz anymore — it's a game-changer for HR when it comes to compensation. We're talking about easier ways to find the data you need, repeatable and explainable methodologies for market pricing your jobs, and strategic deployment of your compensation budget. It's more than just efficiency; it's about harnessing data to improve consistency and fairness in compensation and to drive your organization's most important goals. The future of HR is data-driven and strategic.”



Sara Hillenmeyer

Senior Director of Data
Science, Payscale





How Payscale can help

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About Payscale

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