

People Analytics Technology 2026: Old Market, New Pressures

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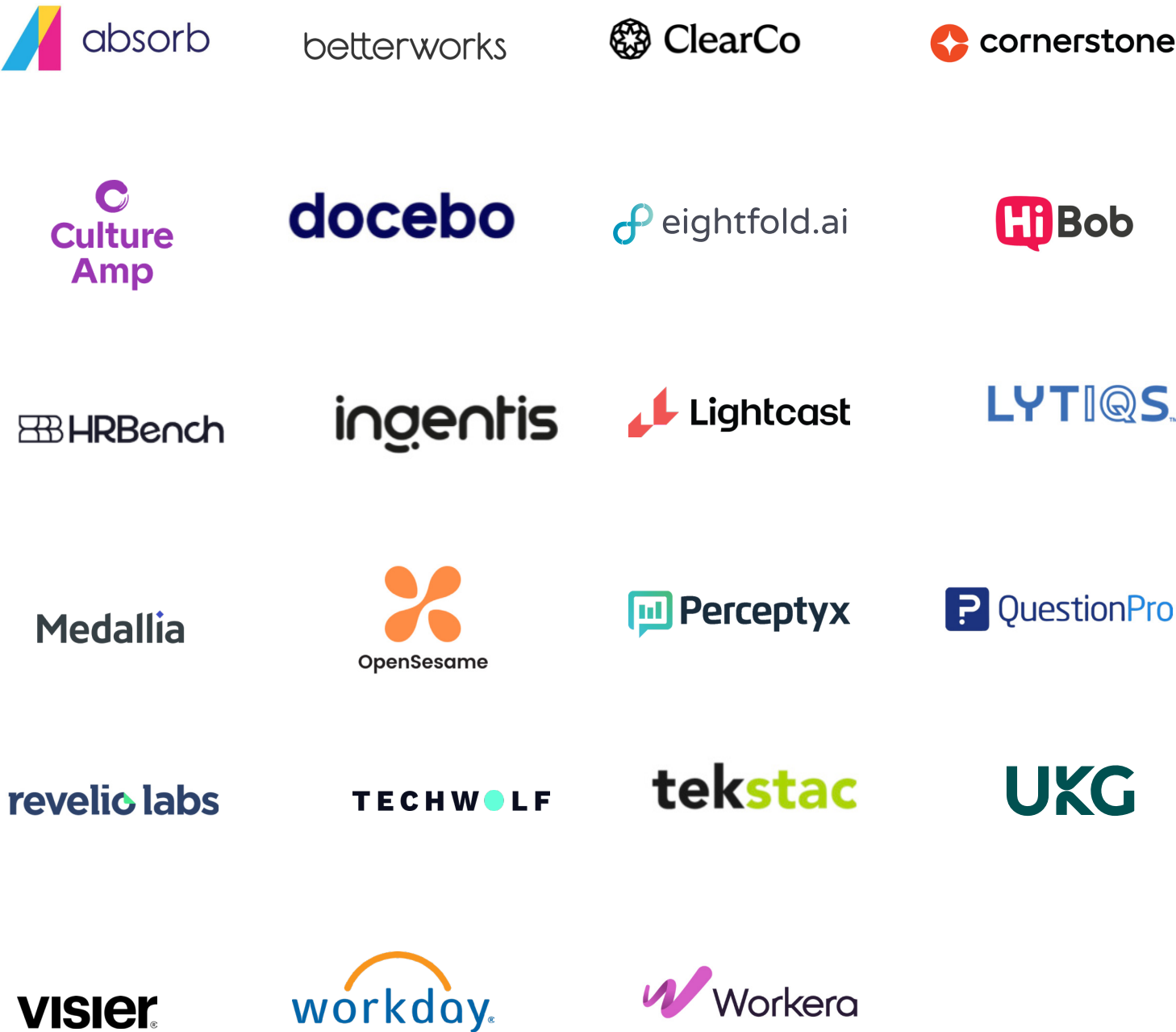


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TL;DR



Growth is moderating, and the market is diversifying. The People Analytics Technology (PAT) market grew to an estimated \$12.2 billion in 2025, up from \$9.7 billion in 2024, with a 26% growth rate. It is entering a moderate growth phase after a period of rapid expansion during the COVID years and a slowdown over the past 2 years. Healthcare and manufacturing are emerging as the next customer sectors.



Vendors are doubling down on action-enablement for leaders. Ninety-one percent of vendors said they help leaders act on insights. Over 70% help build narratives for executives and connect people metrics to business KPIs to drive action. The focus on action-enablement for leaders is in step with the user that most vendors say they are serving. Almost all vendors said executive leadership is their primary user. Vendors are using nudges to surface recommended actions and embedding recommendations directly into executive reporting.



PAT contracts look fundamentally different now than they did 2 years ago.

In a likely effort to drive greater revenue, the majority of vendors no longer include consulting and implementation services in their subscriptions in 2026, a rise of more than 30 points since 2024. Another way PAT contracts are changing is the addition of AI agents as a new cost layer, with most vendors charging extra for them on top of the product subscription.



M&A rebounded after 4 years and is concentrated in HCM. The M&A rate quadrupled from 9% in 2024 to 36% in 2025, indicating a market that is slowing and experiencing competitive pressure. The activity was concentrated in one vendor category, with 86% of HCM/HRIS/TM vendors undergoing M&A in 2025, reflecting a pattern of platforms acquiring capabilities to add to their offerings rather than buying out competitors.



Everyone has AI, but few have moved beyond assist-mode. Eighty-nine percent of vendors use both traditional machine learning (ML) and Gen AI, up from 64% two years ago. When it comes to LLMs, most vendors have deployed them to help users get data and information rather than complete tasks autonomously. Seventy percent of vendors said they built new copilots for 2026, and 60% of PAT vendors provide agentic AI that automates simple tasks or parts of workflows. Only 16% of vendors said they have built agents that automate complex workflows or function as digital workers.



Vendors are getting their own ethics house in order; customers are on their own. Ninety-four percent of vendors

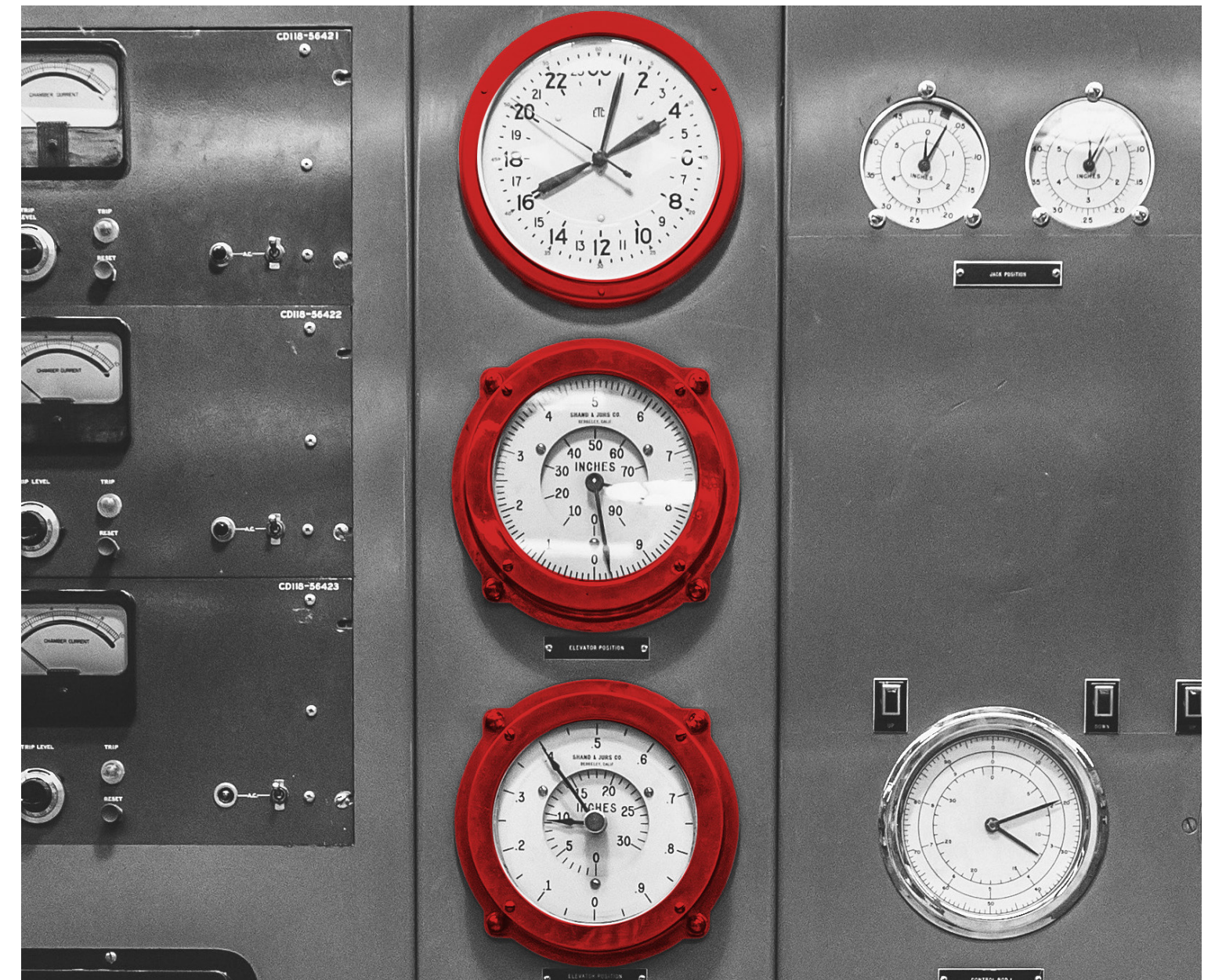
now have an internal code of conduct, up from 79% last year, and almost 80% provide employee training, up from 67% in 2025, suggesting that vendors are taking their internal ethics more seriously. At the same time, only 26% said they offer customer education on data ethics, down from 62% in 2024, an area that saw the sharpest decline in our study.

Introduction

Technology markets reach a transition point once they exit their fast-growth phase. Competition crowds the space as new vendors enter. Investors push harder for ROI. Sales cycles slow down. The pressure to differentiate and capture market share intensifies, even as vendors work to reduce expenses and optimize processes. This is the stage that the PAT market has found itself in over the past few years. Having exited the fast-growth phase, the PAT market is no longer a rising tide that lifts all vendors.

But maturity pressures are only part of the story. Vendors are also facing pressure on multiple new fronts simultaneously. Companies are scrutinizing budgets amid current economic uncertainty and, in some cases, pulling back on investments and consolidating their technology stacks. Some organizations are looking to potentially reduce their HR headcount and questioning the role of the people analytics function or whether they need one at all. The pressure is reflected in the moderate growth the market experienced in 2025 and the decline in vendor confidence in the market (the percentage of those expecting >31% revenue growth declined from 56% in 2022 to 37% in 2026).

Vendors are responding to these old and new pressures in ways they have not before.



One, they are focusing on the executives and the board. Almost all vendors said they help leaders act on the insights their solutions deliver, while over 70% help build narratives for executives and the board. Ninety-eight percent of vendors said executive leadership is their primary user, while 43% chose finance. HR tech budget decisions increasingly involve non-HR leaders such as CTOs, CIOs, and CFOs, and PAT vendors are making their platform more useful to them.

Two, vendors are changing their subscription models. The speed with which PAT vendors are unbundling services from product subscriptions has been unmatched in previous years. Vendors are looking to drive greater revenue by charging for services that customers have typically come to expect as part of their subscription. Vendors are also charging for AI capabilities as an additional cost or including it in updated subscription pricing.

Three, vendors are expanding their offerings by acquiring capabilities from other vendors. M&A activity quadrupled in 2025 compared to 2024, after being in a consistent decline in the last 4 years. The pattern is for larger, more mature platforms to acquire smaller vendors to quickly add capabilities they lack, rather than spend time building them in-house.

Buyers are facing a market that looks considerably different from a few years ago, and for vendors, the competitive landscape has shifted just as much. Figure 1 lists all the vendor solutions (163) we identified in the market for 2026. Of these, 47 solutions participated in our survey and are the basis for the findings that follow. Whether you are evaluating a new platform, renegotiating an existing contract, or rethinking your go-to-market strategy, our goal in sharing these findings is to help you make more informed decisions about where this market is headed.



We identified a total of 163 vendor solutions in the PAT market in 2026



Source: RedThread Research, 2026

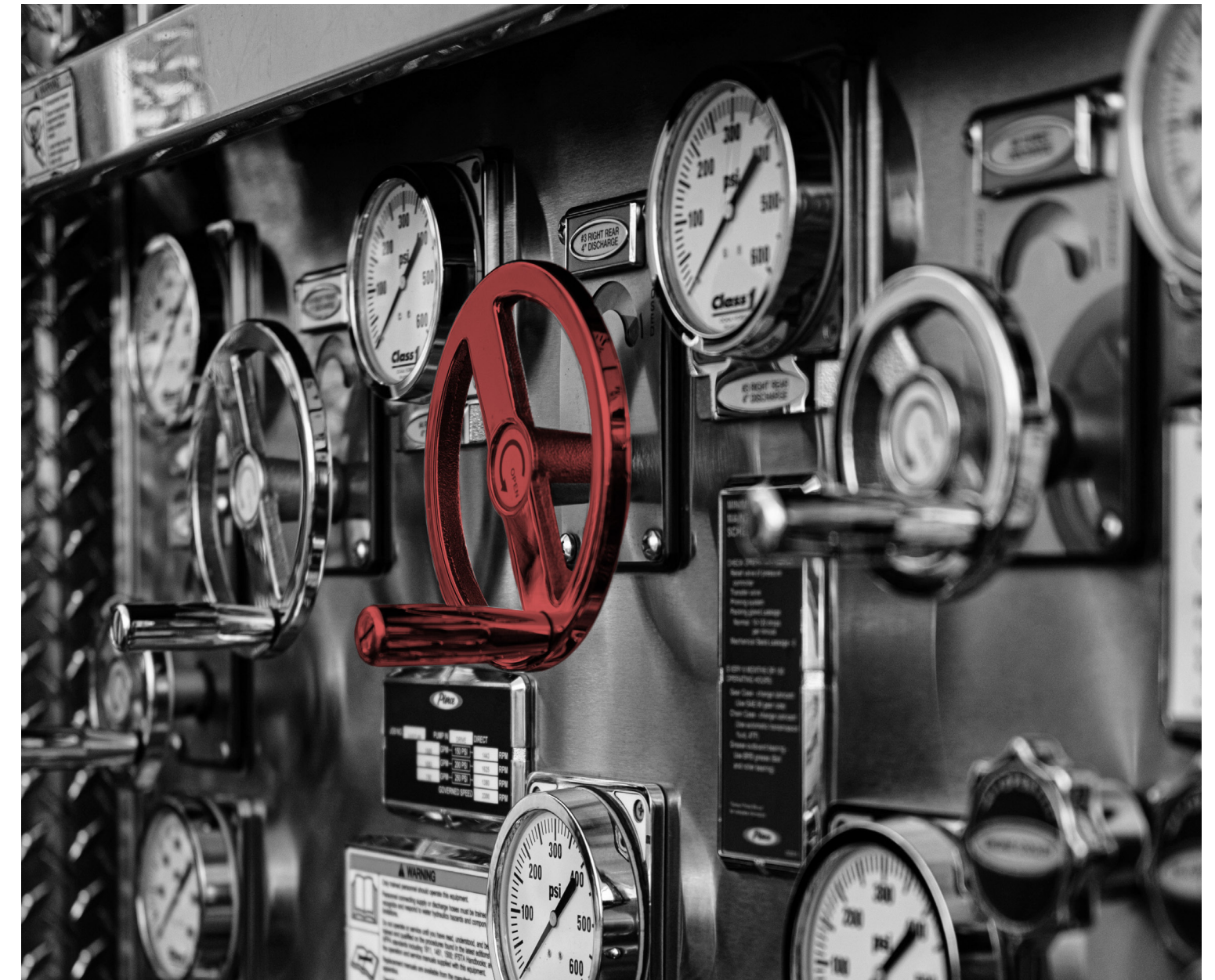
Figure 1: PAT vendors in the market; n = 163

The PAT Market at a Glance

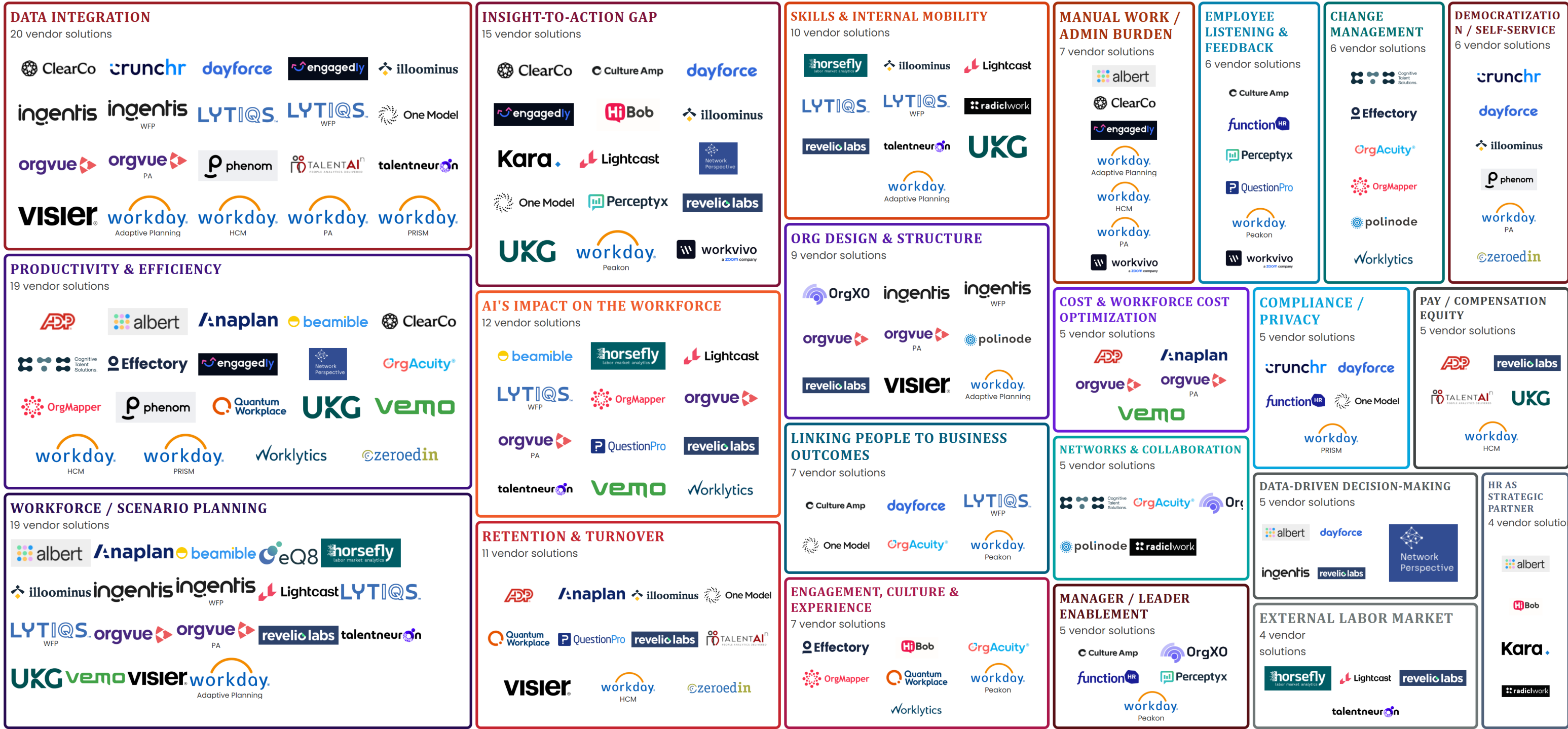
While Figure 1 shows the different vendor categories in the market, we also provide another way to think about the PAT solutions that participated in our study, which is based on the areas they focus on.

Figure 2, on the next page, shows the 2026 PAT market based on the top problems vendors told us their solutions help customers solve. Each tile represents a problem theme. The tile's size reflects the number of solutions that vendors said help customers solve that problem. We chose this view because the problems vendors solve for their customers offer a clear signal of:

- ➔ **Where competition is concentrated.** The biggest tiles show where the most solutions are clustered. These are the problems with the most vendor competition.
- ➔ **Where buyer choice is widest.** The biggest tiles are also the problem areas where buyers have the widest choice of vendors.
- ➔ **Where the market has room to grow.** The smaller tiles show where fewer vendors are focused. A small tile can signal a niche problem, one that's hard to solve, or one that's undersold. It could also mean that, while many vendors might be addressing it, it is not among their top customer problems. For buyers, small tiles are worth a second look. They can signal either a gap to plan around or the need to work with a specialist. For vendors, small tiles can signal an opportunity to differentiate.



Data integration, productivity and efficiency, and workforce planning are the top problem areas vendors told us their solutions help customers with. Each tile represents a problem theme. The themes reflect self-reported strategic focus, not full solution scope.



Source: RedThread Research, 2026

Figure 2: PAT vendor solutions categorized by the problems they help customers solve; n = 47

A few findings stand out from the graphic:

- ➔ **Most vendors are focused on helping customers with issues around data integration, productivity and efficiency.** The emphasis on data integration suggests two things. One, buyers have a wide range of vendor options to address their data integration challenges. Two, seeing this area as a top problem in a market this mature tells us that vendors and customers are yet to solve the challenges around bringing disparate data together, which is foundational to people analytics. It may also suggest that disparate data integration is getting more important as companies use AI-driven solutions that surface insights and recommendations.

An equal number of vendor solutions help customers improve productivity and efficiency, both for the broader workforce and HR, as a primary area of focus. As shown in the graphic, no vendor category dominates in this area. Vendors shared how they help customers with organizational agility, understanding pain points across roles, identifying productivity leaks, and removing workflow blockers. When it comes to improving HR productivity, vendors refer to automating and streamlining manual processes and workflows.

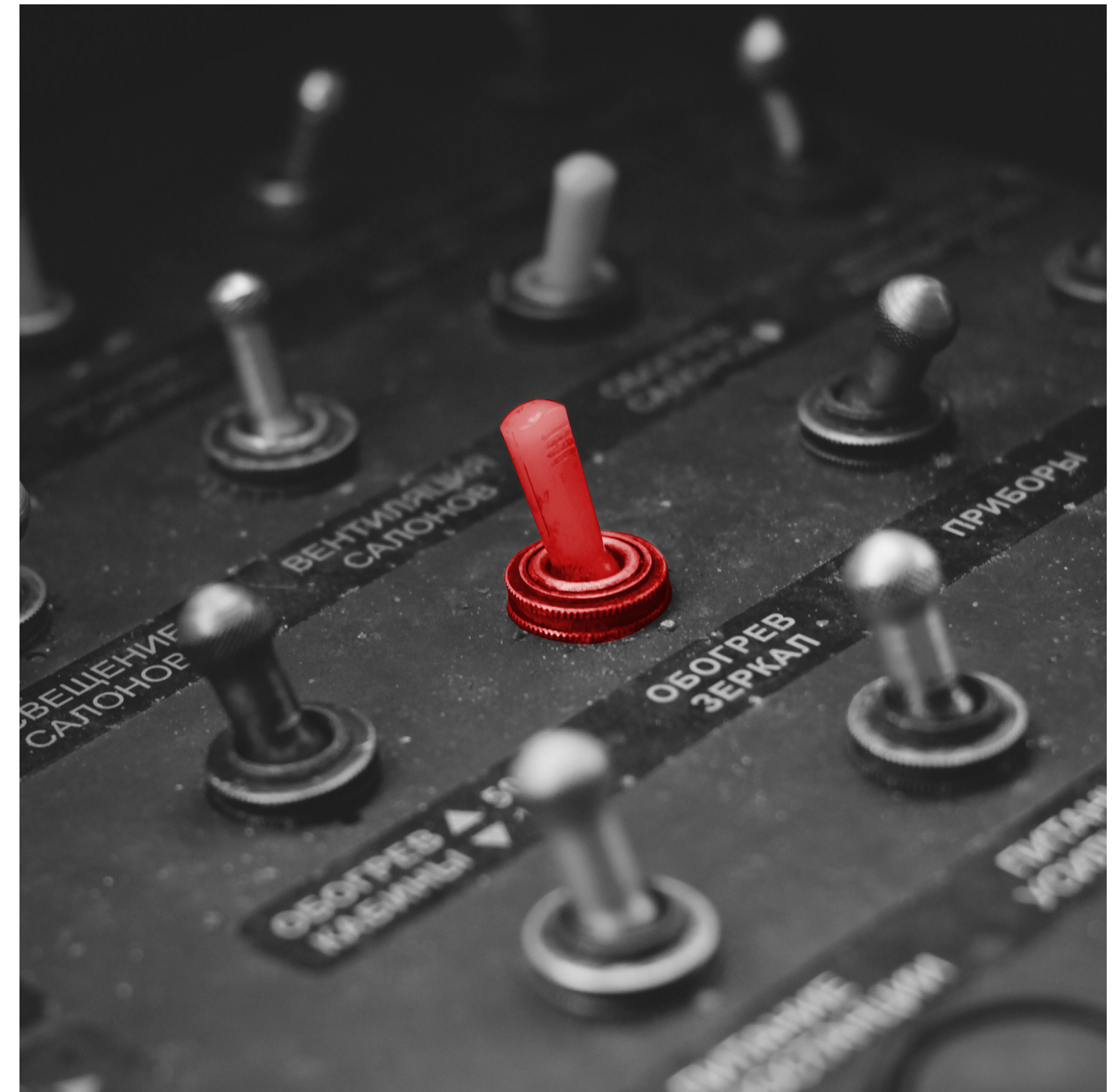
- ➔ **Most vendor solutions target multiple problem areas.** While data integration and productivity were the top listed problem areas, a similar number of vendor solutions also target the other areas. Most of them also help close the insight-to-action gap and quantify AI's impact on the workforce.



➔ **Few vendors explicitly mentioned helping customers turn HR into a strategic partner or addressing pay and compensation equity.**

A handful of vendors explicitly mentioned helping HR gain a stronger voice, enabling data-driven decision-making, and making it more forward-thinking as among their top priorities. While these are likely the intended results of their efforts in other areas, the finding is informative about the vendors' go-to-market strategies and target buyers.

Similarly, only 5 vendors explicitly called out pay, compensation, and benefits equity as top areas of focus. Using workforce pay data and analytics to address pay disparities is a critical piece of a company's overall pay and compensation strategy. The lack of vendor emphasis in this area might have to do more with the support customers need in this area than vendors' willingness to focus on it, as companies often have their processes set up via dedicated comp and benefits teams or through consultancies.



Finding 1: Growth is Moderating, and the PAT Market is Diversifying

Key Takeaway: The PAT market growth rate is entering a moderate phase after a period of rapid expansion during the COVID years. The market size grew to an estimated \$12.2 billion, with a 26% YOY growth rate, down from 50% in 2022. Vendors expect a moderate growth rate in 2026. The percentage of those with moderate growth rate expectations grew from 3% in 2022 to 17% in 2026, while those expecting >31% growth declined from 56% (2022) to 37% (2026), suggesting a more mature market than before.

We estimate the PAT market size for 2025 to be about \$12.2 billion, up from \$9.68 billion in 2024 (Figure 3). The market grew by 26%, compared to 23% in 2024. While the market grew in absolute terms, the growth rate is still much lower than it was 2 years ago. The initial years of the market saw high growth, but the current numbers reflect a trend more typical of a mature market.

We estimated the PAT market size to be \$12.2 billion at the end of 2025

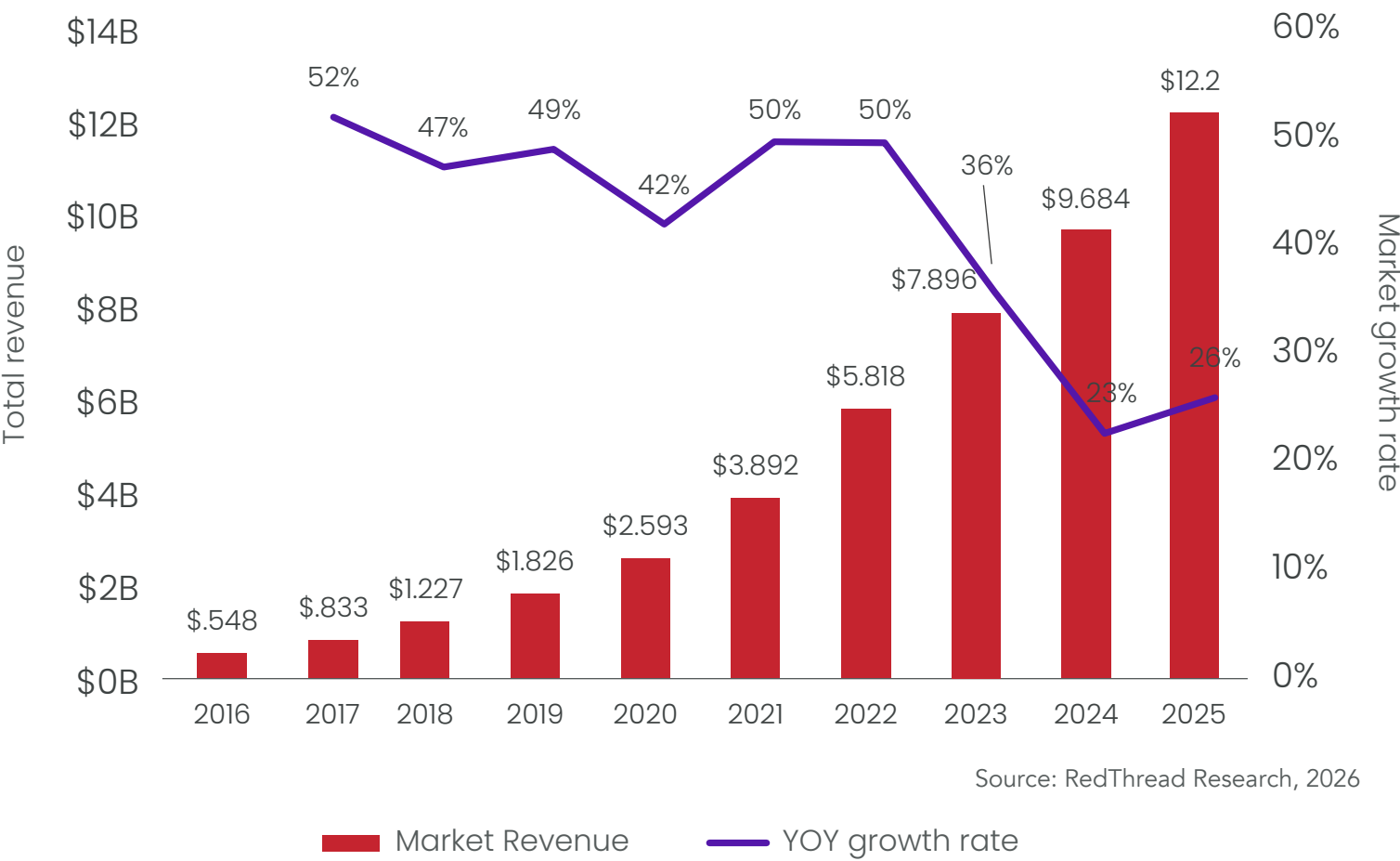


Figure 3: Estimated PAT market size and growth rate, 2016–2025; n = 47 | Note: Figures are rounded to three decimal places | Previous years’ numbers were updated with final revenue numbers provided by vendors

Vendors’ growth expectations reflect the same shift towards moderation. Fewer vendors are expecting rapid growth, and more are settling into steady, single-digit growth. Over the past 5 years, the share of vendors expecting high growth (>31%) has declined from 56% (2022) to 37% (2026) (Figure 4). Over the same period, the share expecting only 1-10% growth climbed from 3% to 17%.

At the same time, we are seeing market diversification. Financial services remain the largest customer industry (51%), but healthcare and manufacturing are emerging as fast-growing sectors, signaling that vendors are finding traction outside their historical base. Likely contributing factors to this trend include vendors’ efforts to meet their revenue goals and high levels of uncertainty and layoffs in knowledge work industries. Additionally, industries such as healthcare tend to be slower adopters of new technology than the knowledge industry.

“In 2026, we anticipate moderate revenue growth as we continue to evolve our go-to-market strategy and ideal customer profile. We are intentionally shifting upmarket, prioritizing mid-market and enterprise organizations over SMB segments. As part of this transition, we are experiencing some contraction from smaller customers who are not renewing, which is impacting net revenue growth in the near term.”

— An employee network and communications solution provider

Fewer vendors expect a growth rate of over 31% in 2026 compared to 2022

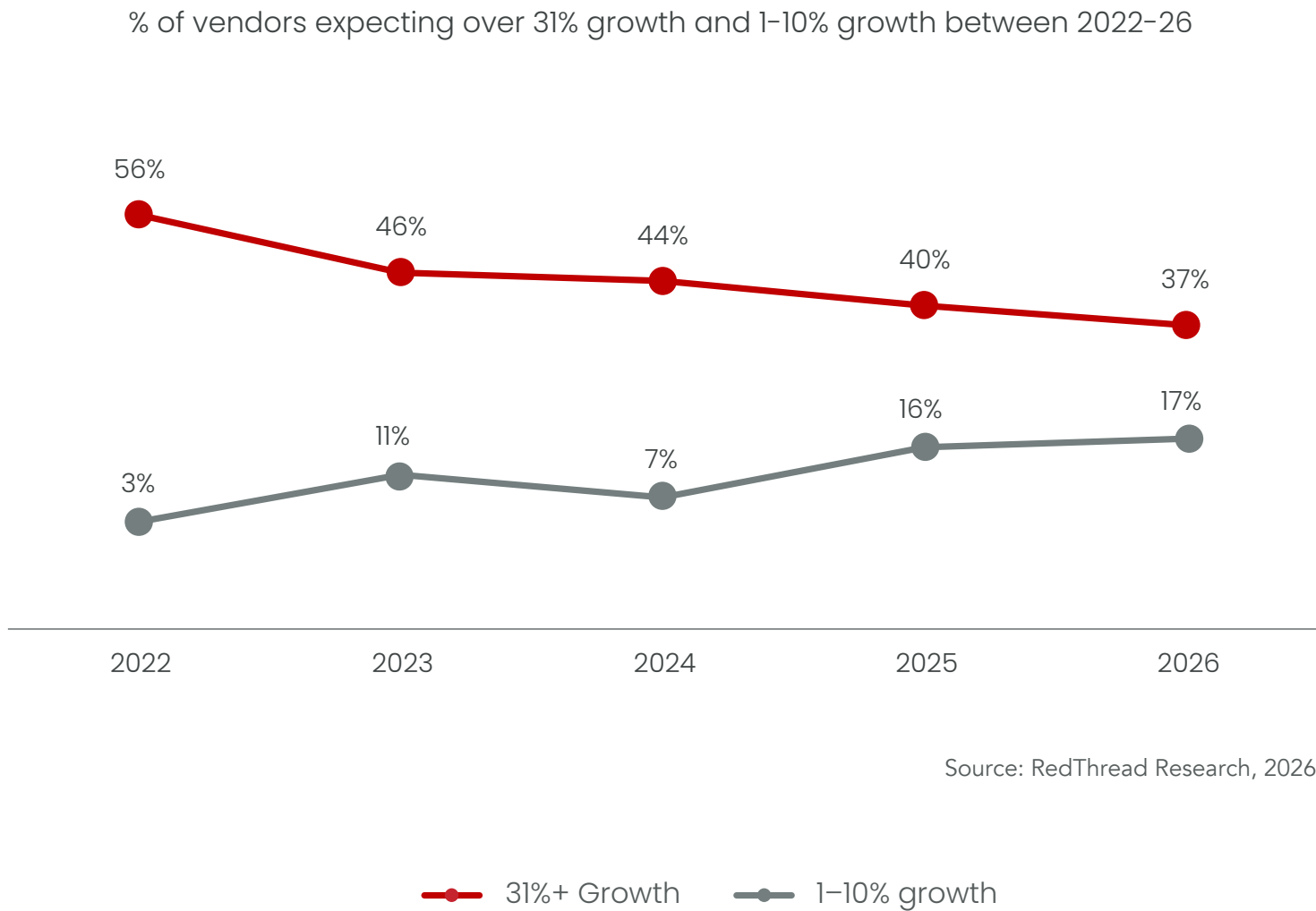


Figure 4: % of PAT vendors that said they expect >31% growth and 1-10% growth, 2022 – 2026; n = 47

Market Growth: Implications

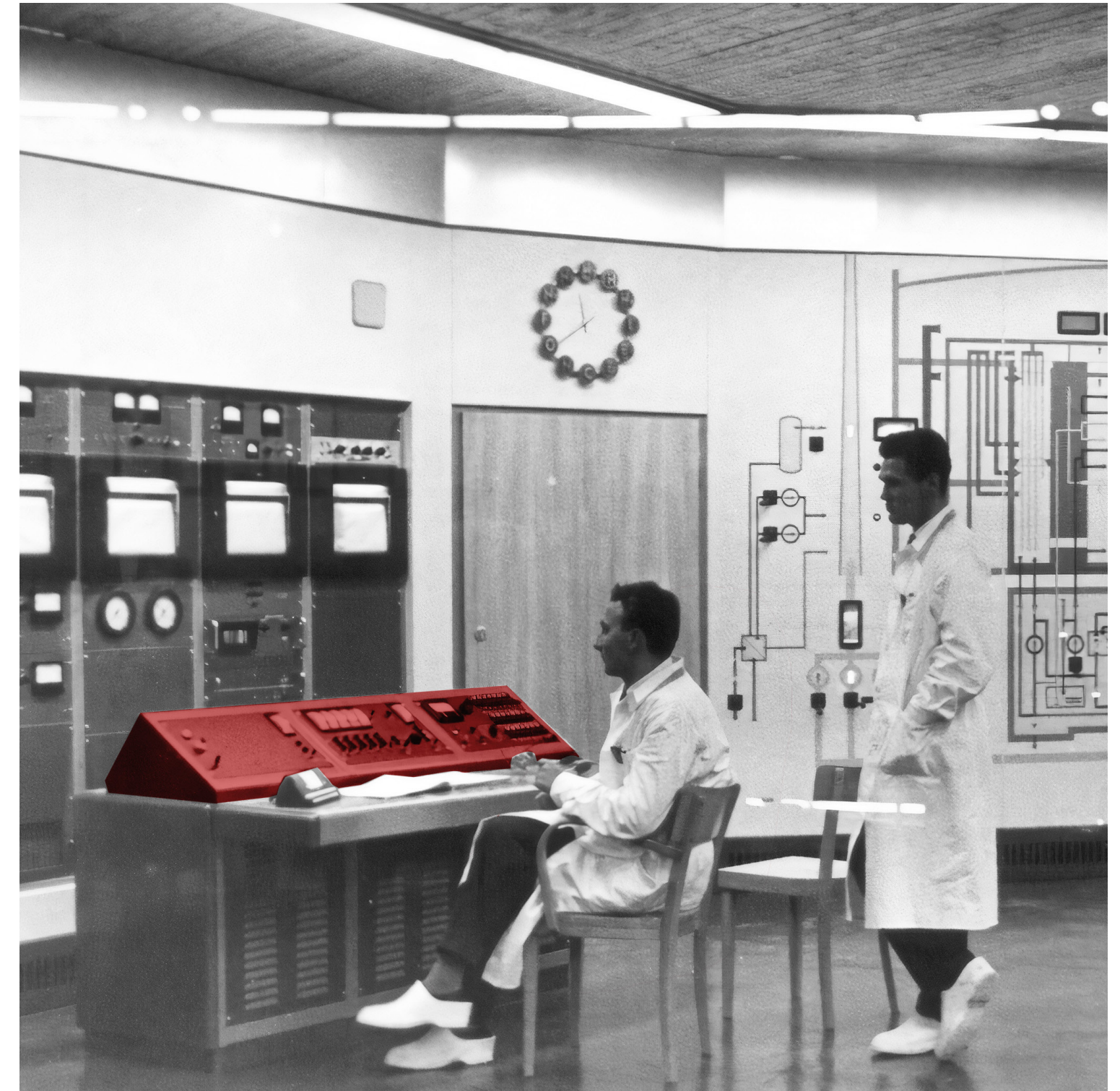
We think these findings are likely to have the following implications for PAT buyers and vendors.

For PAT Buyers

A maturing market can mean more tested and proven products. It can also mean tighter R&D budgets, especially for areas that may not be a priority for the vendor, especially beyond AI. As buyers, don't expect the same pace of innovation for all parts of the product. Buyers in fast-growing customer industries may find more tailored and targeted offerings.

Questions to ask your vendor

- ➔ What industry-specific capabilities have you built in the last 12 months, and how many customers in our industry are currently live?
- ➔ What does your product roadmap for the next 12 months look like? What non-AI capabilities are you planning to invest in?
- ➔ How are you really differentiating yourself from your competitors when it comes to product and service? Can you share 1-2 customer examples where your differentiators won you their contracts?



For PAT Vendors

A maturing market and a broader user base change what it takes to win and keep customers. As the market phased out of its high-growth period, vendors have become more deliberate in their choices about which industries, users, and problems to focus on. Vendors who try to serve everyone equally may find themselves out-positioned by those who find their customer fit and commit to it.

Questions to ask yourself

➔

Have you adapted your go-to-market strategy for industries where you are starting to see greater growth than before?

➔

In a slower-growth market, do you have a sense of what your growth drivers might be?

➔

Are you building for the multi-stakeholder reality, or still optimizing for the HR user?



Finding 2: Vendors Are Doubling Down on Action-Enablement for Leaders

Key Takeaway: 91% of vendors said they help leaders act on the insights their solutions deliver, while 77% help build narratives for executives and 72% connect people metrics to business KPIs. Vendors are helping users drive value from their solutions by providing them the information and support they need to take action.

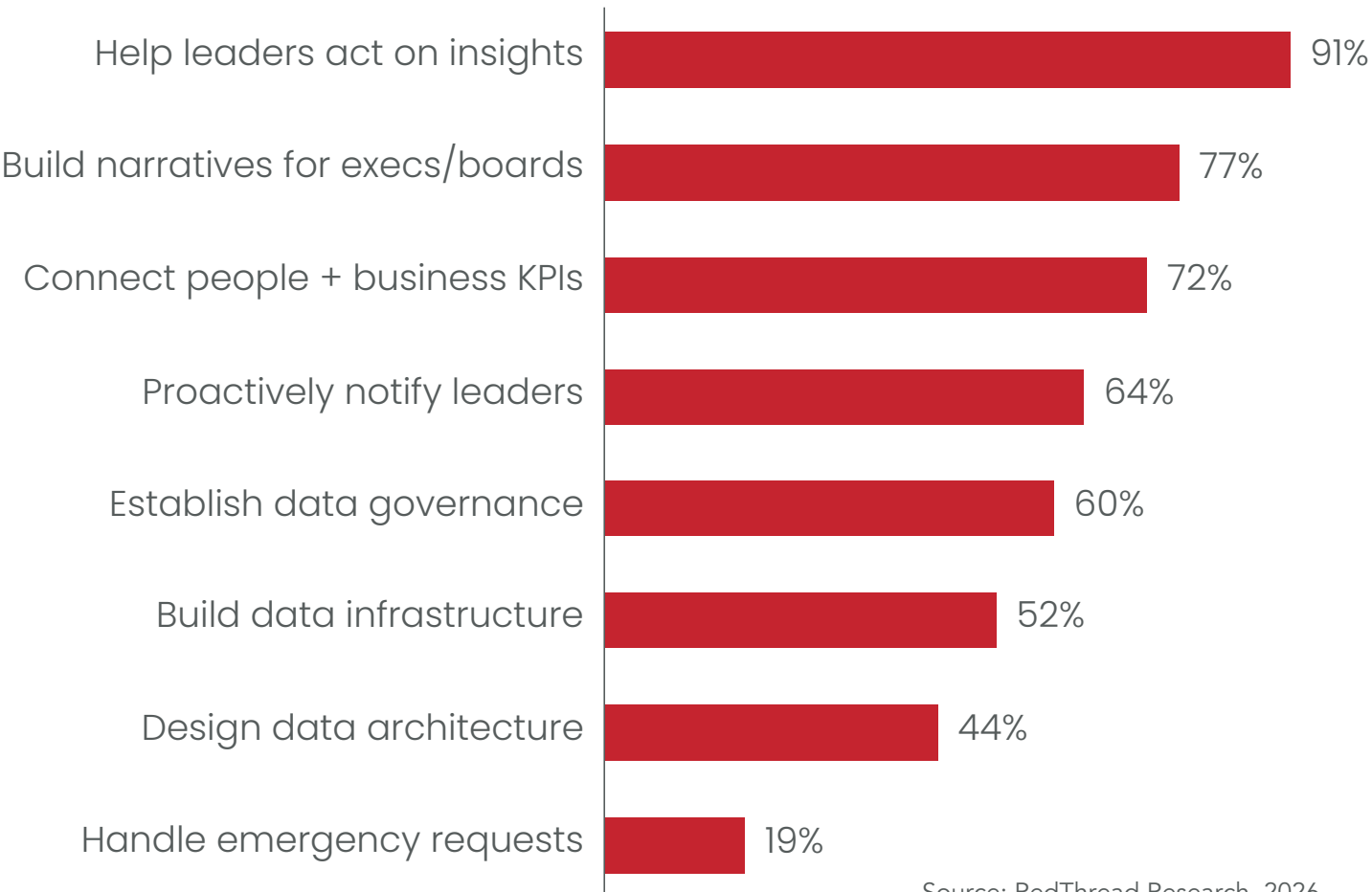
In 2026, vendors are focusing on helping leaders drive actions. Almost all vendors said they partner with their customers to help leaders act on the insights their solutions deliver, while 77% said they help build narratives for executives and boards (Figure 5). Over 70% said they help connect people metrics to business KPIs, such as revenue and profit per employee, which are more likely to catch the C-suite’s attention and drive action.

Our past data indicate the progress vendors have made in this area. In 2022, only about 45% of vendors reported offering core functionality to suggest personalized actions to leaders and prioritize them. We framed the question differently, and so it isn’t a direct comparison, but the directional shift is clear.

“Many companies struggle to see how engagement affects the bottom line. We help solve this by linking engagement metrics to business KPIs such as retention, productivity, and Glassdoor ratings. This allows executives to understand exactly how employee experience is driving or hindering organizational performance.”

— An employee voice solution provider

Almost all vendors said they partner with customers to help leaders act on insights



Source: RedThread Research, 2026

Figure 5: % of vendors that partner with customers to help them do the listed items in 2026; n = 47

The near-unanimous attention to helping leaders act on insights makes sense given that the executive leadership is the primary user for almost all the vendors. In 2026, 98% of vendors said executive leadership is a primary user, the same as HR leaders (Figure 6). In contrast, only 42% said they serve business and C-suite leaders to a significant or very great extent in 2022. Additionally, 79% said people managers, and 43% chose finance as their primary users in 2026. In 2022, the percentages of vendors listing them as significant users were 58% and 13%, respectively.

When the primary user is an executive, the question is not “what do the data say,” it is “what should we do about it.” If engagement is down and attrition is climbing, leaders want to know the next move.

Some of the ways vendors are enabling actions include nudges and agents that surface recommended actions in the tools customers already use (Slack, Teams, HRIS). For example, a global manufacturer used an employee voice solution to deliver AI-powered nudges to people managers, translating survey feedback into scalable, personalized action for them. Each manager received targeted behavioral prompts aligned with organizational focus areas, such as change management and career growth, based on their team’s specific survey results, rather than generic recommendations.

Vendors are also embedding recommendations directly into executive reporting and looking to AI to help enable action. Over 40% of them said they use Gen AI to make prescriptive recommendations and provide decision support, while a quarter use agentic AI.

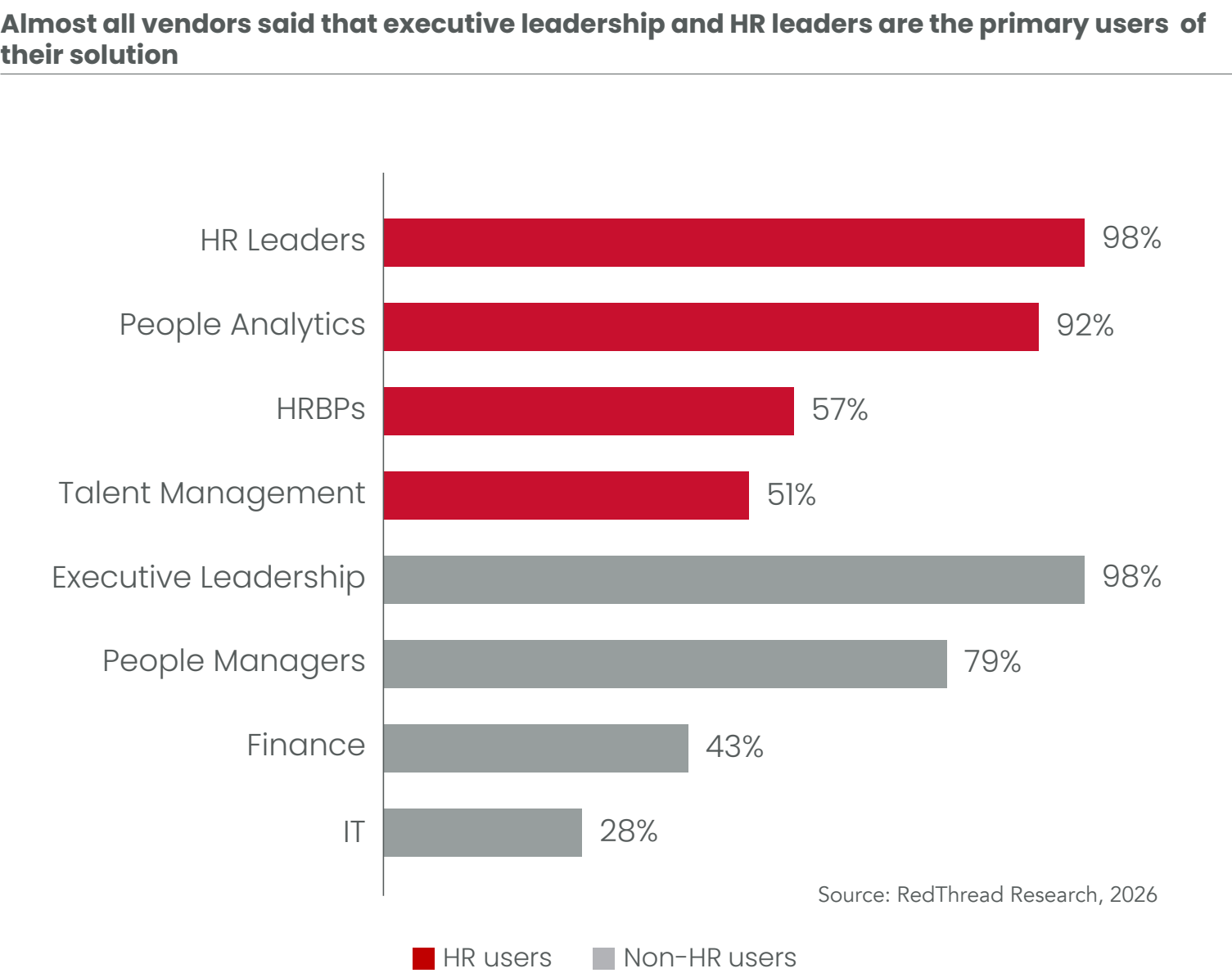


Figure 6: % of vendors who selected the listed users as the primary user for their solution; n = 47

Action-Enablement: Implications

We think these findings are likely to have the following implications for PAT buyers and vendors.

For PAT Buyers

As buyers, you will have to shift focus from evaluating vendors primarily on dashboards and analytics to testing solutions to see what happens once insights are surfaced. You should also examine who in your organization will use the solution day to day. Vendors are building for executives, but executives are not the ones making most people's decisions. A solution optimized for the executive view may surface compelling recommendations in a board deck but they may not work for those who need to carry out the actions.

Additionally, as more vendors use AI for recommendations and decision support, the questions of how those recommendations are generated and the governance and auditability of those recommendations become critical.

Questions to ask your vendor

- ➞ How do you measure whether an insight actually led to action, and can you show us examples of how customers track that?
- ➞ When your platform uses AI to recommend an action, can you explain how that recommendation was generated and what data it drew on?
- ➞ Beyond our executive team, how does your platform support the managers, HRBPs, and analysts who will actually carry out the actions your recommendations suggest?



For PAT Vendors

With almost all vendors now claiming to help leaders act on insights, it is no longer enough to surface a recommended action. Vendors who stop there, without tracking whether the action was taken, measuring what changed as a result, or connecting the change directly into the system that can do it, leave a significant part of the puzzle unsolved for customers.

Additionally, vendors who overindex on serving the executive at the expense of other users who do the work risk delivering recommendations that look good in a board deck but do not translate into the moments when action actually happens.

Questions to ask yourself

- ➔ To what extent do you measure whether your platform moves customers from insight to action, and can you show outcomes?
- ➔ Beyond the executive view, how does your platform support the managers, HRBPs, and analysts who carry out the actions your recommendations suggest?
- ➔ How are you tracking whether the actions your platform surfaces are being taken, and what is changing as a result?



Finding 3: PAT Contracts Look Fundamentally Different Than Two Years Ago

Key Takeaway: Customers seeking consulting and implementation services as part of product subscriptions will find fewer vendors offering them bundled with the technology in 2026 than before. Only about one-third of them offer implementation services, while less than a quarter include consulting as part of the subscription. Additionally, AI agents are showing up as a new budget line item for customers.

A PAT contract signed today is structurally different from one signed in 2024. Two years ago, more than half of vendors (53%) included consulting, and more than two-thirds (69%) included implementation as part of their technology subscriptions (Figure 7). Today, those are separate line items in most vendors’ contracts.

The unbundling happened quickly, with an average 20-point drop in both service types over the last 12 months. A large majority of vendors have repriced their products over the last 2 years. Almost 90% of vendors told us they made some level of changes to their pricing model in 2026, compared to 58% in 2024.

“The most important change was evolving our sales and pricing model. We made our pricing more modular, breaking it into smaller components so organizations can access the services that best fit their needs.”

— An employee network and communications solution provider

The majority of PAT vendors no longer include consulting and implementation services as part of their subscription in 2026

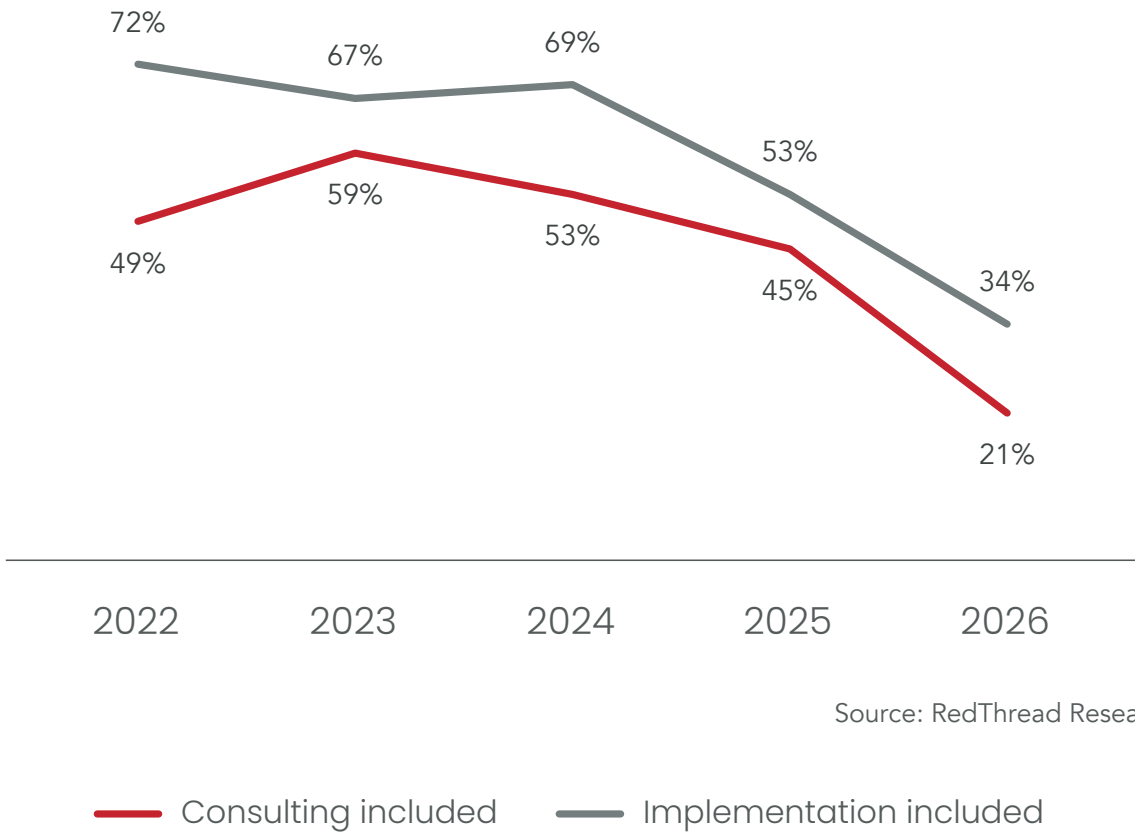


Figure 7: % of PAT vendors that offer consulting and implementation services as part of their subscription , 2022-2026; n = 47

Vendors see unbundling as a way to make it easier for customers to buy exactly what they need and to lower the entry barrier for first-time PAT buyers. We see it as a way to meet revenue goals by layering additional pricing on services customers have become accustomed to.

Another way PAT contracts are changing is the addition of a new cost line item for AI agents. In 2026, for the first time, we asked vendors who have developed AI agents about the pricing models for those agents. We found that there is no universal approach. Instead, pricing is fragmented (Figure 8): 40% charge per seat, 26% by data volume, and 17% by compute or token consumption. About 15% of vendors currently include AI agents as part of their subscription, but we believe this is a short-term offering to drive adoption or is being offered by vendors who have already updated their pricing model to account for the costs.

“Our acquisition of [a consulting firm] expands our ability to support customers with consulting and advisory services around skills-based transformation, an area seeing significant demand as organizations look for practical guidance on implementing skills-based hiring, workforce planning, and talent development strategies. Together, these factors are driving increased adoption of our data, technology, and consulting capabilities across employers, governments, and education institutions.”

— A labor market intelligence solution provider

There is no universal approach among vendors when it comes to charging customers for their AI agents

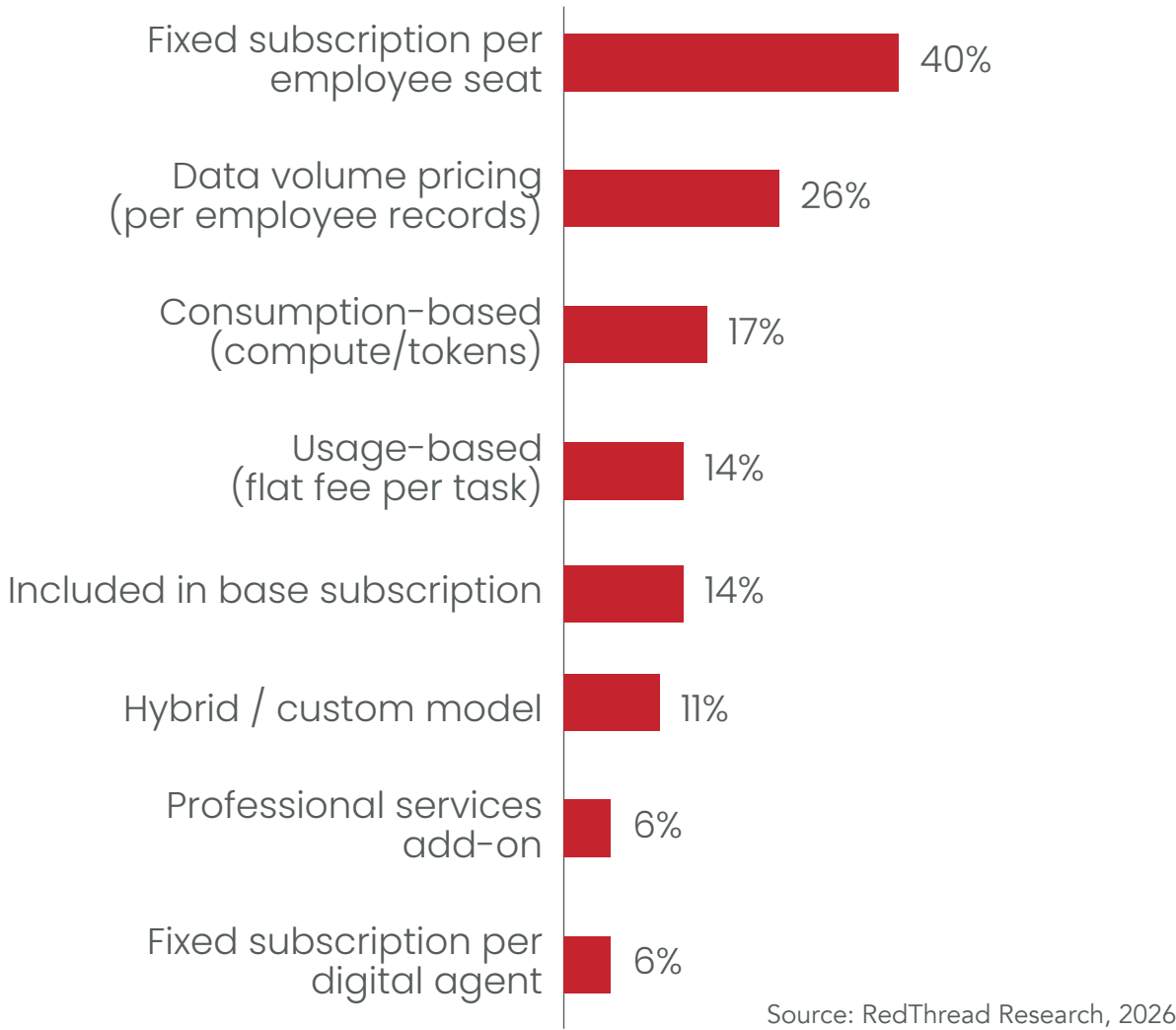


Figure 8: % of PAT vendors with AI agents and their pricing approach; n = 35

Changes in Contracts: Implications

We think these findings are likely to have the following implications for PAT buyers and vendors.

For PAT Buyers

While it is true that with services unbundled, you have more flexibility to buy what you need, however, the subscription price is no longer a reliable indicator of what you will actually spend.

As vendors update their pricing models and add new categories and line items, think about who else should be included in the purchasing process. For example, as companies purchase tools with AI agents with the hope of enabling information flow between them, IT, procurement, and HR compliance should be increasingly involved in the purchasing process.

Questions to ask your vendor

➔

What is the total estimated cost for the first 24 months, including implementation, consulting, training, and AI agent access?

➔

Which services are in the base subscription, and which require additional purchase?

➔

If AI agents are offered, what is the pricing model, and are there usage caps? Do you plan to change these in the near future?



For PAT Vendors

Unbundling can improve margins and potentially offer customers greater flexibility. However, our 2024 study found that customer support was a strong predictor of renewal, and that if the services gap leads to worse implementation experiences, margin gains could be offset by higher customer churn.

Those that have adopted the per-seat pricing model for their AI capabilities might want to rethink their approach, as companies increasingly take stock of their AI investments and seek ROI. The model will also face constraints as layoffs continue to affect certain industries and the HR function shrinks in companies. Similarly, those looking at consumption-based pricing might want to consider how it might impact solution adoption and usage, especially among new and less mature customers who are budget-conscious.

Questions to ask yourself

- ➔ Are you collecting evidence to find out the impact of service unbundling on customer experience?
- ➔ Do your potential customers have a clear understanding of the services included in the subscription and those provided by partners before the contract is signed?
- ➔ Is your AI pricing clear enough that a buyer can predict annual spend before signing?

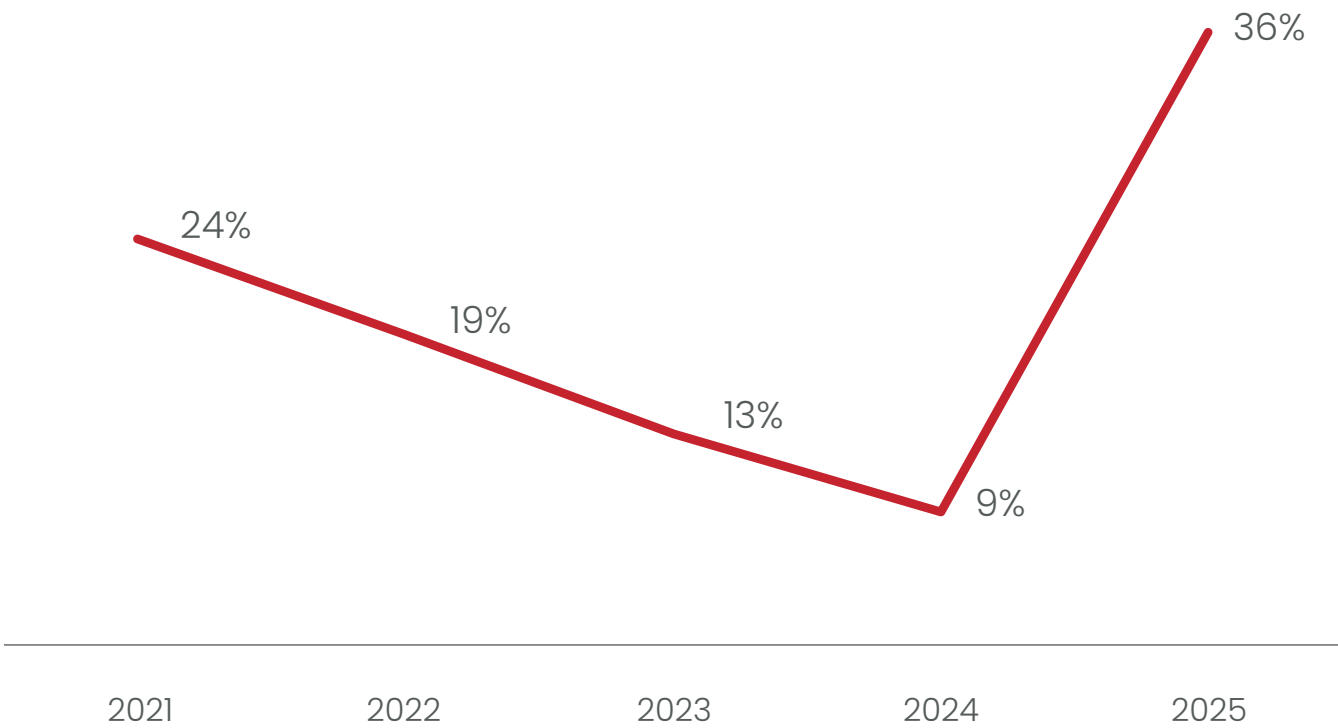


Finding 4: M&A Activity Rebounds After 4 Years as Platforms Buy Capabilities (Not Competitors)

Key Takeaway: 1 out of 3 vendors underwent M&A activity in 2025, reflective of a market in transition. The rate was highest among HCM vendors, at 86%, as these are the platforms with the cash, the integration bandwidth, and the strategic need to quickly fill capability gaps.

After 4 years of decline, the M&A rate in the PAT market quadrupled from 9% in 2024 to 36% in 2025 (Figure 9). A growing M&A trend often indicates a market in transition, driven by slow growth and competitive pressure. The current PAT market checks all these boxes. The market slowdown and the AI explosion are putting intense pressure on technology providers to meet revenue goals while incurring significant investments in new products and capabilities. All this is happening at a time when external investment in the market is historically low: only 11% of vendors received investment funding in 2025, compared to 48% in 2021. Additionally, they are likely feeling pressure from investors who poured money during the pre-COVID and COVID years and are looking for a return on their investments. Combined, these trends are potentially driving point solutions to get acquired.

The M&A rate in the PAT market quadrupled from 9% in 2024 to 36% in 2025



Source: RedThread Research, 2026

Figure 9: % of PAT vendors that underwent M&A activity, 2021-2025; n = 47

The trend wasn’t so much about acquiring competitors as about acquiring capabilities that would allow these vendors to scale and broaden their offerings, and was concentrated among the HCM/HRIS/TM vendors. The concentration makes sense as these are the platforms with the cash, the integration bandwidth, and the strategic need to quickly fill capability gaps. Eighty-six percent of HCM/HRIS/TM vendors (6 of 7) underwent M&A, compared to 36% of workforce planning and labor market intelligence vendors and 31% of multisource analysis platform vendors (Figure 10).

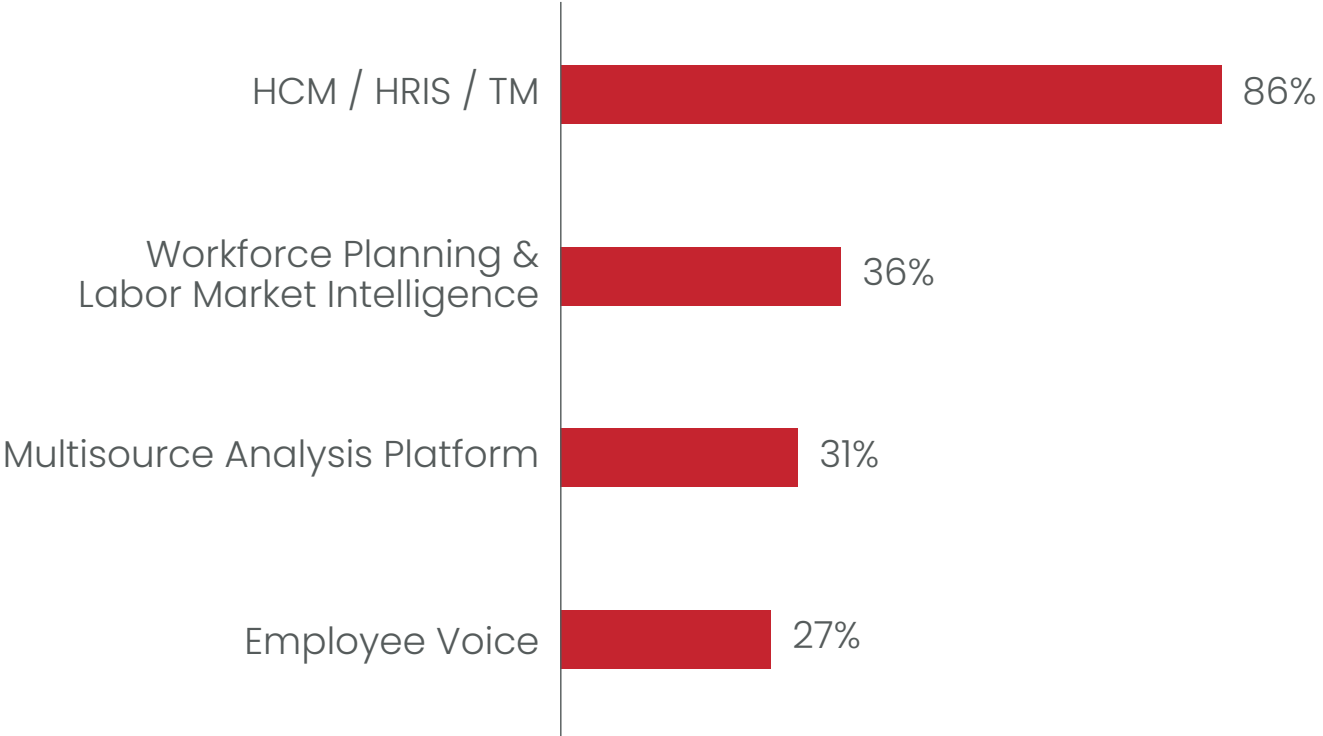
Some of the acquisitions among the PAT vendors include:

- ➔ Anaplan acquired [Syrup Tech](#), an AI-native planning platform
- ➔ Engagedly acquired [Butterfly.ai](#), a frontline engagement and analytics platform
- ➔ Phenom acquired [Included.AI](#), a multisource analysis platform
- ➔ Workday acquired [Flowise](#), an AI agent creation tool

“ Our acquisition of [vendor] materially expanded our global reach. With this data, we can now deliver worker insights across more than 165 countries, representing approximately 99 percent of global GDP.”

— A labor market intelligence solution provider

HCM / HRIS / TM vendors experienced the highest levels of M&A activity in 2025



Source: RedThread Research, 2026

Figure 10: % of PAT vendors that underwent M&A activity by category, 2021-2025; n = 47

Rise in M&A Activity: Implications

We think these findings are likely to have the following implications for PAT buyers and vendors.

For PAT Buyers

What used to be a standalone or point-solution purchase is increasingly becoming a module within a platform's suite. If you're buying a point solution today, you might want to have purchasing discussions around what it would mean for your team and analytics work if the solution gets acquired by your HCM.

Questions to ask your vendor

- ➔ Has your company changed ownership in the last 12 months? What changed about the product roadmap?
- ➔ What should we expect regarding feature continuity and pricing stability over the next 24 months?
- ➔ If recently acquired, what is the parent company's track record with acquired products?



For PAT Vendors

Point solutions will now have to compete with platform suites on depth. The trend could trigger buyers to think, “Why shouldn’t we just wait for this capability to show up inside our HCM suite, instead of adding another technology to our stack?”

For HCM/HRIS/TM platforms, the capability gaps you haven’t closed yet are now visible to every buyer and every competitor watching this space.

Questions to ask yourself

- ➔ Are you positioning for acquisition, independence, or both, and does your product and go-to-market strategy reflect that?
- ➔ Given your answer to the previous question, are you investing in the capabilities that make you harder to replicate, or the capabilities that make you easier to integrate?
- ➔ Do you have clarity on why buyers should invest in your technology today rather than wait for the capabilities to show up in their HCM?



Finding 5: Everyone Has AI, but Few Have Moved Beyond Assist-Mode

Key Takeaway: Eighty-nine percent of vendors use both traditional ML and Gen AI, up from 64% two years ago. When it comes to LLMs, most vendors have deployed them to help users get data and information rather than complete tasks autonomously. Seventy percent of vendors said they built new copilots for 2026, and 60% of PAT vendors provide agentic AI that automates simple tasks or parts of workflows. Only 16% of vendors said they have built agents that automate complex workflows or function as digital workers.

In two years, the percentage of vendors with both traditional ML and Gen AI went from 64% to 89% (Figure 11). Today, having AI is table stakes. The question now is: how is it enabling action and decision-making?

When we look at what vendors have actually built for customers using LLMs, the market has leaned heavily on AI assistants. Seventy percent of vendors said they built new copilots for 2026.

“Our investments have primarily focused on enhancing AI-supported decision support, including natural-language access to complex organizational data, automated pattern recognition, and data-driven recommendations for organizational scenarios.”

— A workforce planning solution provider

Almost all vendors have both traditional ML and Gen AI capabilities

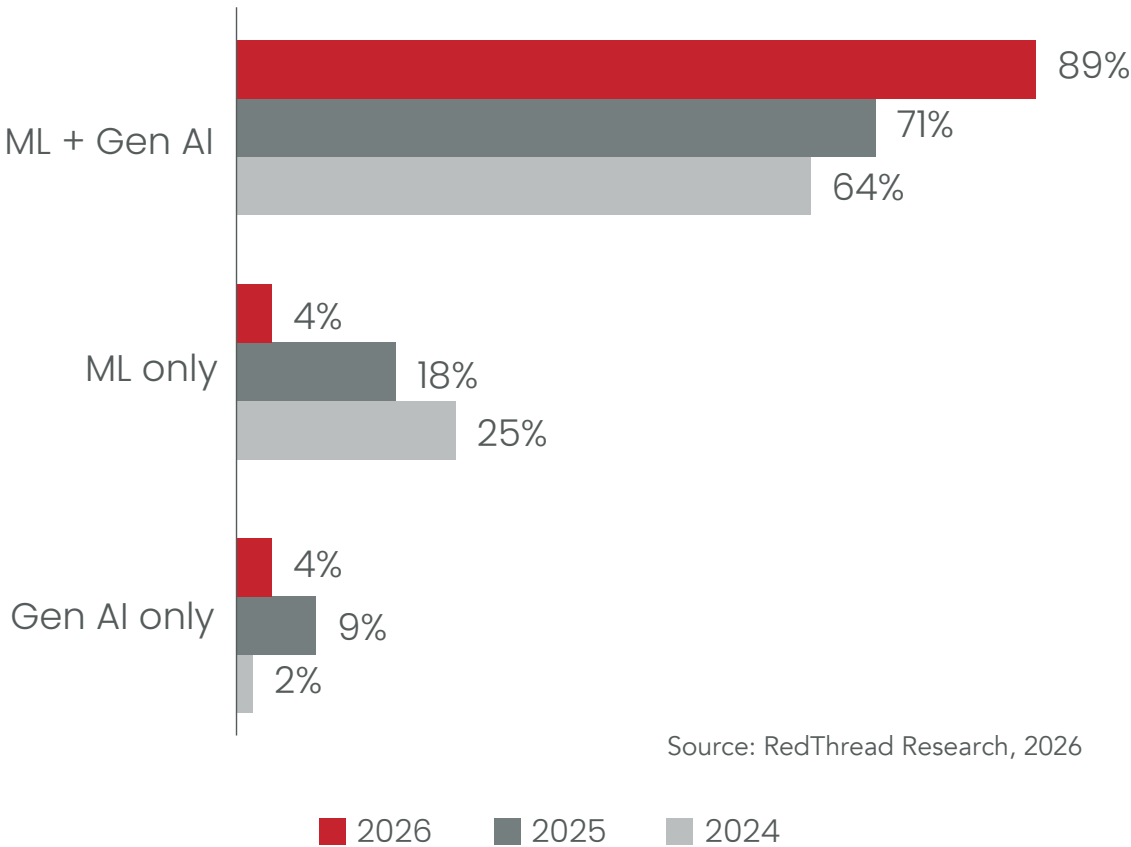
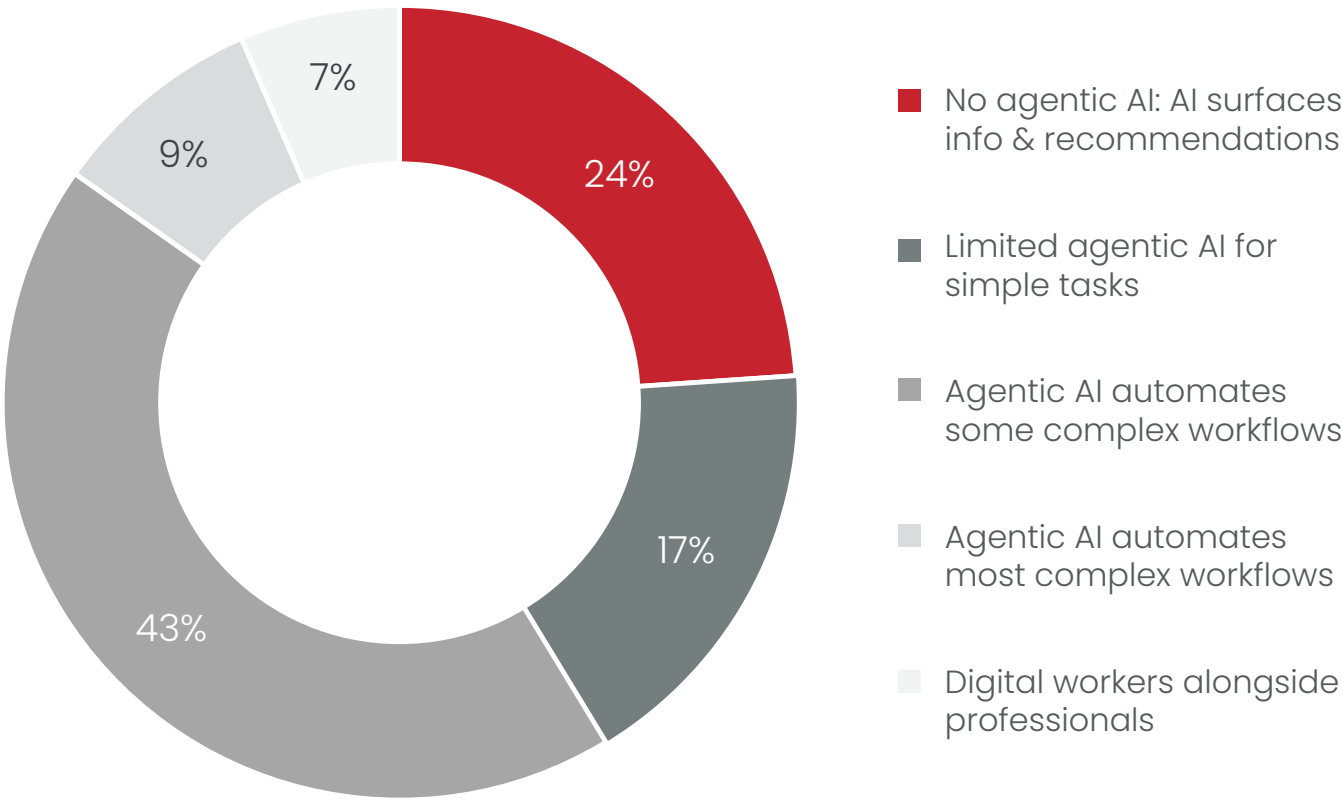


Figure 11: % of PAT vendors that have ML and/or Gen AI, 2024-2026; n = 47

When it comes to agentic AI, most vendors are at a moderate level of maturity. While about a quarter of the vendors said they do not offer agentic AI, 60% of vendors said their solution’s agentic AI capabilities can be used to complete simple tasks and automate parts of workflows (Figure 12). Most vendors are in “assist” mode, providing AI capabilities to help explore data and surface insights. True autonomous functionality remains rare, even as the language of agents becomes more universal.

Vendors are likely announcing AI capabilities to stay competitive, regardless of whether the underlying functionality is differentiating or mature. The current state of maturity may also reflect, in part, customer organizations’ limited ability to adopt and use the agents. Data privacy and security concerns, along with legal and compliance requirements, can make it difficult for companies to use these capabilities in their mature form, likely leading vendors to focus on capabilities that will actually drive solution adoption.

60% of PAT vendors provide agentic AI automating simple tasks or some parts of workflows



Source: RedThread Research, 2026

Figure 12: % of PAT vendors with the extent of their agentic AI capabilities; n = 47

Rise in AI Capabilities: Implications

We think these findings are likely to have the following implications for PAT buyers and vendors.

For PAT Buyers

Buyers of the technology need to become more discerning about the AI a vendor has, looking at the depth and evidence of real-world use. The word “agentic” is doing a lot of work in vendor marketing right now, and the gap between the top and the bottom of the spectrum is wide. Ask vendors to describe what their agentic AI actually does end-to-end, without a human in the loop, and how long it’s been doing it.

Questions to ask your vendor

➔

Is your AI a copilot (assists with queries) or an agent (takes autonomous action)? Be specific.

➔

What % of customers actively use the AI features, and what is the typical time to adoption?

➔

What guardrails are in place when AI acts autonomously on people data?



For PAT Vendors

The word “agentic” is being used widely. Vendors with genuinely autonomous capability will need to differentiate on specifics such as what the agent does, what it replaces, the guardrails in place, and evidence of production use.

Questions to ask yourself

- ➔ Can your sales team articulate the distinction between copilot and agent, and which workflows each supports?
- ➔ What is the actual customer adoption rate for AI features, and what are you doing to close the gap?
- ➔ When you say your solution has agentic AI, would an independent reviewer looking at the actual functionality agree with you, or would they call it assistive?



Finding 6: Vendors Are Getting Their Own Ethics House in Order; Customers Are on Their Own

Key Takeaway: Ninety-four percent of vendors now have an internal code of conduct, up from 79% last year, while almost 80% provide employee training, up from 67% in 2025, suggesting that vendors are taking their internal ethics approach more seriously. At the same time, only 26% said they offer customer education on data ethics, down from 62% in 2024, pulling back in an area where customers now need more support than ever before.

Vendors are building out their internal ethics infrastructure at a blistering pace. Nearly every vendor now has a code of conduct, and employee training and ethical frameworks are at their highest levels since 2024 (Figure 13). When it’s a question about how vendors are handling data ethics for themselves, the answer is: more seriously than ever.

When the question shifts to how vendors are helping customers handle it, the answer has changed.

Customer education on data ethics collapsed from 62% to 26% in two years, the steepest decline of any metric in the study. Vendor recommendations around data security and ethics to customers dropped from 87% to 74%. While some vendors are seeing their customers mature in this area and no longer need the same level of support, others are likely seeing it as an opportunity to cut expenses and divert resources into other areas of investment.

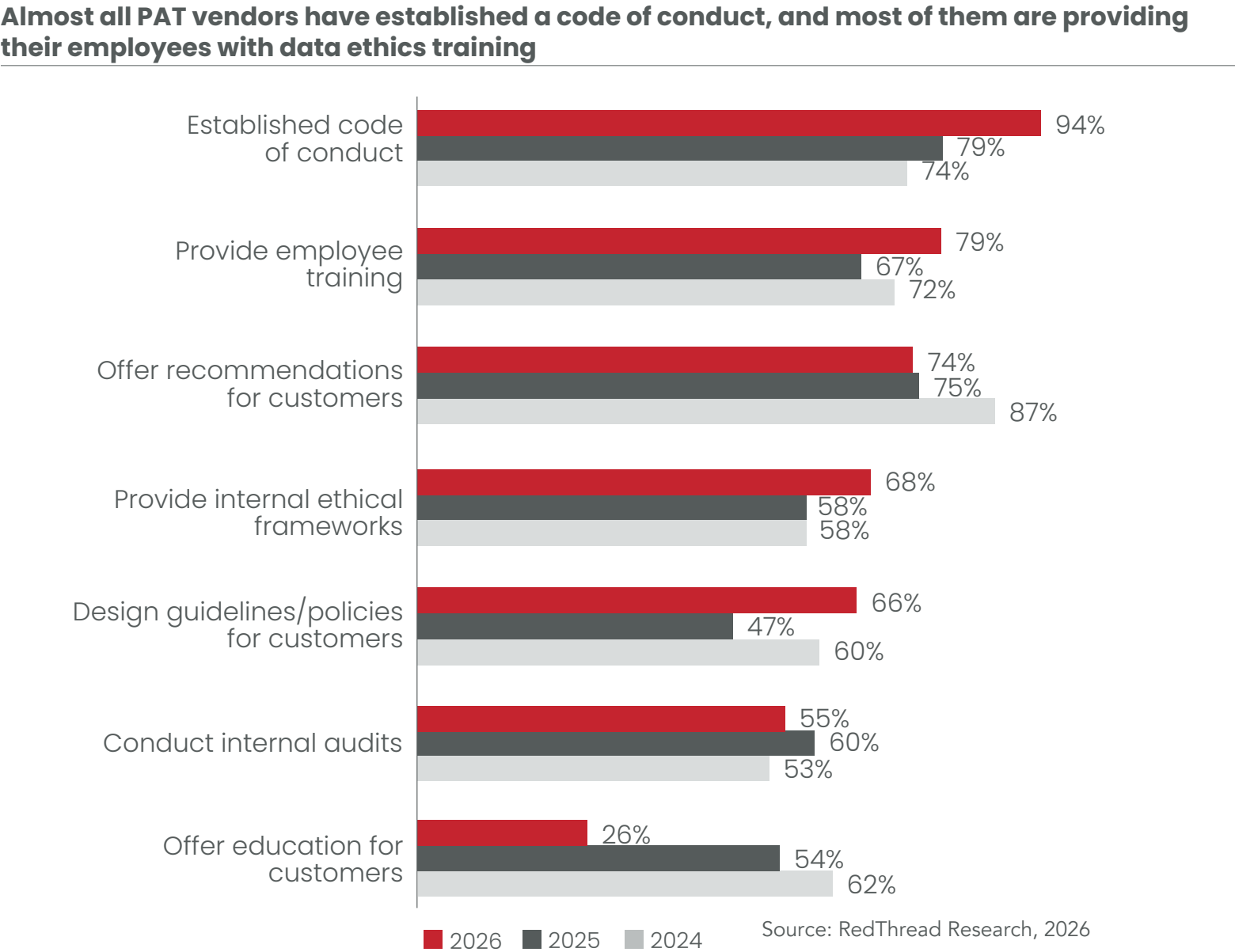


Figure 13: % of PAT vendors that said they do the following data ethics practices, 2024-2026; n = 47

Vendors are taking a back seat when it comes to helping customers enable data transparency for their employees as well. The percentage of vendors helping customers with practices in this area dropped across the board to its lowest in 2026, over the last 5 years (Figure 14).

Taken together with the decline in consulting and implementation services, these signals mark a significant repositioning. The vendor-as-partner era, where the software came with meaningful guidance, education, and shared responsibility for doing the work well, is giving way to something more transactional. Vendors are protecting their revenue and offering the bare minimum beyond the technology as part of the subscription. Anything beyond the technology will cost the buyer more.

The timing of this divergence especially needs to be called out. Internal ethics governance for vendors is strengthening precisely as AI is raising the stakes on data ethics for customers. The gap between what vendors are building for themselves and what they’re willing to help customers figure out is widening at the exact moment when customers most need the help. Vendors who continue to offer support as they have in the past will be able to differentiate themselves.

“Data governance and model risk management will become core product capabilities fueling people analytics, not legal afterthoughts.”

— An HCM/HRIS/TM solution provider

The percentage of vendors helping customers with practices around data transparency dropped across the board to its lowest in 2026, over the last 5 years

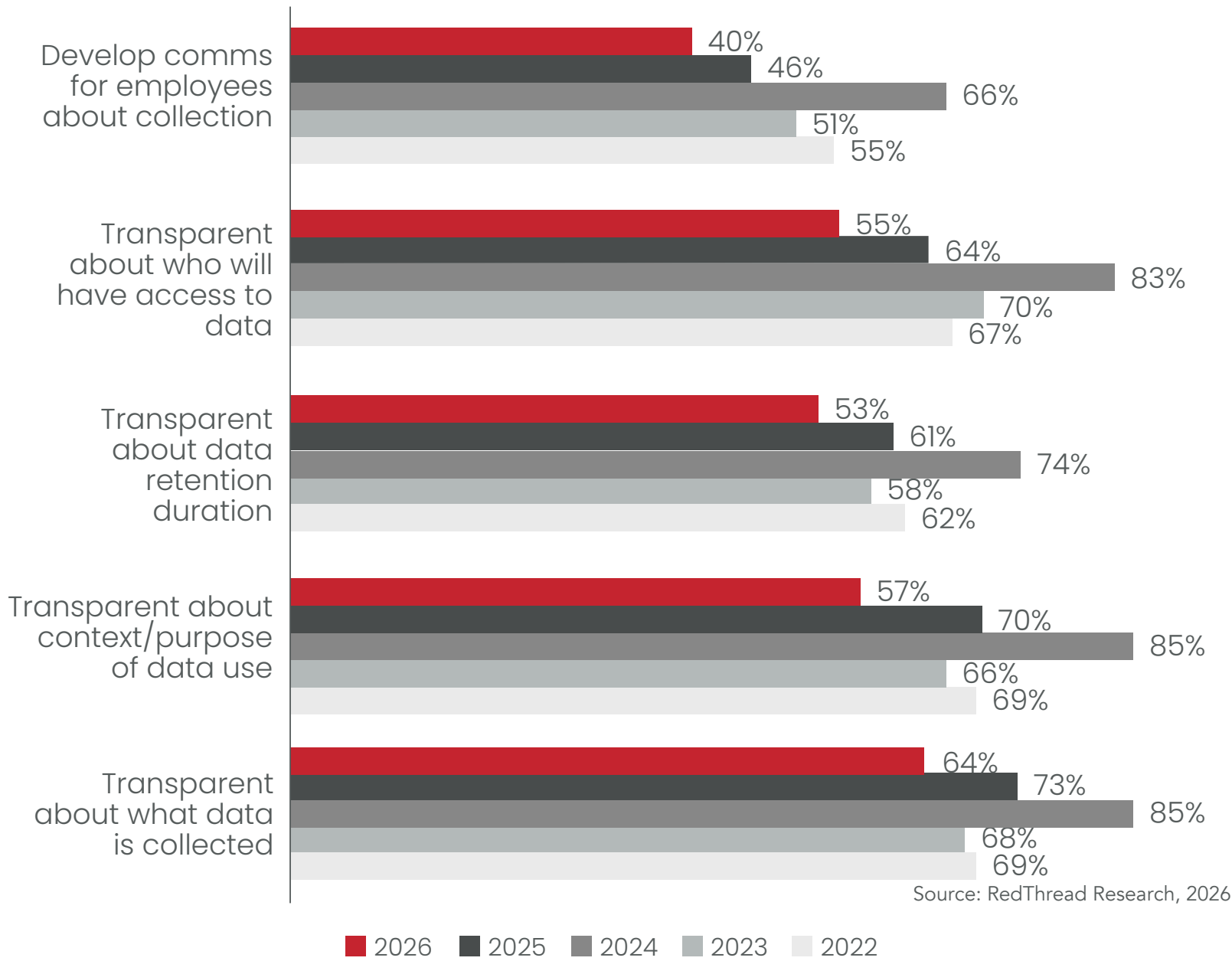


Figure 14: % of PAT vendors that said they do the following data transparency practices, 2022-2026; n = 47

Inward Focus on Data Ethics: Implications

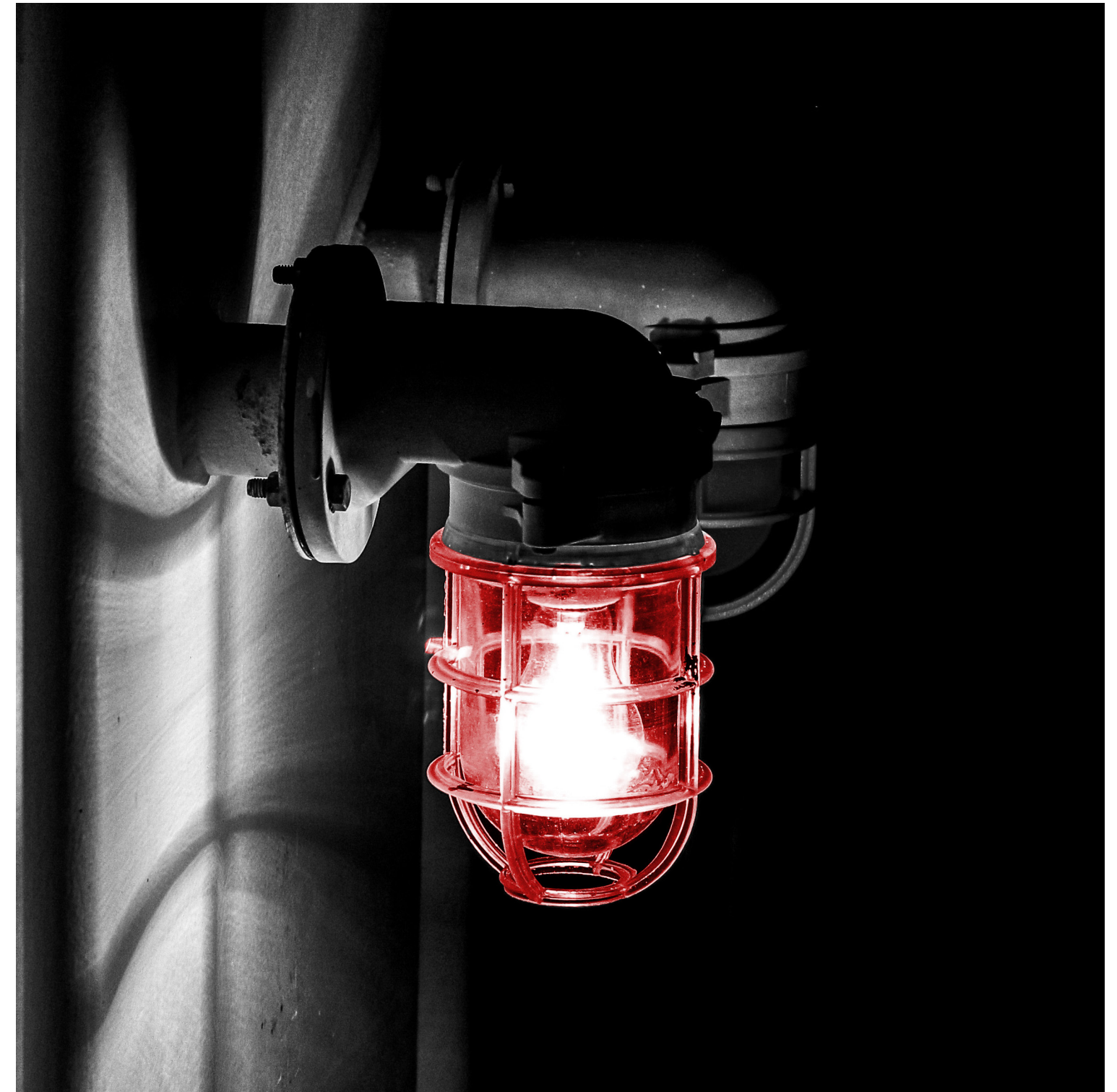
We think these findings are likely to have the following implications for PAT buyers and vendors.

For PAT Buyers

When it comes to PAT buyers, the practical consequence is clear: ethics capability inside your vendor is no longer the same thing as ethics support for your organization. Those are separate purchases now, and the presence of strong internal practices does not necessarily mean the vendor will support customers in implementing their practices. If you assumed your vendor was a partner in this work, check that assumption against what's actually in the contract.

Questions to ask your vendor

- ➔ What specific support do you provide to help us comply with regulations like the EU AI Act?
- ➔ Do you conduct bias audits on your AI models, and will you share results with us?
- ➔ What resources do you provide to help us communicate with employees about how their data is used?



For PAT Vendors

The retreat from customer-facing ethics support carries strategic risk that's easy to underestimate. The vendors who pulled back from education did so at the exact moment customers needed it most, and customers will notice. When a buyer discovers that the ethics guidance they assumed was part of the relationship is now a services engagement or a partner referral, the vendor's positioning as a trusted advisor or partner can take a hit that could be hard to recover from. A vendor who continues to provide meaningful, bundled ethics support will stand out.

Questions to ask yourself

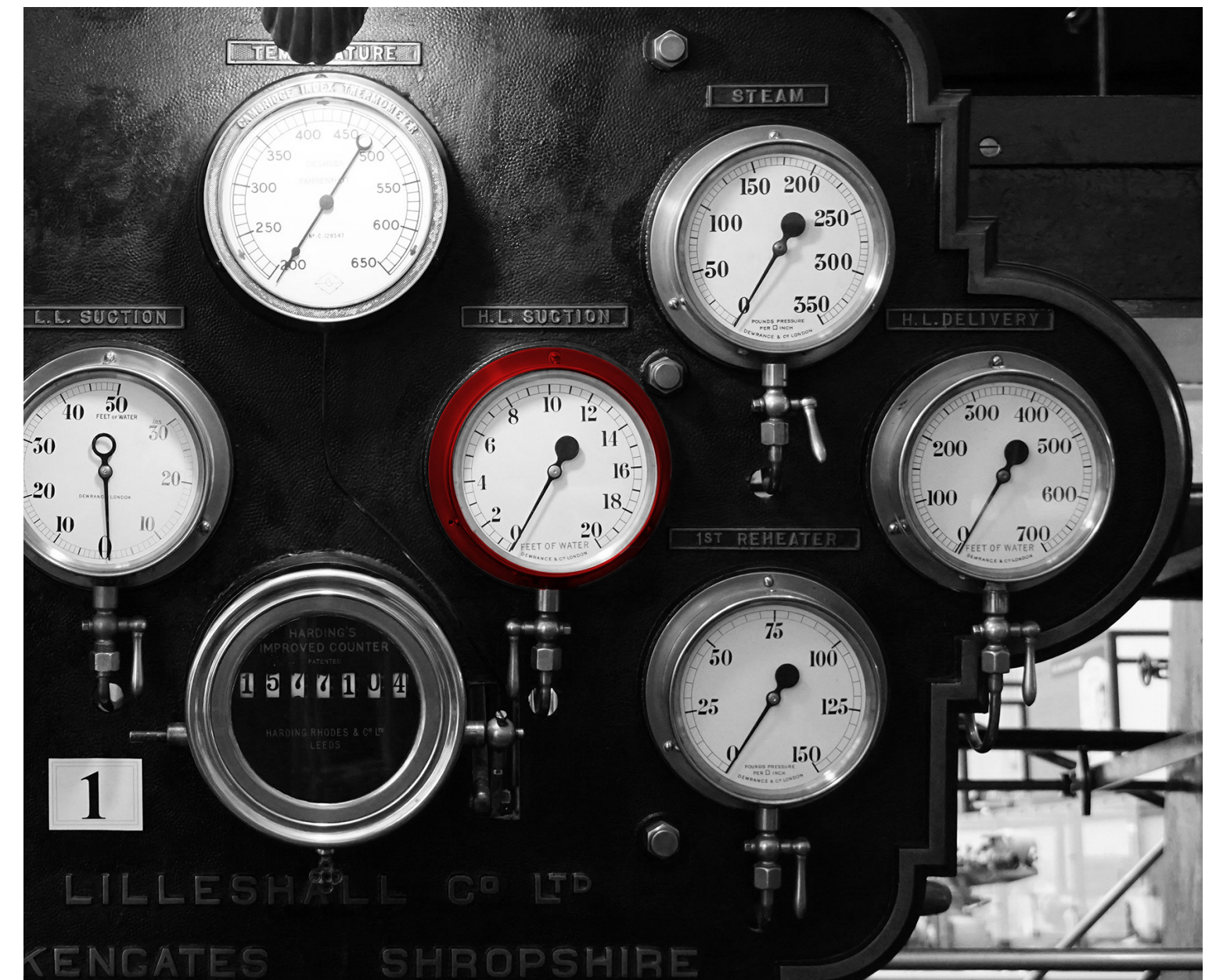
- ➔ Is the customer ethics pullback deliberate, or an unintended consequence of reallocating to internal compliance?
- ➔ Could investing in customer ethics support become a differentiator?
- ➔ Do you have a justifiable defense for why you are no longer supporting customers in practices around data ethics and transparency?



Conclusion

As our data show, the PAT market in 2026 looks very different from what it did 2 years ago. Growth is happening at a much slower rate than before. Contracts have unbundled. The consolidation wave arrived and is concentrated in HCM. AI is everywhere in marketing, but still in assist-mode in most products. Vendors have hardened their own ethics practices. At the same time, they have pulled back from customer-facing support.

Taken together, these shifts tell the story of a mature market with vendors deciding where to invest and where to step back. The vendors who thrive over the next few years will likely be the ones with clarity on which industries, which users, and which problems they will commit to, and the ones they will not. For PAT buyers, the days of assuming a PAT purchase comes with an unwritten set of partnerships (implementation, education, ethics support) are over. Buyers who understand that will be better prepared for their purchasing process.



Appendix 1: Authors and Contributors

About the authors



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Senior Analyst, RedThread Research

Priyanka is a Senior Analyst at RedThread Research. Before joining the company in 2018, she was an analyst at Bersin by Deloitte, where she worked on talent management, leadership, and people analytics, conducted research, and contributed content for Bersin's mid-market study. Prior to Bersin by Deloitte, Priyanka worked at several non-profits, think tanks, and international organizations, where she published and co-authored several articles and conducted research on international relations, conflict, and development.



Stacia Garr

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Stacia focuses on talent management, DEIB, employee engagement and experience, people analytics, and HR technology. She co-founded RedThread Research in 2018 after leading talent research for 8 years at Bersin by Deloitte and conducting research at CEB / Gartner. Stacia has an MBA from UC Berkeley and a master's degree from the London School of Economics. She grew up riding horses in the Sonoran Desert around Tucson and can't stand scooping ice cream.

About the Contributors

We would like to thank the individuals below who took the time to participate in this year’s study. In addition, several others we cannot name publicly made this report possible, and we would like to thank them.

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Appendix 2: Methodology

This report is the culmination of 5 months of qualitative and quantitative research based on the findings from our PAT Vendor survey. We kicked off our PAT study in February 2025, and vendors were required to complete the survey by March.

A total of 40 vendors completed the survey. (One vendor submitted 5 responses, while 3 submitted 2 responses each for their PAT solutions, bringing the total number of solutions to 47.) We cleaned and analyzed the data in April and completed it in May. Survey items for the vendors were presented on a 5-point Likert scale. We ran frequencies and descriptives, and the percentages shown are based on the top 2 boxes (“To a significant extent” and “To a very great extent”) unless otherwise specified in the figure title or included in the graph. We also compared it against data we have collected for the past 5 years. Revenue numbers reported this year may differ slightly from last year’s report. We re-survey participants annually, which can shift earlier figures. We also update estimates when better data becomes available.

We also conducted over a dozen 60-minute live briefings with vendors between March and May. Vendors could also submit prerecorded briefings if they preferred.

Appendix 3: Vendor Demographics

Figures 15-17 show the demographic breakdown of PAT vendors identified by the solution launch year, HQ location, and category.

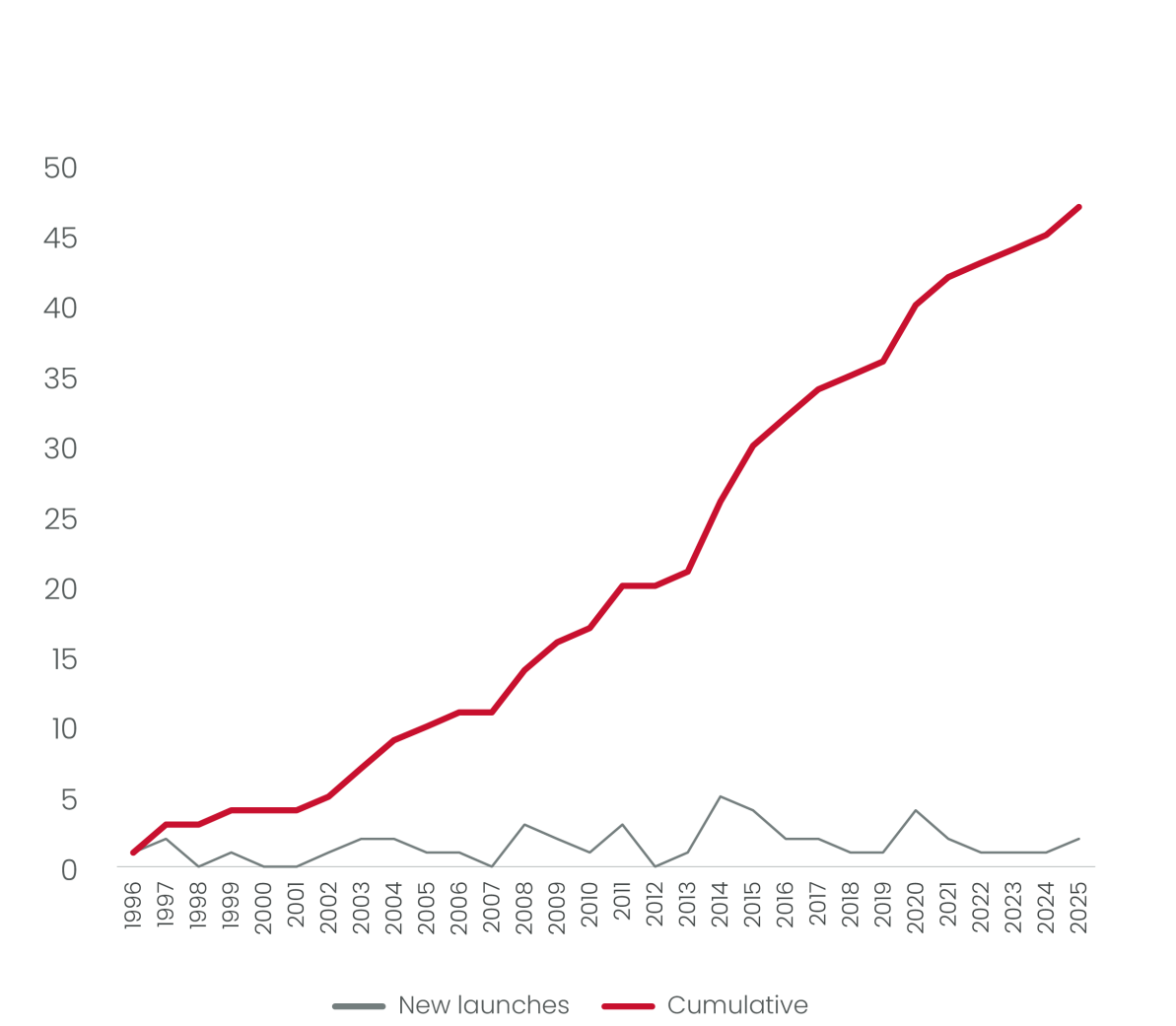


Figure 15: Cumulative number of PAT solutions that participated in the study by company founding year; n = 47 | Source: RedThread Research, 2026

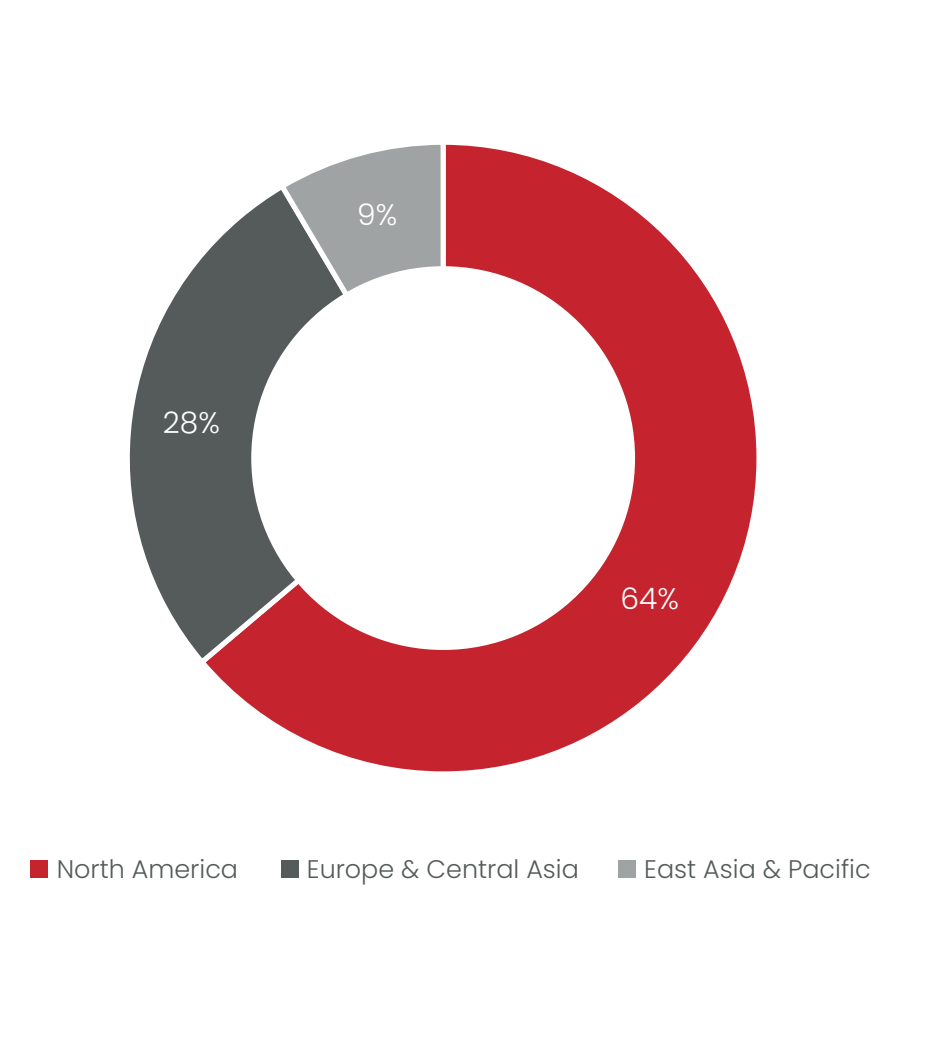


Figure 16: Vendor HQ locations; n = 47 | Source: RedThread Research, 2026 | Note: Percentages may not total to 100 due to rounding

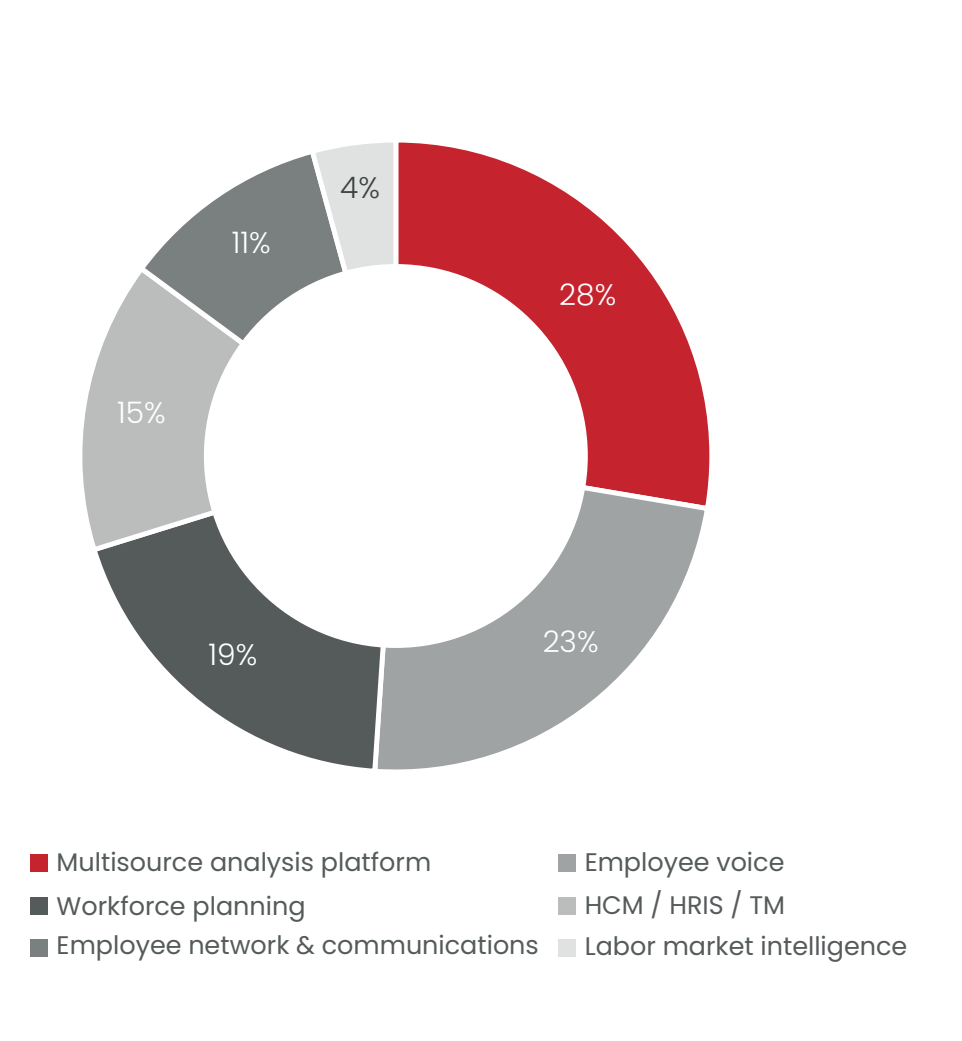


Figure 17: Vendors by category; n = 47 | Source: RedThread Research, 2026

