

All in HR

THE STATE OF AI IN SMALL BUSINESS HR: 2026 INDUSTRY REPORT

The Policy Gap: **80%** of HR teams are using AI, but only **23%** have a formal policy.

This report looks past the media headlines to see what's actually happening in Small and Medium Businesses (SMBs). We surveyed HR professionals and business owners across the USA, UK, and Australia to find out how small teams, not giant corporations, are handling Artificial Intelligence.

The result? A massive "Policy Gap" that is fast becoming a compliance risk in 2026.



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HR Partner

The State of AI in Small Business HR: 2026 Industry Report

If you feel like AI technology is moving faster than your ability to create rules for it, you're not alone.

We surveyed HR professionals and business owners primarily across the UK, USA, and Australia to find out what is actually happening on the ground. We skipped the massive corporate enterprises to focus strictly on the reality of **Small and Medium Businesses (SMBs)** - the agile teams where "HR" is often just one of the many hats you wear.



*The results paint a clear picture:
AI adoption is high, but the paperwork
hasn't caught up yet.*

Who We've Heard From

To make sure these benchmarks are useful, we focused on the specific reality of small business teams:

01 Small but Mighty

The majority of respondents work in teams of fewer than 100 people, but the results include teams of 20-500 people.

02 The "Multi-Hat" Reality

46% of you aren't just looking after HR - you're managing it alongside Finance, Operations, or Office Management.

03 The Decision Makers

We heard from a mix of HR Managers, Operations Directors, and Business Owners.



Why This Matters

This isn't data about enterprise teams with million-dollar budgets and dedicated legal departments. This is about real-world teams balancing a dozen priorities at once.

How HR Is Using AI: 4 Key Trends

01. THE "POLICY GAP" IS REAL (AND IT'S A RISK)

This was the most striking statistic in the entire report.



THE REALITY

80% of you are already using AI tools to assist with your work.



THE GAP

Despite this, only **23%** of businesses have a formal policy in place.

The "So What?":

While it's great that SMBs are innovating fast, governments are catching up. With new AI workplace legislation being introduced in the UK, USA, and Australia, having a formal policy is shifting from a "nice to have" to a legal necessity. Closing this gap is the first step in ensuring that your team's efficiency doesn't create a compliance headache later.

02. WE AREN'T SCARED OF ROBOTS; WE'RE SCARED OF MISTAKES

Forget the headlines about AI replacing humans. In the world of small business, HR professionals are surprisingly calm about their job security.



THE INSIGHT

Only **10%** of you listed "Job loss or role changes" as a top concern.



THE REAL WORRY

Your top concerns are operational: Accuracy or reliability of results (**65%**) and Data privacy or security risks (**62%**).

The "So What?":

You view AI as a helpful (but sometimes clumsy) assistant. You value the speed, but you know you need a "human in the loop" to double-check the work and protect sensitive employee data.

03. WE'RE STICKING TO WHAT WE KNOW

You aren't necessarily buying expensive, specialized new software. Most teams are leaning on broad, accessible platforms.



THE PERSONAL LEADER

ChatGPT (**72%**) remains the clear market leader for personal use.



THE BUSINESS SHIFT

Microsoft Copilot (**49%**) has a significant foothold, showing that many of you prefer AI that is already integrated into the apps you use daily.

04. THE FUTURE PRIORITY IS ANALYTICS

When we asked where AI would have the highest impact by the end of 2026, the answer wasn't content creation or recruitment.

41%



HR REPORTING & ANALYTICS (41%)

WAS VOTED THE #1 OPPORTUNITY FOR THE COMING YEAR.



The "So What?":

The biggest value of AI for SMBs isn't just writing better emails; it's the ability to easily turn data into clear insights about your people, without needing a degree in data science.

Report Overview: The State of AI in Small Business HR: 2026 Industry Report

Regional Snapshots



AUSTRALIA

The Disciplined Adopters

Australian teams are leading the way on governance. While usage is high, they are the most likely to have a formal policy in place (**30%**), likely in response to the country's proactive approach to AI ethics and privacy standards.



UNITED KINGDOM

The Steady Hands

The UK market is the most stable. **85%** of businesses plan no changes to headcount, focusing purely on how AI can make their existing roles more efficient.



UNITED STATES

The Experimenters

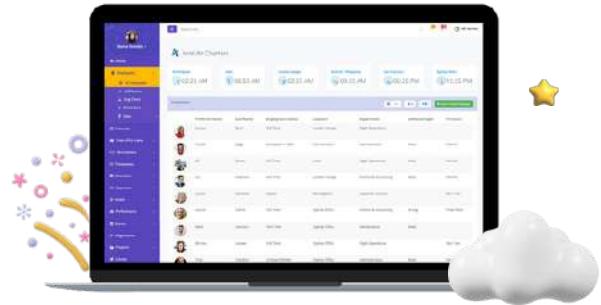
US teams show the most diverse tool usage (including Google Gemini) and are heavily focused on using AI for Analytics to stay competitive.

About HR Partner

HR Partner is a purpose-built HR management system designed for small to medium-sized businesses with around 20-500 employees.

Founded in Australia, HR Partner supports businesses around the world to manage their people more effectively - whether teams are based in one office, across multiple locations, or working remotely.

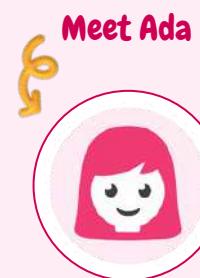
The platform brings core HR tasks into one easy-to-use system, helping employers move away from spreadsheets, shared folders, and disconnected tools. HR Partner is used to manage the full employee lifecycle, including recruitment, onboarding, employee records, leave, performance reviews, policies, and day-to-day HR administration.



HR Partner is built for businesses where HR is often handled alongside other responsibilities, as well as for dedicated HR professionals who want a system that's practical, flexible, and easy to maintain - without enterprise complexity or long-term lock-in contracts.

AI in HR Partner

HR Partner takes a practical, people-first approach to AI. Our in-built applicant tracking system (ATS) includes an AI recruitment assistant that helps with screening and prioritising candidates, saving time and supporting more consistent shortlisting. AI is there to assist with admin and insight, every hiring decision stays firmly in human hands.



Supported by real HR people

One of the things customers love most about HR Partner is the support behind the platform. Our Customer Success team is made up entirely of people who've worked in HR or recruitment themselves. That means you're supported by people who understand the realities of hiring, compliance, and day-to-day HR - and who genuinely care about helping teams succeed.

Want to know more?

If you're looking for a HR system that's practical, supportive, and built for growing teams, HR Partner brings everything together in one place. Explore the platform or learn more at hrpartner.io.

Media Enquiries

Interested in speaking with HR Partner about this report? Please contact press@hrpartner.io

The State of AI in Small Business HR 2026: Data Snapshot

WHO WE SURVEYED:

HR professionals in Small & Medium Businesses (mostly <100 employees).
46% manage HR alongside other roles.

THE POLICY GAP

Adoption is high, but governance hasn't caught up.



80% of respondents are personally using AI in their work.



23% of businesses have a formal AI policy in place.

THE TOOLKIT

We are sticking to accessible, general-purpose tools.

PERSONAL USE



BUSINESS USE



THE SENTIMENT

We aren't worried about robots taking our jobs; we're worried about them making mistakes.

65% Top Concern:
Accuracy/Reliability of Results

62% Runner Up:
Data Privacy or Security Risks

10% Lowest Concern:
Job Loss or Role Changes

THE FUTURE (2026 OUTLOOK)

Where SMBs see the biggest ROI.

Top Opportunity:
41% HR Reporting & Analytics

Runner Up:
38% Recruitment & Hiring

Business Impact:
70% plan no changes to headcount due to AI



THE AI READINESS REALITY

Most businesses are still at the starting line.

53% have **zero** dedicated AI budget, strategy lead, or training in place.

18% are currently offering AI training to employees.

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DETAILED RESULTS



Summary

The global workforce is highly experimental, with **80%** of respondents using AI at least occasionally. However, formal governance is lagging, with only **23%** of businesses having an active AI policy. The primary focus is on efficiency and analytics rather than headcount reduction.

How to Read These Results

The following tables provide a comprehensive breakdown of our survey findings. For each question, we have provided:

01 Global Average:

The combined percentage across all survey respondents.

02 Regional Trends

A side-by-side comparison of results from Australia (AU), the United Kingdom (UK), and the United States (US) to highlight geographic shifts in AI sentiment and adoption.

03 Key Highlights

For ease of reading, the top response for each specific region has been bolded within the tables.



Note on Data:

In several instances, respondents were permitted to select more than one answer (e.g., when listing multiple AI tools in use). In these cases, total percentages may exceed 100%. These questions are explicitly marked as "Multiple responses allowed."

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Q1: What's your role?

Response	Global	AU	UK	US
HR professional (dedicated HR role)	53.8%	56.2%	36.8%	76.9%
I manage HR alongside other responsibilities	46.2%	43.8%	63.2%	23.1%

Q2: How many people work in your business?

Response	Global	AU	UK	US
Fewer than 20	23.5%	17.4%	15.0%	38.9%
20–49	16.0%	13.0%	30.0%	5.6%
50–99	24.7%	47.8%	15.0%	22.2%
100–249	16.0%	8.7%	25.0%	5.6%
250–500	13.6%	13.0%	10.0%	5.6%
More than 500	6.2%	0.00%	5.0%	22.2%

Q3: Which country is your business mainly based in?

Response	%
Australia	28.4%
United Kingdom	24.7%
United States	22.2%
Canada	4.9%
South Korea	2.5%
Other (Single Responses)	~17%

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Q4: How does your team mainly work?

Response	Global	AU	UK	US
Hybrid mix of office and remote	48.7%	56.5%	61.1%	47.1%
Mostly in-office	33.3%	21.7%	33.3%	29.4%
Fully remote	17.9%	21.7%	5.6%	23.5%

Q5: Are you personally using AI in your work yet?

Response	Global	AU	UK	US
Yes, regularly	42.0%	52.2%	35.0%	38.9%
Occasionally	38.3%	26.1%	35.0%	44.4%
Not yet, but planning to	9.9%	8.7%	10.0%	11.1%
Not at all	9.9%	13.0%	20.0%	5.6%

Q6: Which AI tools or platforms do you personally use most often? *Multiple responses allowed.*

Response	Global	AU	UK	US
ChatGPT (OpenAI)	71.6%	78.3%	70.0%	66.7%
Microsoft Copilot (Word, Excel, Outlook, Teams)	49.4%	52.2%	45.0%	44.4%
Google Gemini	34.6%	30.4%	25.0%	38.9%
AI data or analytics tools (e.g., Power BI, Tableau, ChatGPT Advanced Data)	19.8%	21.7%	10.0%	33.3%
AI writing or content tools (e.g., Claude, Jasper)	11.1%	21.7%	5.0%	11.1%
Perplexity	6.2%	4.3%	5.0%	5.6%

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Q7: Is your business using AI across any areas?

Response	Global	AU	UK	US
Yes, we're actively using it	34.6%	30.4%	30.0%	27.8%
Not yet, but we're considering it	27.2%	26.1%	25.0%	38.9%
We're testing or piloting tools	24.7%	21.7%	20.0%	27.8%
Not at all	13.6%	21.7%	25.0%	5.6%

Q8: Which AI tools or platforms does your business use most often? *Multiple responses allowed.*

Response	Global	AU	UK	US
ChatGPT (OpenAI)	58.0%	56.5%	60.0%	44.4%
Microsoft Copilot (Word, Excel, Outlook, Teams)	48.1%	43.5%	55.0%	38.9%
Google Gemini	29.6%	8.7%	30.0%	50.0%
AI data or analytics tools (e.g., Power BI, Tableau, ChatGPT Advanced Data)	24.7%	34.8%	15.0%	33.3%
AI writing or content tools (e.g., Claude, Jasper)	14.8%	17.4%	5.0%	16.7%
AI features within recruitment or ATS tools (e.g. LinkedIn, Indeed, Workable)	12.3%	8.7%	10.0%	27.8%
AI features within HR systems (e.g. HR Partner's Ada)	7.4%	4.3%	10.0%	5.6%

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Q9: Does your business have an AI use policy in place?

Response	Global	AU	UK	US
No, but we're working on it	40.7%	21.7%	45.0%	44.4%
No, and no plans yet	28.4%	30.4%	35.0%	27.8%
Yes	23.5%	30.4%	15.0%	22.2%
Not sure	7.4%	17.4%	5.0%	5.6%

Q10: Which of these does your business currently have in place? *Multiple responses allowed.*

Response	Global	AU	UK	US
A person or team responsible for AI strategy	23.5%	26.1%	15.0%	33.3%
Budget set aside for AI tools or experiments	21.0%	26.1%	15.0%	22.2%
Training or upskilling on AI tools	18.5%	8.7%	10.0%	16.7%
None of the above	53.1%	56.5%	65.0%	44.4%

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Q11: What are your biggest concerns about using AI in your business?
Multiple responses allowed.

Response	Global	AU	UK	US
Accuracy or reliability of results	65.4%	69.6%	65.0%	38.9%
Data privacy or security risks	61.7%	69.6%	45.0%	55.6%
Losing the “human touch”	40.7%	34.8%	50.0%	38.9%
Ethical or reputational risks	23.5%	21.7%	20.0%	33.3%
Lack of understanding or training	22.2%	17.4%	15.0%	27.8%
Bias or fairness in decision-making	19.8%	13.0%	25.0%	22.2%
Job loss or role changes	9.9%	0.0%	10.0%	16.7%

Q12: Overall, how concerned are you about AI's impact on your business?

Response	Global	AU	UK	US
Neutral	42.0%	56.5%	35.0%	27.8%
Somewhat concerned	28.4%	17.4%	55.0%	16.7%
Very concerned	11.1%	8.7%	5.0%	16.7%
Not concerned at all	9.9%	13.0%	5.0%	5.6%
Not very concerned	8.6%	4.3%	0.00%	33.3%

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Q13: Is your business planning to restructure roles or reduce headcount because of AI?

Response	Global	AU	UK	US
No changes planned	70.4%	65.2%	85.0%	61.1%
Not sure yet	13.6%	17.4%	10.0%	11.1%
Yes, some changes expected	9.9%	13.0%	5.0%	11.1%
Yes, significant changes expected	6.2%	4.3%	0.00%	16.7%

Q14: Thinking about the future, where do you see AI having the biggest impact in HR in 2026? *Multiple responses allowed.*

Response	Global	AU	UK	US
HR reporting & analytics	40.7%	21.7%	25.0%	61.1%
Recruitment & hiring	38.3%	30.4%	50.0%	33.3%
Learning & development	29.6%	43.5%	35.0%	11.1%
Onboarding & documentation	27.2%	34.8%	30.0%	16.7%
Compliance or policy management	21.0%	26.1%	20.0%	16.7%
Performance & feedback	11.1%	8.7%	5.0%	16.7%
Employee engagement or surveys	11.1%	4.3%	15.0%	16.7%

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Q15: What's the biggest opportunity you see for AI in your business or HR team?

The qualitative data from this question shows high consistency across all regions. Respondents identified practical efficiency gains and data-driven decision-making as the primary areas for impact.

Key Themes Identified:

01 Automation of Repetitive Admin

Respondents focused on removing "manual drudgery," specifically for drafting job descriptions, policy documentation, and routine correspondence.

02 Time Savings

AI is viewed as a tool to increase output capacity, allowing small teams to reallocate time from processing tasks to higher-value employee interactions.

03 Data Analysis & Insights

A priority trend is using AI to synthesize employee data, turnover trends, and sentiment analysis into actionable insights.

04 Recruitment Acceleration

Leveraging AI for initial resume screening and interview scheduling to reduce time-to-hire.

05 Consistency

Improving the accuracy and standardization of internal communications and policy application.

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Below is a selection of verbatim responses:

"The biggest opportunity I see for AI in our business and HR team is taking the repetitive admin work off our plates so we can spend more time on people and decisions that actually matter. In HR, that could mean smarter workforce planning, more efficient hiring, and clearer insights from our data. Used well, AI helps us move faster and make better calls while still keeping the human side of HR front and centre."

"I think learning and development, it would be great to have an AI that can analyse data and recommend learning based on the employee skills and career goal."

"None, risks to jobs may be too high, so a focus on non- or low-AI may set our company apart ethically."

"Speeding up the onboarding, admin management of candidates and new starters in a way that is far more engaging than current methods."

"Content creation, reports and compliance, self-service support, analyzing surveys and developing internal training."

"I am actively trying not to use AI unless explicitly told that I must. The environmental impact and risk of a bubble burst are too high for me to use it otherwise."

"Digesting large policy documents and being able to answer questions regarding those policies."

"Reduce menial tasks. Make work more meaningful and interesting."

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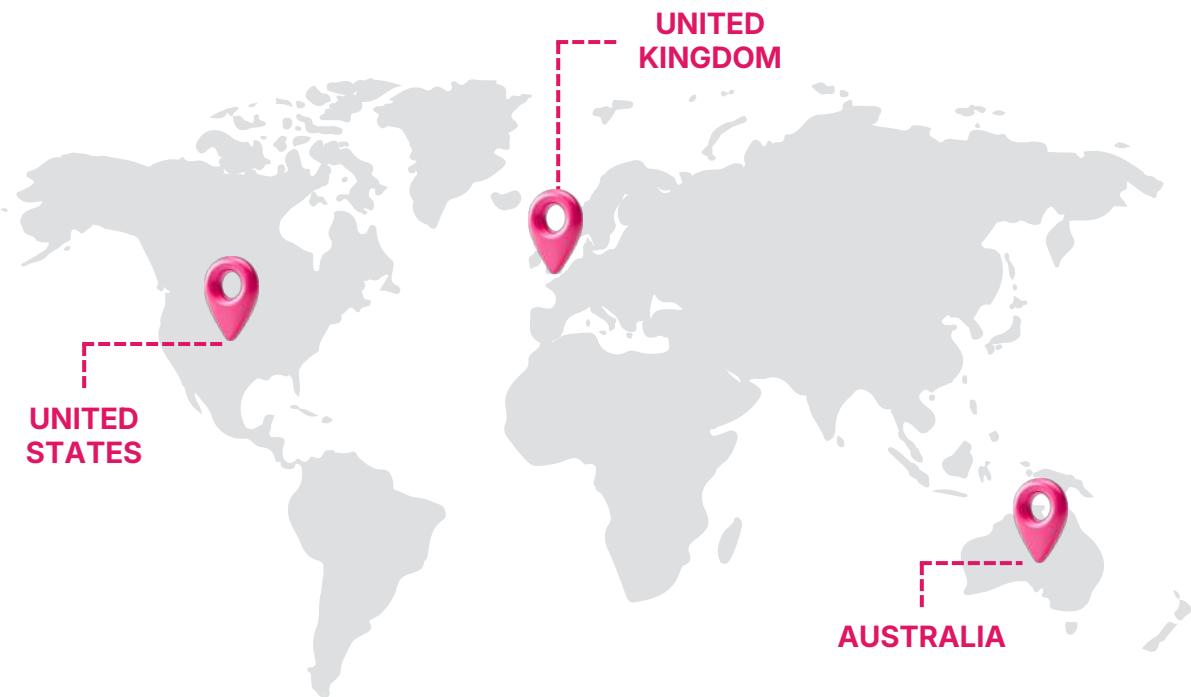
Methodology & About the Data

OVERVIEW

This report is based on findings from an independent, anonymous survey conducted by **HR Partner** between **November 2025 and January 2026**. The goal of the research was to establish a baseline for AI adoption, sentiment, and governance within the Small and Medium Business (SMB) sector.

RESPONDENT PROFILE

We collected data from **81 respondents** globally. To ensure the insights were relevant to the SMB community, we focused on participants from **three** primary regions:



TARGET DEMOGRAPHIC

The survey targeted professionals who manage HR functions in businesses with fewer than 500 employees. A defining characteristic of our cohort is the "Multi-Hat" reality: 46% of respondents identify as managing HR alongside other core business functions such as Operations, Finance, or General Management.

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Methodology & About the Data

DATA COLLECTION & PRIVACY

- **Format:** The survey was administered digitally via a secure, anonymous platform.
- **Anonymity:** No personally identifiable information (PII) or company names were collected to ensure candid feedback regarding internal AI usage and "shadow IT" (unauthorized tool use).
- **Analysis:** Data was aggregated and analyzed to identify regional trends and cross-industry benchmarks.

A NOTE ON SAMPLE SIZE

While this study represents a snapshot of the SMB landscape, the high consistency in responses across different regions suggests that the "Policy Gap" and concerns regarding data accuracy are widespread challenges facing small HR teams globally in 2026.

Disclaimer



This report is for informational purposes only and does not constitute legal or professional advice. While we believe the data to be accurate at the time of publication, AI technology and workplace laws are evolving rapidly. Readers should consult with their own legal or HR compliance experts before implementing new policies or making significant business decisions based on these findings.