Paycor
A Paychex® Company

How HR Can Thrive in a Time of *Cost-Cutting & Flat Budgets*





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EXECUTIVE SUMMARY

HR professionals are juggling multiple roles as strategists, data analysts, administrators, and managers/coaches. Their top three priorities are engagement/retention, skill development, and leadership development. 31% expect HR's scope of work to increase in the next 12 months, especially in the domain of training and upskilling employees. However, HR budgets and headcount remain flat. **Only 13% of HR teams expect increased funding and only 17% plan to add headcount in the next 12 months** *(HR in 2026, Paycor)*. HR is being asked to do more with the same or less.

Is there a way HR can thrive given these constraints? We believe there is. **We'll explore how strategic technology investments, people-first AI adoption, and data-driven insights can give HR the boost it needs to meet the moment.**

First, we challenge an outdated but common perception that HR and payroll software ("HCM" for short) **is simply a necessary expense.** Instead, we'll make the case that HCM can help contain costs in unexpected ways. HCM can help HR leaders and business owners know where, how, and when to trim costs, and how to forecast future spend.

Next, we look at AI as it's being deployed throughout the HCM ecosystem as a potential solve for the headcount dilemma. In our most recent survey, *HR in 2026*, nearly 60% of the 3,000+ respondents said their HR team employed three or fewer HR professionals. AI automation and intelligence that is successfully embedded throughout the HR process, from hire to retire, can offset the "too much work, not enough people" problem.

Finally, we address how HR can thrive by packaging up all the important things they're doing—from bringing predictive analytics to key business issues like turnover to building company culture by ensuring everyone is rowing in the same direction—**and presenting it to the CEO in a way that makes sense and moves the needle.**





PART 1

HCM Is Not Just Another Business Expense

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HCM Is Not Just Another Business Expense

HCM software should save more money than it costs.

Beyond basic payroll and admin efficiencies, smart companies use HR analytics to cut expensive employee turnover, identify flight risks before they leave, and tie performance data directly to revenue—turning what looks like an expense into a cost savings center.

HCM *Shouldn't* Cost a Dime

Did that get your attention? Good, because it's worth pausing a moment to challenge the perception that HCM is just a regrettable price of doing business. Here's another way to look at it: a modern, best-in-class HCM platform should, in a reasonable timeframe, save money and contain costs, not add to them.

What HCM Buyers *Should* Ask For

The savvy evaluator of HR technology (whether it's reviewing proposals from a potential provider or kicking the tires of the legacy system you have) asks tough questions that get beyond the basics. There are obvious, expected ways HCM can cut costs. But what matters are the unexpected ways HCM can transform your business. These are the cost-saving and profit-making features many people never think to ask for.



Everyone expects HCM to do this:	The savviest buyers ask for this:
Administrative Efficiency: Automates routine tasks like payroll and benefits enrollment, reducing manual data entry and saving HR staff time.	**Reduced Turnover Through Data:** Uses advanced analytics to identify non-obvious connections, such as the correlation between manager tenure and employee turnover rates, allowing a company to proactively address issues and retain top talent.
Payroll Processing: Reduces payroll errors, which prevents costly overpayments and corrections.	**Proactive Cost Forecasting:** Includes predictive models that forecast future spend and identify potential flight risks, helping to contain the costs associated with unwanted turnover.
Compliance & Risk Management: Minimizes legal risks and fines by ensuring compliance with labor laws and automating record-keeping for easier audits.	**Complex Compliance Protection:** Automatically applies correct overtime rules and flags potential violations for employees in multiple states with different regulations, mitigating risk in complex situations.
Streamlined Workflow: Consolidates HR tasks into a single platform for basic functions.	**Integrated Employee Experience:** Provides a truly integrated platform with a single login for all HR-related information and tasks, which reduces wasted time and improves user efficiency.
Performance Management: Tracks employee performance and goal completion.	**Strategic Performance Alignment:** Connects employee goal progress to departmental KPIs and business results to ensure the entire company is moving in the same direction.

To Vet HCM's Cost-Savings Potential, Ask Five Questions

1

"Can you show me a report that correlates two seemingly unrelated data sets, like manager tenure and employee turnover rates within their teams?"

This question tests the system's ability to find non-obvious connections. It's a litmus test—if the system can do this, it can generate the kind of data intelligence needed to contain costs, such as turnover, across the business.

2

"What predictive models are included in your analytics, and can you demonstrate how the system identifies an employee as a potential flight risk?"

To contain costs, you need to be able to see around corners. Every company loses money to unwanted turnover. If a system can predict flight risk well, it demonstrates both the technical sophistication and practical business value of its predictive capabilities.

3

"If we have employees in multiple states with different overtime regulations, can you show me how the system automatically applies the correct rules and flags potential violations?"

While basic compliance management is standard, this question reveals whether the system can help mitigate risk in complex situations.

4

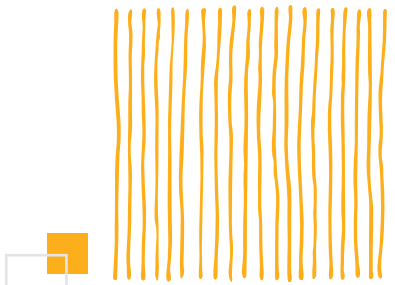
"How many separate logins are required for a typical employee to access all of their HR-related information and complete core tasks?"

Inefficient technology that employees use daily can waste time and money. This deceptively simple question cuts through marketing claims about "integrated platforms" to get to the reality of the user experience. If employees need multiple logins, the system is not truly integrated.

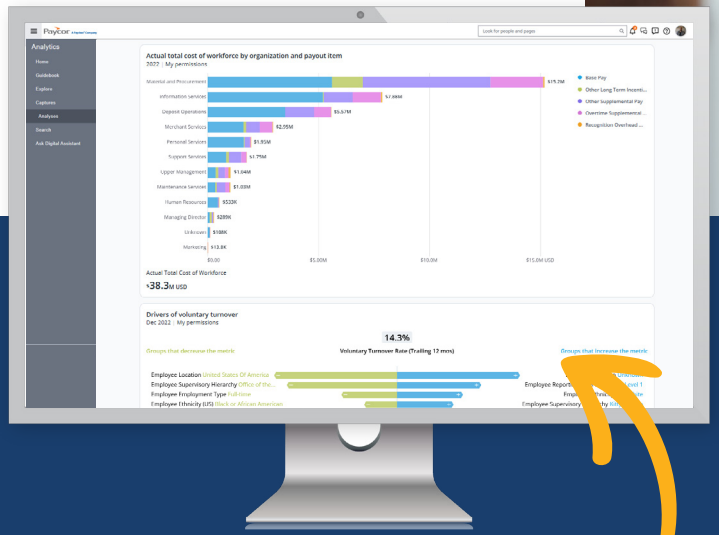
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"Can you show me a report that connects an employee's progress on their goals to business results or departmental key performance indicators?"

Your company's bottom line is directly affected by everyone on the team working toward the same goals. This question tests a crucial capability: whether the system can connect individual HR activities to business outcomes.



PART 1



How Paycor Helps

Paycor Analytics helps identify hidden cost-saving opportunities and predict future spending, while AI automation can handle routine tasks, so your team has more time to focus on people-centered work. By unifying data across all HR functions, Paycor delivers the insights and efficiency needed to demonstrate measurable business value to leadership.



PART 2

The AI & HR Partnership

PART 2

The AI & HR Partnership

In a recent survey of more than 3,000 business professionals, we found that 60% of HR departments are small, with three or fewer team members *(HR in 2026)*. As HR responsibilities grow and headcount remains flat, HR is being asked to do more with the same or less. AI can't replace the human-intensive, people-first work HR does, but it can automate and accelerate many HR workflows, offsetting the lack of team growth.

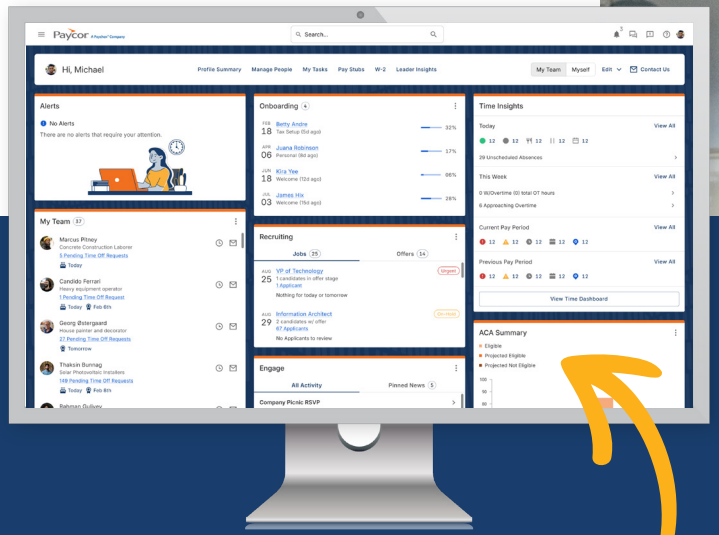
What is AI Good For?

AI can analyze massive datasets, identify hidden patterns, and automate repetitive tasks. **AI can save so much time that it can feel like you have an extra HR pro on your team invisibly** picking off your to-do list behind the scenes. Without adding headcount, that frees your existing HR team to focus on what AI can't do.



HR Function	Let AI do this:	So your HR team can focus on this:
Hiring	Provides prioritized candidate lists and filters for bias	Conducts final interviews, evaluates cultural fit, and makes hiring decisions because final decisions require human oversight to validate outcomes and uphold ethical standards
Benefits Management	Provides personalized benefit recommendations and handles common questions	Designs and manages overall benefits programs and provides high-level guidance since AI acts as a self-service assistant, freeing HR for strategic benefits design
Workforce Scheduling	Uses historical data to anticipate trends in time off and overtime	Makes final staffing decisions and refines policies because while AI enables data-driven planning, human judgment is required to act on insights
Time Management	Automatically scores timecards and provides calculation insights	Sets approval thresholds and corrects discrepancies since humans must retain control by setting automation rules and making final corrections
Coaching & Feedback	Analyzes sentiment in performance reviews to help shape messages	Delivers meaningful, personalized, and empathetic coaching because only empathetic leaders can provide meaningful coaching
Team Leadership	Provides data on trends, burnout, and disengagement	Motivates, inspires, and leads teams toward common goals since AI cannot lead and motivate teams
Talent Development	Generates draft job descriptions and identifies skill gaps	Validates, customizes, and adds the human touch to development plans because humans excel at validating and adding the essential human element

PART 2



How Paycor Helps

Paycor's Intelligent HCM embeds AI automation throughout the employee lifecycle, from recruiting and onboarding to performance management and benefits administration. Our integrated approach empowers HR to scale their impact without scaling their stress.



PART 3

How Data Gets HR a Seat at the Table

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How Data Gets HR a Seat at the Table

HR can and will thrive in a time of cost-cutting, but only if the C-suite, particularly the CEO, is aware of how HR is adapting and adding value in new ways. At high-performing organizations, HR and CEOs have much stronger partnerships. Just one out of five top companies say their CEOs and HR rarely meet, compared to nearly one out of three struggling companies. The top reason leaders don't meet with the CEO? "HR is perceived as administrative, not strategic" *(HR in 2026)*.

It's Time to Update HR's Image

HR was once an administrative department, but that perception dates back to an era before modern HCM software. When leaders spent their time manually running payroll, they had no time to analyze complex workforce trends, much less predict upcoming company needs. Executives who are unaware of HR's modern strategy are left with an outdated image of what HR is capable of.



Leverage Your HCM to Frame HR as Strategic

One of the most effective ways to get the CEO's attention is to present them with predictive analytics. CEOs are hired to drive future performance, not report on what already happened. They receive countless backward-looking reports daily–revenue last quarter, expenses last month, headcount last year. Predictive analytics stands out because it answers the questions that actually matter for strategic decision-making: "What's coming next? How can we prepare? Where should we invest resources?"

How to Secure Executive Buy-In

When you meet with your CEO, don't just present reports.
Frame the discussion around business value and solutions.

1

Start with the "Why":
Begin by stating a business problem or goal. Tie the discussion directly to revenue or organizational impact.

Example: *Turnover costs us an average of $35K per employee. Lowering our voluntary turnover rate would represent a significant cost savings.*

2

Present the Data:
Share a relevant report to quantify the issue. You can compare disparate data sets if it helps make your case.

Example: *Voluntary turnover rose 10% this quarter, following a gradual 10% decrease in employee engagement scores over the past year.*

3

Offer a Solution:
Propose a data-driven fix. Look for ways to solve the large problem and prevent it from happening again, not just react to the short-term issue.

Example: *Employees in these 5 locations are at the highest risk of leaving. We should implement a manager coaching program across all storefronts, starting with this list.*

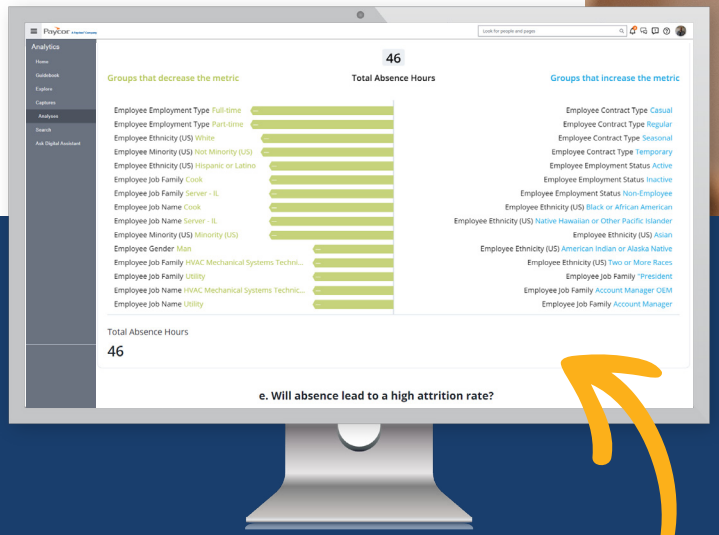
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Forecast the Impact:
Conclude by showing the potential cost savings.

Example: *If we reduce turnover by just 5% in the next quarter, we could save the company $800,000.*



PART 3



How Paycor Helps

Paycor Analytics unifies data from across the employee lifecycle, translating complex workforce data into a compelling narrative. Industry benchmarks let you put your performance in context, empowering HR to make strategic decisions and hone their competitive edge.

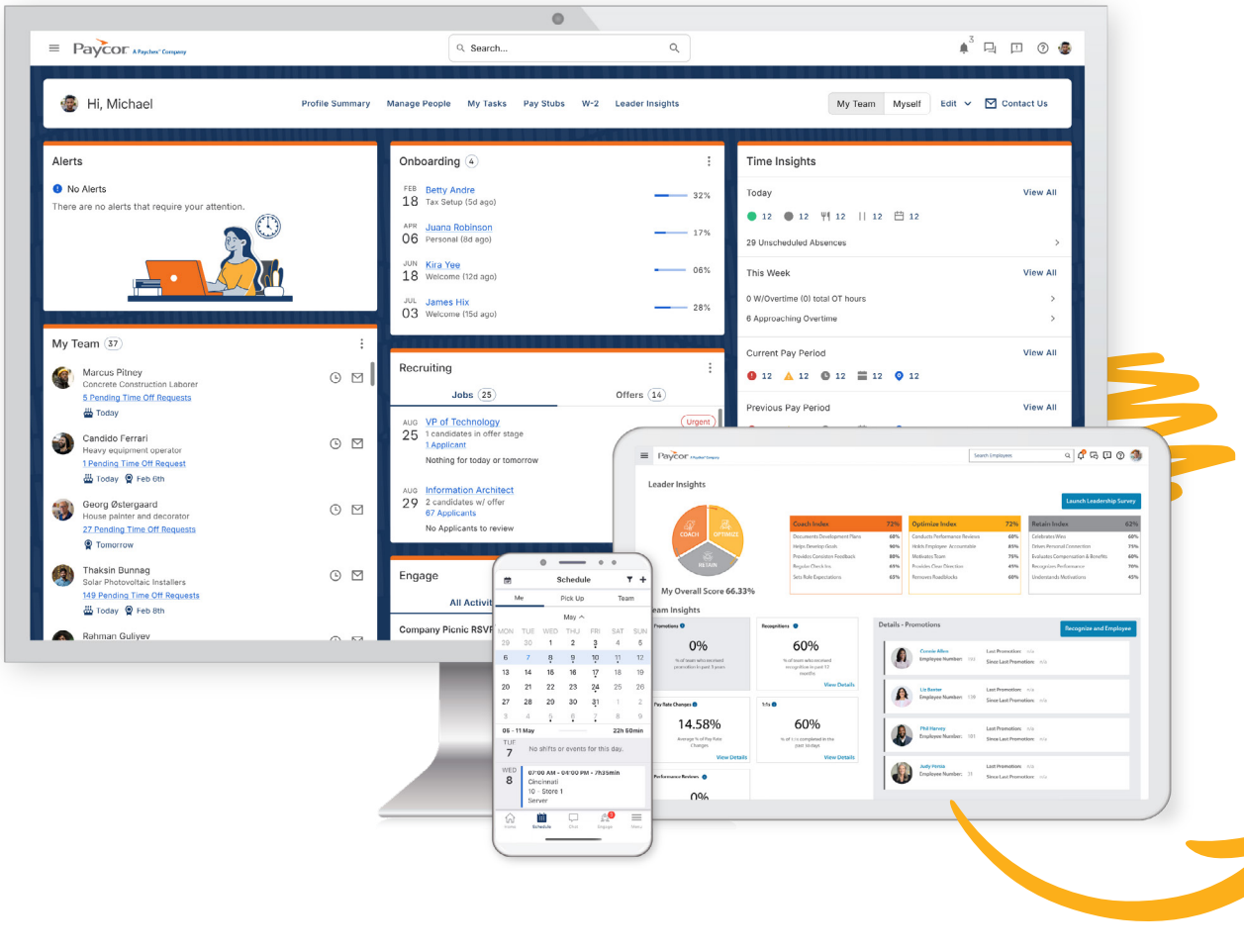
FINAL THOUGHTS

HR is being asked to do more with the same or fewer resources. Compounding the problem is an outdated perception that HR is an administrative function, not a strategic partner.

The path forward requires a three-pronged approach: repositioning HCM technology as a cost-saving investment that delivers ROI, leveraging AI to automate routine tasks while freeing HR to focus on uniquely human work, and using analytics to demonstrate strategic value to the C-suite.

By embracing these strategies, HR can transform from a reactive cost center into a proactive business partner that drives organizational success—even in times of constraint.





The Paycor Advantage

Paycor, a Paychex company, connects leaders to people, data, and expertise. We help leaders drive engagement and retention by giving them tools to coach, develop, and grow employees. We give them unprecedented insights into their operational data with a unified HCM experience that can seamlessly connect to other mission-critical technology. And by providing expert guidance and consultation, we help them achieve business results and become an extension of their teams.

LEARN MORE AT PAYCOR.COM

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