



# How Evolving Resources May Help Accelerate HR's Shift to Human Capital Strategist

by **Carrie B. Cherveney** | *HUB International*

**T**here's no question: The modern human resources (HR) function has shifted significantly from personnel-focused administration to a human capital-focused strategic partnerships that can help drive organizational success.

The transformation partially stems from the expansion of resources available to HR today. An array of technology advances automates tasks and streamlines processes. A growing number of professional employer organizations (PEOs) have extended their expertise for navigating complex functions, such as regulatory compliance. This growth in tools and services may allow HR departments to increase their focus on human capital tasks, such as talent management, company culture and employee engagement.

## AT A GLANCE

- A number of resources, including artificial intelligence (AI) and professional employer organizations (PEOs), may help human resources (HR) departments with tasks including regulatory compliance and candidate screening and focus instead on human capital-centered strategies.
- AI capabilities in HR and benefits include applicant tracking, workforce planning, performance management and benefits education.
- Many PEOs have expanded their services beyond payroll and basic HR functions to include compliance and administrative resources as well as tax and HR expertise.

This article will describe how a number of resources—including artificial intelligence (AI) and PEOs—may provide more horsepower to HR.

## The AI Surge Sweeps Across Businesses

Despite concerns regarding job displacement and data privacy and security, AI continues to become a larger part of the HR and benefits conversation and is increasingly available through vendors.

For example, the latest McKinsey research finds that 80% of companies surveyed are using AI to rewire how they run.<sup>1</sup> HR adoption is slower than other functions, with only 15% of HR teams at global firms reporting that they had progressed from evaluating AI to implementing it in 2024.<sup>2</sup> However, HR interest in AI to assist with applicant tracking and recruiting is on the rise. Another survey found that 57% of U.S. organizations planned to integrate AI into their recruiting function by the end of 2025.<sup>2</sup>

AI can help ease administrative burdens in the workplace. Following are examples.

- AI can swiftly access and recap varying state laws and federal regulations, identifying compliance issues and offering sample policies and materials.
- AI can be a valuable tool for employee benefits education. A number of new decision support tools in the market use AI agents designed to assist with employee benefits enrollment and education. These AI agents will work with employees to help them understand the

employer's benefits offerings as compared with the employee's family, budget and health needs.

- AI-enhanced applicant tracking systems can efficiently automate candidate screening; ranking job candidates; and, through predictive analytics, assess candidate success, which may reduce hiring biases.
- AI-powered tools can improve workforce planning, from forecasting future needs and turnover rates to identifying skill gaps and optimizing scheduling.
- Performance management also can benefit. AI can provide customized, individual-specific training with real-time feedback. It can also offer performance data analytics to identify individual employee job support needs and upskilling opportunities for career advancement.
- AI-powered data analytics can provide HR with a depth of insight into its workforce not previously possible. Managing five generations in the workplace, for example, can make communication a challenge. AI-powered tools can analyze employee generational and demographic information to help HR craft communication tools and resources responsive to the diverse preferences of its population. These tools can also help identify benefits that will be attractive to different generations.

The use of AI in the workplace is not without its risks. Some of the top concerns by state lawmakers include the following.

- **Data privacy protections** and abusive data policies or practices, such as unauthorized use of user data and information
- **Transparency of AI use**—whether consumers of AI-created messages and information are aware of the use of AI: For example, in New York City, organizations utilizing AI must provide a disclosure notice. Likewise, Illinois proposed legislation that would require employers to provide applicants with advanced notice of the use of AI in the interview process and an outline of evaluated characteristics, as well as require employers to obtain consent to use AI.
- **Collection of employee data:** Many states have passed legislation requiring an employer to receive consent from an employee in order to utilize an AI system that collects data about them.

- **Discrimination:** Several states are enacting legislation to protect individuals from discrimination, including algorithmic discrimination. Some states address potential discrimination in the AI coding, and others require employers to audit their AI utilization and results to control for discriminatory treatment of applicants and/or employees.

In addition to the risks discussed above, one challenge that AI creates for HR departments is the need for staff members to develop new skills in order to leverage the new technology.

The variety of AI applications is fast expanding and may lead to gains for HR. For example, one survey reported that HR departments further along in their AI journeys are reporting a return on investment (ROI) of 55% or better.<sup>4</sup>

### Outsourcing HR Administrative Functions

Increasing compliance obligations paired with employee recruitment and retention challenges are putting pressure on HR departments to find more efficient and creative ways to address these challenges. PEOs are one option, among other outsourcing models, for HR departments looking for tools, resources and relief in each of these areas.

A PEO arrangement is premised on a coemployment arrangement. The PEO becomes the employer of record for tax (and sometimes benefits) purposes. However, the client company retains control over day-to-day operations and employee relations.

For example, PEOs offer access to large group benefits, compliance and administrative resources, payroll, and tax and HR expertise. Each PEO offers its own unique approach to its service and client relationship model.

Modern PEOs typically leverage technology advancements such as automation, data analytics and AI tools. Many offer specialized services and platforms to respond to the changing workforce and workplace dynamics. Compliance management is another area of growing sophistication.

To illustrate the services a PEO can provide, consider this example: An employer growing through mergers and acquisitions worked with a PEO to help ease its growing pains. The PEO took on all employee documentation, open enrollments, handbook distribution, and training and onboarding activities for successful integration, among other adminis-

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trative duties. Likewise, as the company rapidly expanded across the United States, the PEO was able to scale with the organization and immediately respond to the increased compliance and employee relations demands. Partnering with the PEO allowed the client's HR department to more strategically manage the company's human capital, culture, and mergers and acquisitions activity.

At times, employers may face challenges with PEOs as they seek to exit the PEO model to build their own HR, benefits and payroll infrastructure. In addition, because PEOs offer more resources, their administrative fees are often higher than standalone administrative services only/payroll models.

Employer of record (EOR) firms have somewhat similar services for companies expanding their international footprints. Because PEOs are a business model for use in the U.S., organizations may turn to EORs for international employment solutions. Companies can remain employers of record and outsource HR functions to local specialty services, such as payroll vendors and benefits and HR consultants, but this is a somewhat fragmented solution. Or, they can engage an EOR, which provides in-country HR and payroll solutions, such as employees' tax identification numbers, employee benefits, handbooks and compliance responsibilities that comply with in-country requirements.

### Implementing New HR Resources

The landscape has become crowded with these and other HR resources that are as suited to organizations with five employees as 500. The challenge is sorting through all of the options to find the partners that will meet an organization's needs.

Employers may want to consider the following steps.


- **Use a cross-functional committee.** Whether implementing a PEO or AI (or both), different departments will have different needs and concerns. For example, an employer may include HR, legal, IT operations and procurement on its cross-functional committee.
- **Have legal counsel review the vendor/provider contracts** to ensure there are appropriate liability protections and that agreements can be reasonably terminated. For example, counsel may review the contract for liability-shifting language and indemnifications in the event of a cyber breach.

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- **Make sure to have insurance.** Insurance policies, such as employment practices liability insurance and cyber liability insurance, should factor in new vendor relationships, especially when implementing AI in the workplace.
- **Enlist a trusted advisor.** Any transition should be based on a thorough evaluation of the organization. A neutral subject matter expert, such as PEO consultant, can help craft a comprehensive request for proposal (RFP) and evaluate the responses and options.

Today's world of HR administration is no longer one size fits all. Understanding the options and making informed decisions will be integral to successful solutions and partnerships and a more strategic and impactful HR function. 

### Endnotes

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