



How to find the right Human Resources Software

Buyer Guide



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Essential HR software buying information

Human resources (HR) software enables organizations to manage employee records, digitize HR processes, and automate common HR tasks. HR solutions cover a wide variety of employee needs such as recruiting, payroll, benefits administration, and performance management.

HR software not only caters to large businesses with a robust HR department, but also to small businesses with no HR employees at all. In fact, one of the most common roles that contacts us about HR software are small-business owners. All industries purchase and use HR software.

Jenn Tardy¹, a diversity recruitment consultant with years of experience, advises business leaders and decision-makers to think carefully before making a purchasing decision: “You have to ask yourself what’s more important to you: an interconnected system that gives you a broad view of all HR-related activities or specific systems that let you dive deeper into a specific topic.

“HR software is great if you’re interested in the former, but it doesn’t give you all the bells and whistles. For that, you’ll need to look for specialized software, like recruiting or onboarding.”

Most HR software is priced on a monthly subscription basis that scales based on the amount of functionality and the number of employees you have. Costs for HR software typically range from \$360 a month for an entry-level system up to \$2,200 or more for a premium system.²

First-time HR software buyers have to consider their budget, number of employees, application requirements, use case, and any necessary integrations when making a purchase decision. Working with stakeholders to come up with a list of critical questions to bring to vendors can help you land on the best system for your needs:

- What HR tasks can employees handle themselves through employee self-service?
- What dashboards and analytics capabilities does the platform offer?
- What level of technical support does the software provide?
- How is artificial intelligence (AI) integrated into the platform, and how does it work?

What are the most reviewed HR software systems?

Capterra Shortlist identifies the top HR software systems based on a proprietary blend of user ratings and popularity, helping small businesses efficiently find the most effective HR solution for their needs.³ Here are the five most-reviewed products in our Capterra Shortlist for this category:

Product	Overall score	Popularity score	Ratings score
ADP Workforce Now	96/100	49/50	47/50
Gusto	93/100	46/50	47/50
Rippling	93/100	43/50	50/50
Paycor	93/100	48/50	45/50
BambooHR	87/100	40/50	47/50

These rankings are determined by combining verified user ratings and publicly available web search popularity data:

- **Ratings score:** Relative score of the software based on ratings given by users on Capterra, normalized for number and recency of reviews.
- **Popularity score:** Relative popularity of software based on web search trends and products' web presence.

What is HR software?

HR software is a category of software designed to help businesses manage and optimize their human resources processes. Through HR software, users can perform HR tasks, store HR information, and analyze HR data.

“As your business becomes more sophisticated with data, business intelligence, and reporting, you’ll find yourself spending more and more money and resources integrating all of these disparate HR-related systems,” Tardy explains. “That’s where HR management software comes in; it’s much easier to make data-driven decisions because you can see everything in one place.”

Whether you’re **recruiting job candidates**, **onboarding new hires**, **running payroll**, **administering employee benefits**, **tracking attendance**, conducting **performance reviews**, or doing anything else related to **talent management**, there’s HR software out there that can support it. In fact, Gartner research shows that the worldwide HR software market grew 11.7% to \$22.4 billion in 2022.⁴

On Capterra, you’ll find 2,001 HR software products, making it one of the largest software categories we cover. Users have also submitted 16,154 HR software reviews in the past year alone.⁵

HR software pricing

Most HR software is priced on a monthly subscription basis that scales based on the amount of functionality and the number of employees you have. Costs for HR software typically ranges from \$360 a month for an entry-level system up to \$2,200 or more for a premium system.

- Entry-level HR software includes core functions such as an employee database, basic HR function management, and reporting and analytics.
- A more advanced HR solution that costs more typically includes additional features such as customizable reports, an employee self service portal, and an activity dashboard.

Sixty-four percent of the HR software buyers Capterra advisors spoke to in the last year are budgeting \$5 to \$10 per employee, per month.⁶

Tardy advises first-time buyers to be aware that:

- Implementation, integration, and customization are common upfront costs.
- Maintenance and support are common recurring costs.
- Training can be an additional expense.

If you're looking for ways to save money on HR software, you have a few options. Free trials are a great way to get some time with new software before making a purchase decision. Some vendors even offer **free HR software** outright, though buyers should be aware that there can still be costs associated with "free" software in the form of maintenance and customization.

Lastly, HR software vendors may offer a discount if you opt for an annual subscription over a monthly one.

HR software features rated by users

All HR software tools include an employee database, HR management, and reporting and analytics features, and most have a variety of common features such as applicant tracking, payroll management, and onboarding.

Core HR software features

- **Employee database:** Securely store and manage a database of employee information. 85% rate this feature as critical or highly important.
- **HR management:** Automate core HR functions such as payroll, benefits administration, and compliance. 84% rate this feature as critical or highly important.
- **Reporting and analytics:** View and track important HR metrics. 72% rate this feature as critical or highly important.

Common HR software features

Our analysis of proprietary reviews data reveals other common HR software features users rate as valuable:

- **Applicant tracking:** Manage job applications and resumes as candidates move through the recruiting process. 81% rate this feature as critical or highly important.
- **Employee management:** Track employee schedules, availability, and performance across projects and tasks. 81% rate this feature as critical or highly important.
- **Self-service portal:** Gateway for employees to access HR software to perform tasks and find information. 79% rate this feature as critical or highly important.
- **Payroll management:** Track and process employee payroll. 77% rate this feature as critical or highly important.
- **Onboarding:** Automate the process of turning new hires into legal employees. 73% rate this feature as critical or highly important.
- **Time and attendance:** Track employee work hours and time off balances. 71% rate this feature as critical or highly important.
- **360 feedback:** Collect and track employee performance feedback from peers, managers, and direct reports.
- **Activity dashboard:** View the status of ongoing processes, identify current incidents, and track past activities.
- **Compensation management:** Track compensation budgets and optimize compensation structures for employees.
- **Customizable reports:** Alter the layout and content of HR reports.

Top HR software benefits identified by users

Improves HR performance and efficiency:

Thanks to automation, digitized record-keeping, and employee self-service, users say HR software enables them to do more in less time.

“The capabilities provided by the platform have significantly streamlined our tasks and contributed to enhancing our overall efficiency.”



Mara D., senior HR manager
Non-profit

Facilitates small business growth:

Managing a workforce gets complicated quickly as you grow. Users say their HR software has kept up with their growth and allowed them to scale their HR processes with ease.

“With our company growing from 150 to over 800 employees in the past 5 years, [our product] remains an essential partner in our success.”



Julie G., HR operations manager
Food and Beverage

Provides a secure storage space for employee data:

HR software reduces errors and security concerns associated with more manual methods, such as paper files and spreadsheets.

“It gives us a consolidated database of accurate employee information.”



Jessica D., game programmer

Computer software

Common challenges identified by HR software users

Recent HR software reviewers cite a few common challenges. One challenge is getting timely customer service to resolve issues, either with the software itself or related services such as running payroll. Another challenge is cost, with reviewers citing not being able to get an affordable price or finding desired features locked behind paywalls.

When engaging with vendors, finding good customer support should be a priority. Ask about the level of support they offer and any associated costs. It's also important to separate feature “needs” from feature “wants”—focus on options that only have the features you need to keep costs down.

Functionality-wise, top challenges with HR software include generating customized reports and putting rules in place to automatically approve or deny employee absences. If reports and absence management are important to you, look for mentions of these features in reviews to better understand if products handle them well or not.

What is HR software used for?

Analysis of our extensive HR software reviews highlight the most common use cases:

- **Managing a centralized employee database:** Businesses use HR software to maintain a secure database of employee information, including name, role, salary, contact details, and more.
- **Tracking employee attendance and paid time off (PTO):** HR software can help businesses track employee hours, through manual time logging or integration with time clock hardware.
- **Attracting, assessing, and hiring job seekers:** Companies use HR software to post job openings, schedule candidate interviews, evaluate resumes, and track promising candidates through their recruiting and hiring workflow.
- **Automating payroll:** Instead of doing the math and cutting paychecks manually, HR software can automatically calculate accurate wages and tax withholdings while depositing funds directly to employee bank accounts.

HR software generally falls into one of two categories: the “core HR” category or the “strategic HR” category.

The core HR category covers all the HR software that supports critical HR functions that every business has to perform. This includes:

- **Applicant tracking systems:** Post job openings, manage job applications, assess candidate options, and track applicants as they progress through your recruiting process.

- **Onboarding software:** Automate and manage the process of transitioning new hires into employees.
- **Payroll software:** Run payroll, track compensation costs, and generate important payroll and tax reports.
- **Time tracking software:** Track employee attendance, schedules, and billable hours for contractors.
- **Benefits administration software:** Enroll employees in offered benefits, track their usage, and generate reports.

The strategic HR category covers HR software that helps businesses optimize their workforce or improve employee productivity and engagement. This includes:

- **Performance management software:** Set individual employee goals, gather 360 feedback, and conduct performance reviews.
- **Learning management systems:** Create, manage, and administer employee training and skills development modules.
- **Employee engagement software:** Survey employees and diagnose common issues driving job dissatisfaction.
- **Compensation management software:** Optimize compensation budgets and enable pay-for-performance.
- **Succession planning software:** Identify high performers and develop a leadership bench for the future.
- **Workforce management software: Plan, track, and manage the allocation and requirements of labor resources.**

- **HR analytics software:** Aggregate employee data and visualize trends over time.

Depending on your needs, you may want to purchase a standalone HR system that performs a single function, or a comprehensive talent management suite that performs multiple functions.

Who uses HR software?

Companies from all types of industries leverage HR software to have more efficient HR processes, or because they're lacking some sort of crucial HR functionality with their current methods.

HR personnel are the primary users of HR software, but they're not the only ones. Managers use HR software to administer performance reviews, approve time off, and onboard new employees. Employees themselves also use HR software to update their contact details, see pay stubs, enroll in benefits, or do other HR-related tasks.

Notes from our advisor calls within the past year reveal that HR software buyers commonly come from small businesses with one to 24 employees and \$5 million or less in annual revenue. One of the most common roles that contacts us about HR software isn't even dedicated to HR, but rather small-business owners who lack a dedicated HR department.

Common HR software integrations

We analyzed our extensive reviews database and determined the three categories that most often integrate with HR software as **accounting software**, **document management software**, and **CRM software**.

Buyers need a strong integration between HR and accounting software to run payroll. Document management software integration helps with managing employee handbook pages and job descriptions, while CRM software integration can feed accurate sales data to calculate commission pay.

Your integration requirements will depend on your size of business, based on our conversations with HR software buyers in the past year. While small businesses with one to 100 employees slightly favored standalone HR products (53%), larger businesses with 101 or more employees preferred integrated suites (66%). This is a typical progression as companies grow: They start off with a handful of standalone systems for core HR functions, such as **payroll** or **employee scheduling**, then work their way up to an integrated HR suite once their HR department has matured.

There are pros and cons with each approach. Piecemealing your HR software stack with a bunch of standalone systems will allow you to adopt a top-tier system for every HR function, but integrating them together could cause problems. Having an all-in-one HR software suite avoids any integration issues since all the functionality is housed in one platform, but you may have to compromise on functionality because suites can't be best-in-class at everything.

Whatever direction you decide to go, it's important to plan out what your HR software stack will look like ahead of time. Without proper planning, you may adopt systems that perform overlapping functions—adding unnecessary cost, training time, and vulnerabilities for security breaches. Because of these functional overlaps, 83% of HR employees told us they had plans to consolidate software applications within the next 12 months.⁷

Recent trends in HR software

HR virtual assistants take over service delivery: Increasingly found in HR software systems are virtual chatbots that interact with job applicants or employees to answer questions and complete common HR tasks. Powered by artificial intelligence (AI), these chatbots can save HR departments a ton of time on HR service delivery. But with 49% of HR employees at companies with HR chatbots saying **they've received a complaint from an employee or job seeker about the chatbot's performance**, it's important to evaluate chatbot capabilities in-depth and understand their limitations before committing to a purchase.

Leadership development becomes a top priority: Leader and manager development is the top 2024 priority for HR leaders, according to Gartner's annual HR Priorities survey.⁸ With middle managers struggling especially (71% told us they "sometimes" or "always" **feel overwhelmed, stressed, or burned out** at work), HR departments are increasingly using software to develop managerial training modules, connect new managers with mentors, and diagnose areas where managers are struggling the most.

Pay transparency goes mainstream: In 2024, 40% of recruiting leaders anticipate that their organization will share salary details in job postings across all of their locations—up from 15% in 2022.⁹ Pay transparency has become increasingly important to attract top talent, so companies are leveraging **payroll and compensation management platforms** to ensure that salaries are competitive in their area.

Learn more about how HR software can help your business

- [What Is HR Software?](#)
- [Guide to HR Software Pricing Models](#)
- [6 Top-Rated Tools To Include in Your HR Tech Stack](#)
- [What Is HR Data Analytics? 7 Useful Applications](#)
- [Accelerate Your Human Resources Software Implementation by Learning From Buyers With Experience](#)

Sources

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2. [Jenn Tardy](#), LinkedIn

3. **Capterra Shortlist:** Capterra Shortlist identifies the top products in our software categories based on a proprietary blend of user ratings and popularity. We featured the products with the most reviews at the time of Capterra Shortlist publication. [Read the complete methodology.](#)
4. **Market Share Analysis: Human Capital Management Software, Worldwide, 2022,** Gartner
5. **Capterra reviews data:** Capterra reviews are collected from verified users for individual software products. For this report, we analyzed reviews from the past year as of the production date. [Read the complete methodology.](#)
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8. **Where HR Will Focus in 2024,** Gartner
9. **8 Trends That Will Shape Talent Acquisition Strategy for 2024,** Gartner



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