

# Payroll is most of your cost base. Plan it *by the position, by the month.*

In a mid-size company people are the largest line in the plan and the one most often modeled with a shortcut — headcount times an average salary. The shortcut is wrong in every month and roughly right for the year, which is the worst combination for a cash forecast. This article sets out how to plan headcount precisely: by position rather than person, with compensation bands, hiring lags, ramp, recruiter fees and bonus attainment modeled as what they are, and with the HRIS as the source of truth rather than a spreadsheet roster.

| AUDIENCE                        | UNIT OF PLANNING             | SOURCE OF TRUTH     | READING TIME |
|---------------------------------|------------------------------|---------------------|--------------|
| Leaders of mid-size enterprises | The position, not the person | HRIS roster, synced | 11 min read  |

Series Hours, Not Months      Evidence EACONNECT HRIS connectors and workforce insights, Sept 2026

Standard methodology as practitioner opinion; worked figures are illustrative

## 01 Why the average-salary multiplier distorts everything

Headcount times average compensation gives an annual number that is close enough. The monthly shape, the cash timing and the sensitivity to hiring

decisions are all wrong.

Take a department planning to grow from twelve people to eighteen over a year. The flat method takes the average of twelve and eighteen — fifteen — multiplies by an average loaded cost, and spreads it evenly. It misses that the six hires start on specific dates and are paid from those dates; that each hire costs a recruiting fee in the month it lands; that new starters are paid in full while producing little for a quarter; that two of the twelve may leave and be back-filled with a gap; that the bonus accrues monthly but pays in March; and that the annual merit increase takes effect in April, not January. Each of those is a timing term. Together they move the monthly cost by 20–30% in either direction from the flat line, and the cash by more.

#### DISTORTION 1

##### Shape

Even spreading puts cost in months before people exist and understates it once they are all in seat. The second-half run rate — the number that matters for next year — is systematically low.

#### DISTORTION 2

##### Cash

Recruiting fees, sign-on bonuses, equipment and the March bonus payout are lumps. Averaging them into a monthly rate is how a company is surprised by its own payroll.

#### DISTORTION 3

##### Decisions

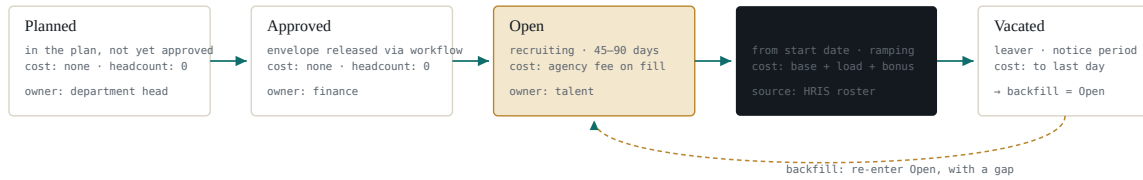
The question leadership asks is "what if we slip hiring by a quarter?" A flat model answers with a proportion. A position model answers with a month-by-month delta and the productivity cost of the delay.

## 02 Plan the position, not the person

A person leaves; the position remains. Planning by position separates the organisation design from who currently occupies it, which is what makes

## headcount plans stable across attrition and hiring.

### POSITION LIFECYCLE · WHAT EACH STATE COSTS



Headcount reported = Filled. Headcount planned = Filled + Open + Approved. Cost planned = Filled from start date, plus fees when Open converts.  
The gap between "planned" and "filled" is the number leadership most often confuses — and the one the HRIS sync makes visible every night.  
Contractors are positions too: a Filled state with a different rate card, no load, and no bonus — and a share-of-workforce that should be watched.

**Figure 1.** Five states, each with a distinct cost profile. A position model tracks the state transitions with dates; the cost falls out. A person model has to be rebuilt every time somebody resigns.

The practical consequence is that the plan has two headcount numbers, and both are useful. *Filled* is what the HRIS says and what payroll is paying. *Planned* — filled plus open plus approved — is what the organisation is committed to. The distance between them is the recruiting pipeline, and a monthly view of that distance by department is one of the more useful reports a finance team can produce. It is also what an agent can watch: the finding in the platform's insights inbox that engineering was at 218 positions against 200 budgeted is exactly this comparison, run automatically.

The HRIS is the roster; the plan should not be  
Maintaining a headcount roster in the planning tool by hand is the most common cause of plan-to-payroll mismatch. The roster — who is in which position, at what base, from what date — belongs in the HRIS and should be synchronised into the plan nightly. The plan adds the future: approved and open positions, start-date assumptions, and rates. It should never be the place where a current employee's salary is typed.

## 03 Compensation bands and load

A position has a band; a band has a rate range by location; a rate has a load.  
Holding these centrally is what lets a department head plan a "Senior

Engineer, Bengaluru, start May" without knowing or typing a salary.

```
Base[position, t]    = Band_midpoint[band, location, version]
Loaded[position, t]  = Base × (1 + employer_tax% + benefits% ) + fixed_
Bonus_accrual[t]     = Base/12 × bonus_target%[band] × expected_attainm
Total[position, t]   = Loaded + Bonus_accrual + equity_expense (if appl
```

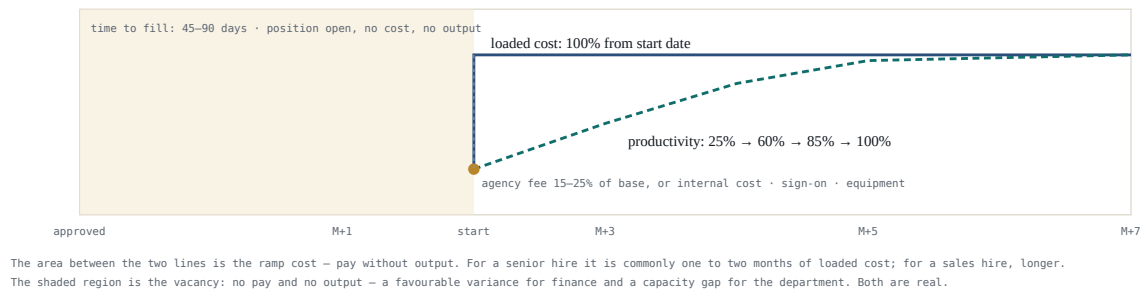
| COMPONENT                                                                                                                                                                                                             | TYPICAL BASIS                                                      | NOTES FOR THE MODEL                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Base salary                                                                                                                                                                                                           | Band × location midpoint for planned; HRIS actual for filled       | Bands and midpoints are central variables, versioned annually at the merit cycle          |
| Employer taxes                                                                                                                                                                                                        | Percentage of base, capped in some jurisdictions                   | Caps make this a step within the year for higher earners; model as % with a ceiling       |
| Benefits                                                                                                                                                                                                              | Partly percentage (pension match), partly fixed per head (medical) | The fixed part is why a junior hire costs proportionally more than a senior one           |
| Bonus                                                                                                                                                                                                                 | Target % of base by band × expected attainment                     | Accrue monthly; pay in the payout month for cash — see section 05                         |
| Equity                                                                                                                                                                                                                | Grant value ÷ vesting period, per accounting standard              | P&L expense, not cash; keep on a separate measure                                         |
| Contractors                                                                                                                                                                                                           | Day rate × days, or monthly retainer                               | No load, no bonus, no notice; a separate rate card and a watched share of total workforce |
| Load in mid-size companies typically runs 18–30% on base depending on country and benefits design; the article's worked example uses 22%. The exact figure matters less than holding it once, centrally, by location. |                                                                    |                                                                                           |

Two design choices pay off. First, planned positions cost the band midpoint, not the manager's guess; if the eventual hire lands above midpoint the variance is visible and attributable. Second, location is a dimension of the rate, not an adjustment to it — a Senior Engineer band has different midpoints in Bengaluru, Berlin and Boston, and a position moved between them re-prices automatically.

## 04 Hiring lag, ramp and the cost of a vacancy

Between "approved" and "productive" there are three delays, and each has a cost that the flat model cannot see.

ONE HIRE • COST vs PRODUCTIVITY OVER SIX MONTHS • ILLUSTRATIVE



**Figure 2.** A hire is not a step from zero to one. It is a lag, a lump, and a ramp. A plan that models all three tells leadership what a delayed hire actually costs and what an early one buys.

```
start_fraction[t] = days_paid_in_month[t] ÷ days_in_month[t]
FTE_paid[t]       = start_fraction[t]                      (first m
FTE_productive[t] = FTE_paid[t] × ramp[months_since_start]  ramp =
Fee[t]            = base × agency% in the fill month        (or in
```

Three modeling rules follow. Cost is paid from the start date, prorated for the first month — never from the first of the month of approval. Output is ramped, by role family, and the productive FTE is a separate measure from the paid FTE; capacity plans (support tickets per agent, revenue per rep) should use the productive one. And fees are events in the fill month, not a percentage spread across the year — because that is when the invoice arrives.

Leavers mirror the process: cost runs to the last day, prorated, and the position re-enters the open state with a new time-to-fill. A backfill assumption — how many leavers are replaced, and how fast — is a driver worth owning explicitly, because it is where attrition turns into a number.

## 05 Bonus attainment tiers and the merit cycle

Two annual events break the monthly pattern: bonus, which accrues all year

and pays once, and merit, which changes every base salary on a single date.

```
Bonus_target[position] = base × target%[band]
Expected_payout         = Bonus_target × tier_multiplier( expected_co
    tiers, illustrative: < 80% of plan → 0 · 80–99% → 0.5 · 100–11
Accrual[t]               = Expected_payout / 12          (P&L, every month
Cash[payout_month]       = Σ Accrual                    (cash, once)
Merit: base[t ≥ effective_date] = base × (1 + merit%[band]) – a st
```

#### Why tiers, not a flat percentage

A bonus pool that pays 100% at target and nothing below 80% is a step function of company performance. Modeling it flat overstates cost in a weak year and understates the cash call in a strong one. The tier table is a central variable; the expected attainment is a scenario input — and one of the more useful levers in a downside case.

#### Why merit is a date

A 4% merit budget applied from January costs 4% for the year. Applied from April it costs 3%. Applied off-cycle to a subset of people — which is what the platform's insight agent flagged when salaried base pay moved 6.2% against a 4.0% guideline — it costs whatever the off-cycle moves add up to. The plan should hold merit as a percentage, an effective date and a version, and report drift against it.

## 06 A worked example: twelve to eighteen

One department, one year, six hires, two leavers, a merit cycle in April and a bonus payout in March. Flat method against position method, month by

month.

| MONTH | EVENTS                                  | FILLED<br>FTE<br>(PAID) | SALARY +<br>LOAD | FEES   | BONUS<br>ACCRUAL | P&L TOTAL | CA |
|-------|-----------------------------------------|-------------------------|------------------|--------|------------------|-----------|----|
| Jan   | —                                       | 12.0                    | 122,000          | 0      | 10,000           | 132,000   |    |
| Feb   | 2<br>starts<br>(15th)                   | 13.0                    | 132,200          | 40,000 | 10,800           | 183,000   |    |
| Mar   | bonus<br>payout                         | 14.0                    | 142,300          | 0      | 11,700           | 154,000   |    |
| Apr   | merit<br>+4% ·<br>1<br>leaver<br>(30th) | 14.0                    | 148,000          | 0      | 12,100           | 160,100   |    |
| May   | 1 start<br>(1st) ·<br>backfill<br>opens | 14.0                    | 148,000          | 20,000 | 12,100           | 180,100   |    |
| Jun   | —                                       | 14.0                    | 148,000          | 0      | 12,100           | 160,100   |    |
| Jul   | backfill<br>starts ·<br>2<br>starts     | 17.0                    | 179,700          | 60,000 | 14,700           | 254,400   |    |
| Aug   | 1<br>leaver<br>(15th)                   | 16.5                    | 174,400          | 0      | 14,300           | 188,700   |    |
| Sep   | —                                       | 16.0                    | 169,100          | 0      | 13,800           | 182,900   |    |
| Oct   | backfill<br>starts ·<br>1 start         | 18.0                    | 190,300          | 40,000 | 15,600           | 245,900   |    |

|      |   |             |           |         |         |           |    |
|------|---|-------------|-----------|---------|---------|-----------|----|
| Nov  | — | 18.0        | 190,300   | 0       | 15,600  | 205,900   |    |
| Dec  | — | 18.0        | 190,300   | 0       | 15,600  | 205,900   |    |
| Year |   | avg<br>15.4 | 1,934,600 | 160,000 | 158,400 | 2,253,000 | 2, |

Illustrative: base 120,000 per position, 22% load, 8% bonus target at 100% attainment, 4% merit from April, agency fee 20,000 per hire. The flat method (15 heads × loaded cost ÷ 12) misses the fees entirely, spreads the bonus, and understates the second-half run rate by about 20% — which is the number the next year's plan will be built on.

Read the last three columns together. The P&L line and the cash line differ by the bonus timing and nothing else; the flat line differs from both by structure. In March the cash call is 104,000 above the flat estimate; in July, 82,000. A treasury function that planned on the flat line would have been surprised twice in one half.

## 07 Cash sensitivity: what a quarter's slip is worth

The position model makes hiring decisions quantifiable in the only terms leadership can act on: months of cash, and months of missing capacity.

THREE HIRING SCENARIOS vs BASE · ANNUAL CASH AND PRODUCTIVE CAPACITY · FROM THE WORKED EXAMPLE

|                                             |               |                                                              |
|---------------------------------------------|---------------|--------------------------------------------------------------|
| Slip all six hires by one quarter           | -408,000 cash | -13.5 productive FTE-months · second-half run rate unchanged |
| Freeze backfills (two leavers not replaced) | -268,000 cash | -11 productive FTE-months · exit headcount 16, not 18        |
| Accelerate hires by one quarter             | +408,000 cash | +9 productive FTE-months (ramp limits the gain)              |

The asymmetry is the finding: a quarter's slip saves the full loaded cost, but a quarter's acceleration buys only ramped output. Timing decisions are not symmetric, and a plan should say so.

**Figure 3.** Cash and capacity effect of three timing decisions on the worked example. Each is a one-line change to a start-date assumption in a position model, and a rebuild in a flat one.

This is the analysis a rolling forecast needs every quarter and a board asks for in every downturn. With positions, dates and ramps as drivers, it is a scenario — the same mechanism that re-plans a version under an override — and it produces the productive-capacity cost alongside the cash saving, so the decision is made with both sides visible.

## 08 In EAConnect Planning

The pieces above map to four platform capabilities, each shown elsewhere in this library and summarised here.

### SOURCE

#### HRIS as the roster

Workday, BambooHR, UKG, HiBob and Namely connectors bring the roster — position, incumbent, base, start and end dates — into a planning table on a schedule, through the same integration flows that load the general ledger. Filled positions are never typed.

### MODEL

#### Headcount as its own model

Positions, bands, load and ramp live in a workforce model at their own grain and publish personnel cost into the P&L model — the "five models, one fabric" pattern, where rates and headcount stay clean and independently maintained.

### WATCH

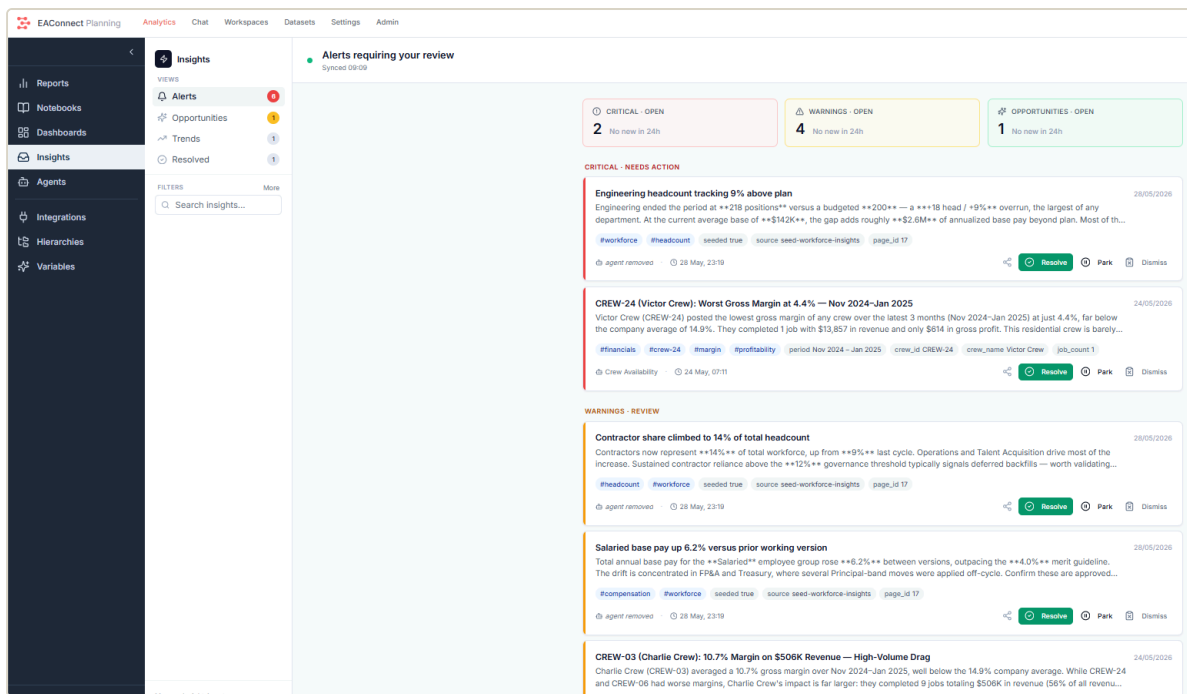
#### Agents on the workforce

The findings in the screen below — headcount 9% above plan, contractor share past a threshold, base pay drifting against the merit guideline — are what a position model makes possible to watch automatically.

### GOVERN

#### Approval as a workflow step

Planned → Approved in Figure 1 is a workflow transition on the same process engine that runs budget submissions, with the approver and date recorded.



**Figure 4.** Workforce findings raised by insight agents: a plan-versus-filled comparison, a contractor-share threshold, and merit drift between plan versions. Each is a standing question from this article, answered without anyone asking.

## 09 A practitioner's view for leaders

Opinions from people who have built workforce models for finance functions. Not product claims.

Positions are the org design; people are the roster

Plan the first; sync the second. The moment someone types a current employee's salary into a plan, the plan and payroll have started to diverge.

Start dates are the plan

Everything else in headcount planning is a rate. The decision leadership actually makes is when. Insist that every planned position has a month, and that slipping it is a one-cell change.

### Model fees and bonus as lumps

They are lumps. Averaging them is how a company with a correct annual payroll number still gets surprised in March.

### Keep productive FTE separate from paid FTE

Capacity plans should use the ramped number; cost plans the paid one. A model that conflates them either over-hires or under-delivers, and cannot tell you which.

### Watch the contractor share, not just the count

Contractors are how organisations hire without approval. A rising share is either a deliberate flexibility strategy or deferred backfills in disguise; the plan should make it visible so leadership can say which.

### Merit is a date and a version

A merit budget is a percentage, an effective date and a list of exceptions. Hold all three, report drift against them quarterly, and off-cycle creep stops being invisible.

EACConnect Planning · Research library · Hours, Not Months

Evidence: EACConnect HRIS connector catalogue and workforce insights screen, Sept 2026. Worked example and scenario figures are illustrative. Methodology is practitioner opinion.

2,464 words · 11 min read