Payroll Intelligence for the Agentic Era

Payroll is often described as the heartbeat of an organization

Although payroll is responsible for the timely and accurate compensation of employees, it is also a recurring touchpoint and affirmation of an individual's relationship with an organization, while it represents the single largest controllable operating expense for most enterprises.

Yet, beneath the surface, payroll is often imperfect, and payroll leakage seems to be an elusive and challenging reality; for many, a number of operational issues remain a silent drain on profitability and operating trust:

- Operational inefficiencies
- Manual processing
- Payroll errors
- Lack of automation
- Non-compliance to Wage and Hour regulations

In today's Agentic Era, where AI-driven systems are reshaping business operations, organizations must rethink payroll not just as a back-office function, but as a strategic lever for cost containment, risk management, and workforce optimization.

The hidden cost no one's auditing

Despite its critical importance, payroll is rarely scrutinized with the rigor applied to vendor spend or taxes.

The result? Potential millions of dollars are lost annually via intentional and unintentional payroll leakage, including overpayments, policy violations or exceptions, misclassified roles, and weak/ missing controls.

Annual pay inaccuracy losses of

2% to 5%

of total annual payroll

What if your largest investment was silently eroding by 2% to 5% every year? For every $1B+ enterprise, this isn't a hypothetical—it's the reality of payroll leakage. This translates to a multi-million dollar annual loss, not from market downturns, but from the quiet friction of manual processes. While over half of businesses cling to these outdated methods, they're not just running inefficiently; they're actively channeling funds away from innovation and growth directly into a sinkhole of payroll leakage, compliance risks and financial penalties.[1]

Source: [1] *KPMG LLP. (2025). Global payroll remediation program: Opportunity case for multinational client* [Unpublished internal document]. KPMG.

Payroll and Workforce spend: The next frontier

Labor costs account for up to 70% of a company's operating spend, yet payroll is often managed as a fixed cost.[2]

The path forward isn't about shrinking the workforce; it's about shrinking the inefficiencies that waste time and money. Intelligent and digitally enabled operational workforce management, digital automation, reducing manual modification of job-based pay and shift premiums through digital configuration, real-time alerts, and linking payroll outputs to performance data are just a few ways organizations can drive cost efficiency.

Transformation can deliver a 15–20% reduction in payroll processing costs, a 70% drop in compliance issues, and a 25% boost in employee and manager satisfaction.[3]

Operational inefficiencies can erode

10–15% of value.

- Labor scheduling
- Absence management
- Employment policies (e.g., wage and hour laws, collective bargaining agreements, etc.)

Diagnosing the invisible

Payroll leakage is rarely about inability, it's about invisibility.

Organizations must adopt a risk mindset, treating payroll as a function to be constantly audited and optimized.

Payroll leakage root causes

- Ghost employees
- Incorrect tax and benefits
- Manual entries
- Incorrect hours
- Excessive overrides
- Historical edits
- Missed punches
- Delayed payments
- Legacy systems

Emerging risks include AI models trained on outdated policies and Agentic AI overriding human checks without transparency. The symptoms are clear, but the solutions require a new lens.

Source: [2]U.S. Bureau of Labor Statistics. (2025, September 12). *Employer costs for employee compensation—June 2025* [Press release]. | [3]Alight. (2023). *2023 Global Payroll Complexity Index* [PDF report].

The Agentic era: From automation to autonomy

Traditional AI has helped organizations automate repetitive tasks and surface insights.

But Agentic AI and multi-agent collaboration marks a profound shift: systems that learn continuously, make decisions based on policies, controls, and proactively flag anomalies.

In payroll, this means cycle times may drop by up to 35%, leakage detection alone drives 5–12% potential in real cost savings, and "system memory" scales with complexity.[4]

Agentic AI doesn't just automate, it orchestrates labor with precision, self-improves, and acts as a firewall against potential invisible losses.

Real-world impact

Consider the case of a global technology company with 80K+ employees.

Fragmented global payroll operations led to overpayments, manual work, and weak controls, resulting in $28 million in **known** payroll leakage in a single year. When extrapolating the 1:5 ratio of **known** vs **unknown** leakage, we can see that the numbers quickly become very material and meaningful to every organization.

Through comprehensive assessment and transformation, the organization has already realized a net benefit of up to $29.5 million annually, while we anticipate that policy adherence and reduction in exceptions will yield an additional $70-100M/ year in savings, demonstrating the tangible value of payroll intelligence.[5]

Payroll Intelligence real-world value

$29.5M

annual savings already realized

Annual future savings of

$70M-$100M

What organizations should do next

To thrive in the Agentic AI Era, organizations must:

01 **Diagnose payroll leakage** with end-to-end reviews and root cause analysis.

02 **Embrace Agentic AI** to move from automation to autonomous operations.

03 **Transform payroll operations** by consolidating vendors, automating policies, and integrating performance data.

04 **Establish success metrics** to quantify payroll leakage, benchmark progress, and drive continuous improvement.

Source: [4] *KPMG LLP. (2025). Global payroll remediation program: Current State Maturity Program* [Unpublished internal document]. KPMG. |
[5] *KPMG LLP. (2025). Global payroll remediation case study* [Unpublished internal document]. KPMG.

KPMG can help

KPMG stands ready to guide organizations through this transformation.

Our approach spans global payroll implementation, vendor landscape analysis, strategy and design, and robust change management. We leverage proprietary tools—Elev8Pay (our Global Payroll Modeler), Elev8Controls (our Payroll Control Framework and Elev8DMD (our JIRA and ARIS integrated leading practice Process Maps or Data Migration Maps)—and alliances with leading platforms to deliver measurable results.

Our deep expertise in global payroll remediation, risk management, and operational excellence ensures that clients not only address today's challenges but build resilient, future-ready payroll operations.

The Agentic Era demands more than automation—it requires intelligence, autonomy, and strategic vision. KPMG can help you unlock the full potential of payroll, eliminate hidden leakages, and rewire your cost structure for sustainable success.

Let's move beyond the status quo and build payroll operations that power your business for the future.

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