



Payroll at the tipping point: The case for C-suite elevation



The KPMG and UKG Global Payroll Survey Report

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Section 1: Executive overview



Section 1: Executive overview

Payroll can become a strategic performance engine in organizations that pair AI innovation with employee experience and operational discipline.

However, our global survey reveals that payroll remains fragmented, under-resourced, and highly vulnerable to labor leakage, costing companies millions each year. Leaders talk strategy—**92 percent** claim to have one—but only a third achieve true enterprise standardization, leaving compliance and efficiency vulnerable to costly mistakes and potential brand challenges.

AI has the potential to reposition payroll from a routine task into a strategic asset, improving accuracy, compliance, and employee satisfaction. Although nearly half of organizations use some automation, most face challenges such as poor governance and data quality, leading to underwhelming results. Subsequently, payroll systems generate abundant data but lack the predictive insights leaders need for cost management and workforce planning. To help realize its potential as a contributor to enterprise performance, labor management (WFM, payroll and contingent workers) may benefit from evolving into a C-level standalone corporate function, distinct from human resources (HR) and finance. Raising labor management and payroll to a C-suite function could address structural blind spots, facilitate unified governance, and embed payroll as a strategic asset within the broader organizational framework.



**Payroll often accounts for
40-60%
of operating expenses**



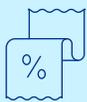
Section 1: Executive overview



Survey findings:

This survey of 319 payroll leaders across multiple geographies uncovers the challenges facing payroll executives, explores emerging industry trends, and provides actionable insights into optimizing payroll operations on a global scale.

- ▶ With many payroll functions managing tens of thousands of employees, the survey highlights the stark staffing constraints faced by organizations and the resultant over-reliance on automation and outsourcing. These resourcing challenges often divert attention from strategic process improvements, leading to inefficiencies and increased costs.
- ▶ While many companies articulate a cross-border payroll strategy, fragmentation and regional autonomy often impede seamless execution. Disparate country-specific rules and the absence of standardized global governance exacerbate these challenges, complicating compliance and data integration efforts.
- ▶ Most leaders express readiness for advanced technologies, but the survey reveals gaps in technology maturity, data readiness, and change-management capabilities.
- ▶ Many organizations have implemented tools for data collection but struggle to extract actionable insights due to fragmented systems and integration issues.
- ▶ The report quantifies the financial impact of such leakages and emphasizes the importance of robust internal controls, process standardization, and advanced technologies like AI in mitigating these losses.



The KPMG and UKG® payroll survey report offers a roadmap for leveraging technology, process improvements, and strategic insights to reimagine global payroll operations.

Section 2: The current state of global payroll

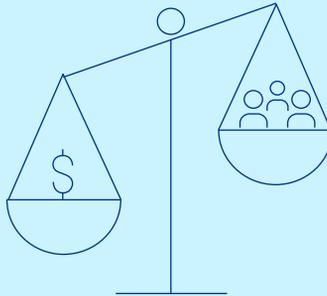


Section 2: The current state of global payroll

Your biggest expense is running on fumes. AI and automation can help refill the tank.

23%

of survey respondents run payroll with 15 to 24 full-time employees (FTE), yet report low levels of automation and outsourcing, raising concerns on quality and timeliness.



Managing
40-60%
of OpEx

Only **33%** have 50+ FTE

31% Staffing constraints reported

Huge investment/underserved function: A critical imbalance.

Payroll has become a critical function and a strategic lever for enterprise value, typically accounting for **40-60 percent** of an organization's operating expenses. Yet despite the function's growing size and influence, many payroll departments suffer from resource challenges, with **31 percent** of survey respondents reporting staffing constraints, leading companies to shift their payroll service delivery to a hybrid operating model that is flexible enough to operate in the intelligent economy.

Even in mid-size companies, payroll can serve tens of thousands of employees. Among the survey's respondents, **46 percent** say their payroll function manages **10,000 to 50,000** employees, while **25 percent** manage **50,000 to 200,000**.

Yet only **33 percent** have **50** or more full-time employees dedicated to payroll, while a significant portion (**23 percent**) run payroll for tens of thousands of employees with only **15 to 24** full-time employees.

The survey results indicate a trade-off between cost efficiency and operational effectiveness. This often results in blurred segregation of duties and underutilized preventive controls, which can lead to financial, operational, and reputational consequences.



Section 2:

The current state of global payroll

- ▶ Manual processes consume resources that could be allocated to strategic work, leading to a “firefighting” mentality that hinders process improvement.
- ▶ Retaining non-core functions in-house, such as payroll, especially at scale, increases costs associated with hiring, training, and management, thereby leading to inefficiencies.
- ▶ The complexity of global operations requires substantial resourcing for compliance across numerous jurisdictions.
- ▶ Underutilization of part-time or temporary staff can lead to higher labor costs during off-peak periods, indicating inefficient resource allocation.
- ▶ Inefficient shift scheduling, inaccurate staffing levels, low employee productivity, and high absenteeism are also causes of workforce inefficiency that impact overall resourcing effectiveness.
- ▶ Investment priorities often favor talent or financial planning over payroll process improvements, exacerbating resourcing challenges for this critical function.



Fortunately, organizations are adopting various strategies to better manage resourcing at scale, according to the survey. Among respondents, 61 percent of organizations utilize a hybrid payroll model (partially outsourced, partially in-house), while others use centralized shared services (21 percent) or fully in-house/outsourced models. Also, 56 percent report operating under a regional governance model, suggesting semi-centralization. On the other hand, many organizations appear to have patchwork models that are regionally managed, partially outsourced, and not fully standardized.



The survey also found that larger enterprises outsource operations less than expected, suggesting an internal preference for control and compliance. Nevertheless, for any global organization, a “pure” payroll model (fully in-house or outsourced) is unlikely. The operational reality is often a hybrid model. The strategic focus should not be on choosing one over the other, but on designing the optimal hybrid structure—strategically deciding which functions to retain and which to outsource, on a country-by-country basis.



Lastly, payroll leaders are using next-generation technology to enhance accuracy, speed, and workforce insights at scale. Among respondents, 47 percent of organizations currently use AI, automation, or digital agents in payroll, and 38 percent are considering implementation. This includes cloud-based solutions, robotic process automation (RPA), and integrated systems for payroll, workforce management (WFM), and human capital management (HCM) to reduce manual input and improve efficiency.

Section 2: The current state of global payroll

Global payroll strategies often struggle under real-world complexity. Unified execution offers the support they need.

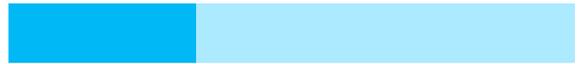
Although articulating a global strategy, many companies still operate through fragmented, semi-autonomous regional or country teams—implying that many “strategies” are conceptual rather than implemented, our survey found.

92%



of respondents reported having a global payroll strategy,

33%



operate a truly global, standardized model, with vendor and incident management frameworks in place



Most organizations rely on regional governance (**56 percent**) and hybrid delivery (**61 percent**). In addition, many organizations are still grappling with fragmented systems and manual reconciliation processes.



For example, many companies use multiple vendors, with **74 percent** of respondents reporting using more than two. But vendor management is often ineffective, with only **25 percent** rating their vendor management framework as “effective.” However, there is a strategic push towards vendor consolidation, with **26 percent** of organizations using two or fewer global payroll vendors and **34 percent** using three to four vendors to streamline management of external resources.



One hindrance to global strategy execution is the multiplicity and complexity of global regulations. Unlike finance, which has global standards like GAAP, payroll lacks a global governing body. This absence creates a “Wild West” of disparate country-specific rules, making centralized oversight, data aggregation, and compliance incredibly difficult. Organizations face persistent challenges such as data accuracy and integrity (**48 percent** cite this as a top challenge), compliance with multi-jurisdictional and local laws (**47 percent** struggle), and system integration difficulties (**34 percent** face integration difficulties).

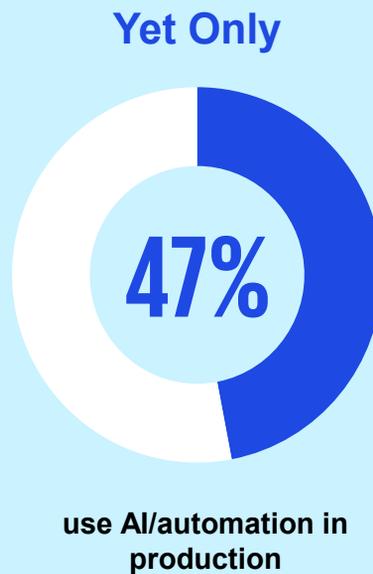
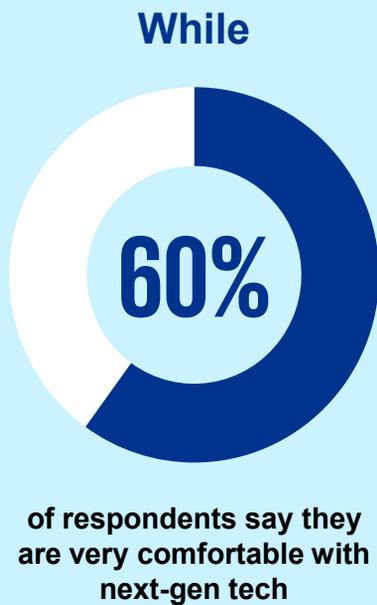


To bridge this gap, organizations need to standardize processes, automate smartly, and elevate the payroll function. They should focus on enhancing data accuracy, compliance, and integration, and leverage AI, automation, and analytics to improve accuracy and workforce insights. A phased strategy that emphasizes foundational groundwork and quick wins is essential for successful transformation.

Section 2: The current state of global payroll

AI has the potential to support growth and scalability. But only if you reinvent payroll fundamentals at the same time.

Payroll leaders are looking to leverage next-generation technology to improve accuracy, speed, and insights. While there's optimism surrounding technology, the survey highlights operational friction and challenges.



38%

are still evaluating AI



10%

plan to implement it in the next 12 months

The results reflect a perception gap — leadership is conceptually ready for AI, but technology maturity, data readiness, and change enablement lag.

Other reasons for the delay:

Data accuracy:



48 percent cite data accuracy and integrity as their top challenge.

System integration:



34 percent face system integration difficulties.

Lack of standardization:



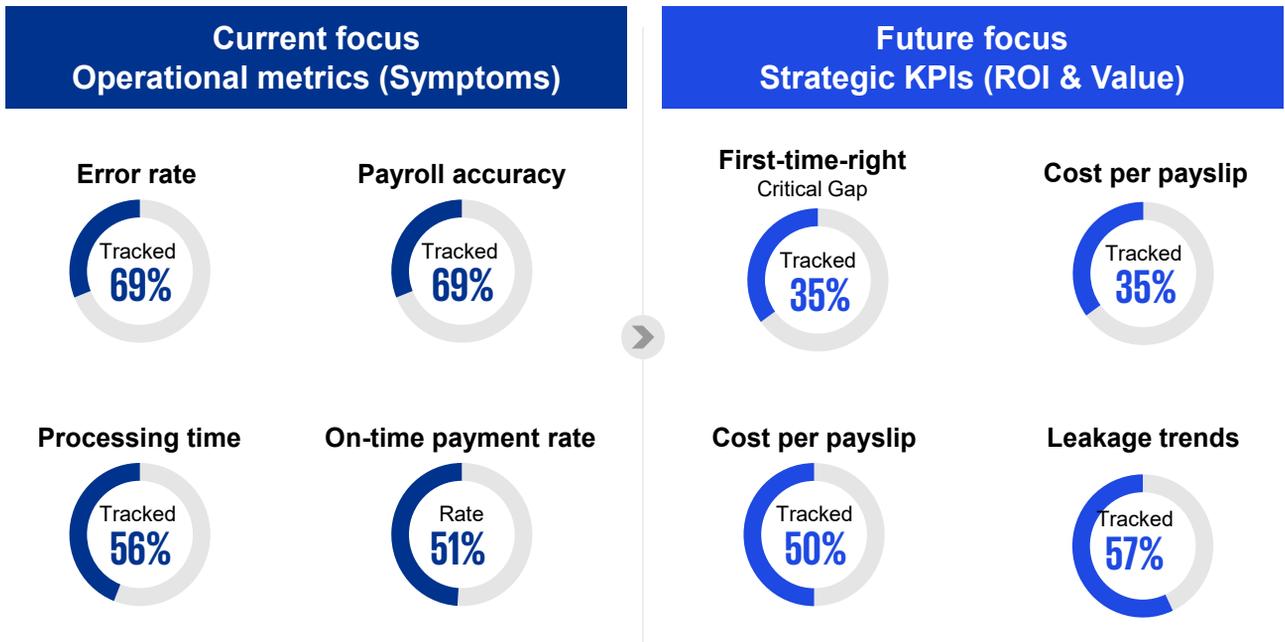
Organizations may need to standardize payroll processes as a prerequisite for automation and strategic elevation, noting the development of proprietary KPIs and SLAs to enrich client discussions and drive innovation

Section 2: The current state of global payroll

Moreover, companies are deferring the adoption of AI and next-generation tools because regulatory bodies have not kept pace and do not fully understand the technology they are meant to regulate. For instance, a lack of clear, global standards for Personal Identifying Information (PII) makes companies risk-averse, slowing the implementation of powerful analytical tools.

Nevertheless, respondents are bullish about AI and expect multiple benefits. Survey respondents expect to implement AI to improve accuracy and compliance (**69 percent**), enhance insights (**68 percent**), shorten payroll cycles (**68 percent**), provide visibility into future payroll trends (**56 percent**), and drive growth (**47 percent**).

Data without insight can limit payroll’s strategic value. Turn metrics into predictive intelligence.



Action: Standardize + adopt predictive analytics for executive-ready insights

- ▶ Data-driven payroll can support faster, more accurate, and more transparent operations. Leading organizations are leveraging comprehensive metrics and advanced analytics to drive continuous improvement and strategic decision-making. However, our survey found that organizations are data-rich but insight-poor. Companies may have implemented tools, but integration, data quality, and adoption lag. Many “automated” environments still rely on manual reconciliation and fragmented systems.

Section 2: The current state of global payroll

- ▶ Among respondents, **89 percent** said they use automated payroll comparison tools to compare current and previous payroll cycles, enabling proactive issue identification and faster resolution of discrepancies. In addition, **69 percent** of respondents track payroll accuracy, **62 percent** monitor error rates to identify process improvement opportunities, **57 percent** measure financial leakage, **56 percent** track processing time to optimize efficiency, and **51 percent** of organizations actively track on-time payment rates, ensuring timely payroll processing to enhance employee satisfaction and maintain operational efficiency.
- ▶ But only **35 percent** measure first-time-right payroll (a measurement of the percentage of products, services, or maintenance tasks completed correctly on the first attempt without rework or errors) and fewer than half track cost per payslip or processing cost—the metrics most indicative of leakage and ROI.

And while **43 percent** can gather payroll data for executive reporting within a business day, **46 percent** require two to five days.

- ▶ These results suggest that for most organizations, consistent or comprehensive metrics frameworks are lacking. As a result, organizations measure “symptoms” (errors, leakage) but not root causes or ROI outcomes, leading to data-rich yet insight-poor reporting.
- ▶ Organizations can improve their payroll metrics and data analytics by leveraging technology, standardizing processes, and focusing on strategic deployment. The goal for governance is a central hub that achieves data synchronicity across all global operations, providing the real-time oversight needed to manage risk and make strategic decisions.



Section 2: The current state of global payroll

Payroll is leaking millions in silence. Help stop the drain with controls and automation.

Efficient operations

0% Leakage

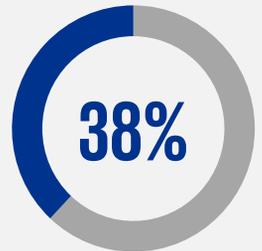
High financial risk

4% Leakage

High financial risk zone

1% leakage =
\$10M-15M annual loss

4% leakage =
\$40M-60M+ annual loss



of companies
report \$1M-5M
annual known
leakage

Stop the bleed: Robust controls, automation, and AI are essential to bridge the chasm and safeguard millions.

Payroll leakage presents significant financial and reputational risks for organizations. Companies lose **2 to 4 percent** of their total labor spend due to inefficiencies, poor data quality, and errors. For a 50,000-employee organization, a seemingly small **1 percent** leakage could result in \$10 million to \$15 million in preventable losses.

Payroll leakage refers to consistent, unintended financial losses within an organization's payroll spend due to inefficient processes, system limitations, fraud, policy deviations and exceptions, timekeeping issues, payroll transaction errors, and compliance failures. Leakage is the signal that systems and processes aren't aligned; it's where inefficiency hides yet never seen as it is a distributed cost across the entire enterprise.

In the survey, **38 percent** of organizations reported they experienced \$1 million to \$5 million in annual leakage. Causes include overpayments, duplicate payments, authorized (contra-policy) and unauthorized payments, and operational inefficiencies. For example, **23 percent** still use manual processes, which multiplies error rates, and resources are often used for fixing repetitive errors instead of driving value.

In addition to negative financial impacts, leakage poses other risks. For example, payment errors erode trust and job satisfaction among employees. Public compliance failures can impact stock prices and business continuity. And leakage can erode partner confidence, leading vendors and customers to question the organization's operational excellence.

Section 2: The current state of global payroll

The causes of payroll leakage are many:



Incorrect earnings and deductions:

Failure to apply correct mandatory earnings and deductions for eligible employees can cause overpayments or underpayments, leading to financial discrepancies.



Non-adherence to policies:

Non-compliance with policies regarding current and retro-payments, hours worked, and overtime/bonus calculations can result in financial penalties and additional costs.



Incomplete software configuration and processes:

Inaccurate payroll software configuration and lack of integration with other systems can lead to errors and security issues, causing financial leakage.



Unaddressed payroll fraud:

Failure to review records for signs of fraud and ensure segregation of duties can lead to unauthorized payments and financial losses.



Non-compliance with legal requirements:

Non-compliance with wage and hour laws and incorrect tax calculations can result in legal penalties and fines, increasing labor costs.



Unresolved payroll errors and discrepancies:

Failure to document and analyze payroll discrepancies can perpetuate systemic issues, leading to ongoing financial losses.



Uncorrected overpayments and underpayments:

Not identifying and correcting overpayments and ensuring proper compensation for underpaid employees can result in significant financial leakage.



Lack of process improvement recommendations:

Failure to implement process automation, provide ongoing payroll staff training, and conduct regular audits can lead to inefficiencies and uncontrolled costs.



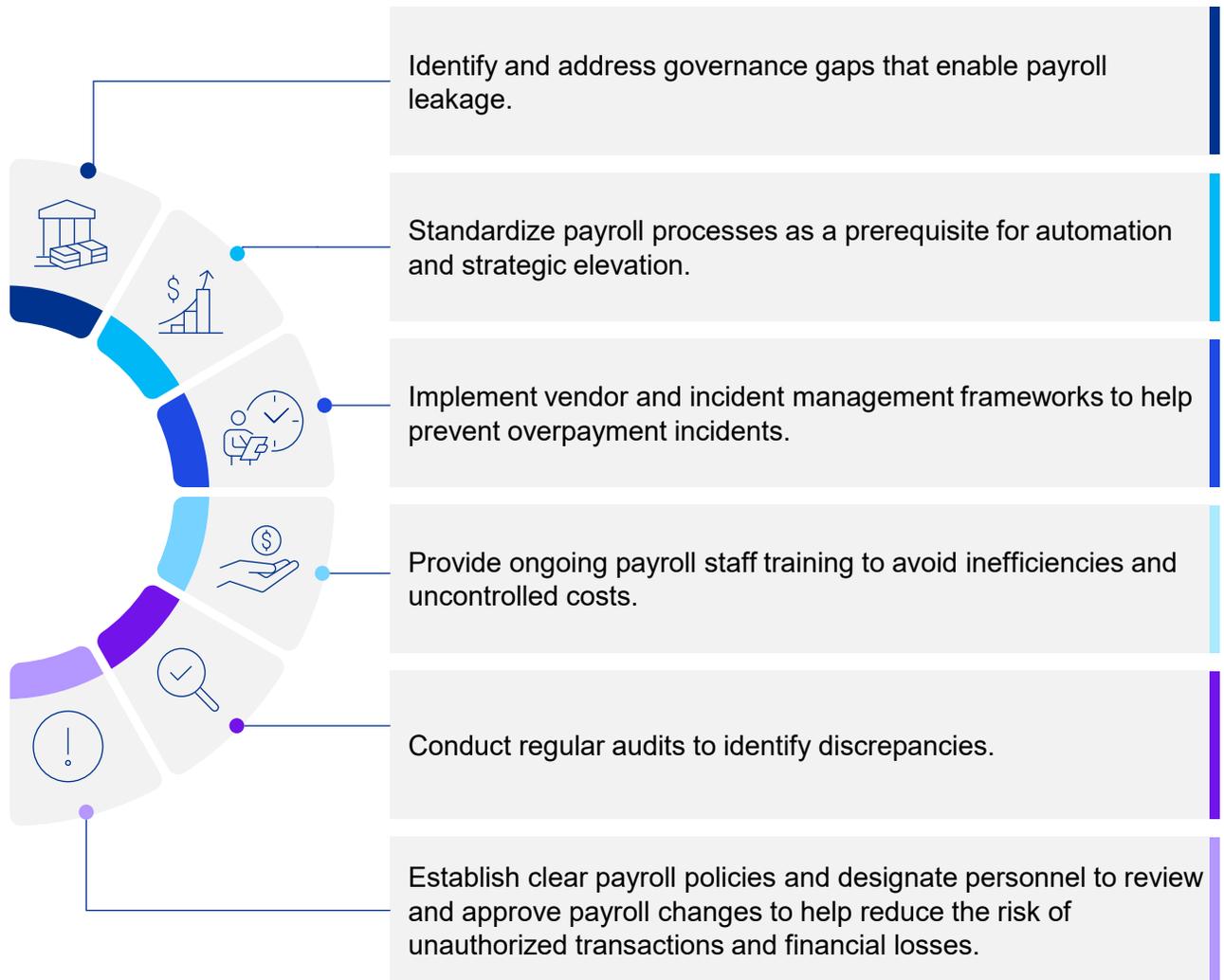
Weak internal controls:

Lack of clear payroll policies and designated personnel to review and approve payroll changes can result in unauthorized transactions and financial losses.

Section 2: The current state of global payroll

Addressing payroll leakage

Effectively addressing payroll leakage requires an integrated approach that combines technology, process improvements, strong internal controls, and a commitment to compliance. These include:



But perhaps the most promising solution is new technologies. Payroll leaders are leveraging AI, automation, and analytics to shift from traditional methods to strategic payroll management, improving accuracy and workforce insights. AI can be a powerful tool to help identify and reduce leakage. It can compress the time required to analyze massive payroll datasets from months to hours and significantly accelerate the identification of potential errors.

Section 3: Reinvent global payroll for the future of work



Section 3: Reinvent global payroll for the future of work

The next C-suite seat belongs to payroll. Claim it to support growth and influence.

Payroll is increasingly viewed as more than a traditional back-office function. It can be seen as a critical enabler of enterprise performance. It should evolve into a standalone corporate function, distinct from HR and finance.

Most payroll organizations currently sit under HR (**56 percent** of respondents). However, payroll is now seen as an enterprise data platform that generates crucial insights for labor cost forecasting, workforce planning, and compliance monitoring. As GDPR and Pay Transparency requirements become gateways to broader ESG corporate initiatives, you can leverage payroll data to create actionable business insights, such as predicting employee attrition and promoting pay equality. Payroll executives already influence transformation, technology adoption, and workforce design; the only element missing is corporate acknowledgment of their strategic authority.

Conversely, payroll's dual dependence on HR (for data inputs) and finance (for controls and financial outputs) creates uncertainty in accountability. This fragmentation undermines standardization, technology, ROI, and compliance discipline — especially in global enterprises. For logical reasons, payroll has historically been deeply integrated within both finance and HR. As such, rethinking its placement is a strategic conversation that challenges long-standing organizational design and reporting structures. Payroll, often the largest operating expense for many companies, requires specialized skills and cross-functional collaboration. This justifies its position as a distinct, independent department with specific learning paths and credentials. Most CFOs and CHROs typically lack a background in payroll.



Section 3: Reinvent global payroll for the future of work

Currently, payroll leadership rarely reaches the SVP level, which limits its influence on organizational change. In fact, payroll is often perceived as a stagnant career path with no direct line to the C-suite, preventing specialized talent from ascending to leadership roles. Furthermore, investment priorities often favor talent or financial planning over payroll process improvements.

But that may change. Going forward, payroll may gain more autonomy and evolve from its subordinate position under HR or finance, in the same way procurement and HR evolved from administrative tasks into their own strategic, C-suite-level functions over the past 50 years. This evolution will likely occur in two phases:

Phase 1 (Near-Term):



The CPO (Chief Payroll Officer) title will emerge, likely reporting to the CFO like a Chief Accounting Officer.

Phase 2 (Long-Term):



The role will evolve into a true C-suite peer, with an expanded scope that could include total workforce management and contingent labor.

The future-ready payroll function starts now. Architect for agility and AI-powered performance.



The global payroll survey by KPMG and UKG reveals that payroll is at a critical inflection point, transitioning from a transactional back-office function to a strategic driver of enterprise value. However, a significant disconnect exists between this strategic potential and the current operational reality. While **92 percent** of organizations have a global payroll strategy, most are hindered by fragmented regional models, highlighting a major strategy-versus-execution gap. This is compounded by the fact that payroll departments are severely under-resourced at scale, with small teams struggling to manage payroll for thousands, leading to a reactive, “firefighting” culture.

Section 3: Reinvent global payroll for the future of work

Progress is further stalled by a persistent technology lag and friction. Despite optimism, adoption of AI is slow, hampered by poor data accuracy—a top challenge for **48 percent** of respondents. As a result, most organizations are data-rich but insight-poor, collecting vast amounts of data but failing to translate it into actionable intelligence. This dysfunction leads to pervasive payroll leakage, with nearly **40 percent** of companies reporting losing between \$1 million and \$5 million annually (we believe that there is a

2X-3x multiplier to account for unknown leakage).

The overarching conclusion is that the current model is inadequate. To help mitigate these risks and better position payroll as a strategic asset, payroll must be elevated to a distinct, C-suite level function, transforming its valuable data into a strategic asset for growth, efficiency and loss prevention.

From leakage to leadership: steps to reimagine payroll for the future



Advocate for strategic elevation: Build a business case to elevate payroll from a subordinate role to an independent function with C-suite representation (e.g., a Chief Payroll or Labor Management Officer). Emphasize payroll's critical role in managing the company's largest expense, controlling financial risk, and providing vital workforce data.

Strengthen governance and internal controls: Establish robust governance frameworks, including clear policies, designated approvers for payroll changes, and regular audits. Provide ongoing training for payroll staff to ensure adherence to compliance and best practices, thereby reducing errors and uncontrolled costs.



Optimize the operating model: Critically assess your current payroll model. Strategically decide which functions to retain in-house for control and which to outsource for efficiency. Move to consolidate the number of payroll vendors to streamline management and improve governance.

Standardize processes to enable technology: Prioritize the standardization of payroll processes and the improvement of data integrity. This foundational work is a prerequisite for successfully implementing AI and automation and maximizing their ROI.



Leverage AI to combat leakage: Champion the adoption of AI-powered analytical tools to proactively identify and mitigate payroll leakage. These technologies can analyze massive datasets in hours, not months, and find errors, overpayments, and fraud with a high degree of accuracy.

Transform measurement into strategic insight: Evolve your metrics beyond basic operational data (e.g., error rates) to include strategic KPIs like “cost per payslip” and “first-time-right” percentage. Focus on analytics that provide predictive insights into workforce trends and costs for executive reporting.



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About the survey

Sample size



319

C-suite and senior executive
(V.P. and above) participants

Company size



46
percent

10,000 to 49,999
employees



25
percent

50,000 to 199,999
employees



7
percent

200,000 or more
employees

Global representation:



United States
41 percent



Canada
5 percent



UK
5 percent



India
5 percent



Brazil
5 percent



and China
4 percent



5 percent (each)
France/Germany/Japan/Australia
Ireland/Mexico/Singapore

Thirty-seven percent operate in **35-110 countries**; 36 percent operate in **6 to 34 countries**. The remaining organizations span between 1 and 5 countries.

Industry sectors:



Financial Services
19 percent



Consumer/Retail
20 percent



Industrial Manufacturing
16 percent



Technology/Media/Telecom
20 percent



Energy/Natural Resources
19 percent



and Life Sciences/Healthcare
6 percent



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