

UK PAYROLL EFFICIENCY REPORT 2026



An annual benchmark report on inefficiency across UK payroll teams, compared year-on-year.

Introduction

Picture a Monday morning. A payroll manager opens their laptop and immediately starts chasing. A timesheet hasn't been approved. A client's data doesn't match. A payment that should have landed on Friday is stuck somewhere between two systems. Three emails in, and the day has already become reactive.

This isn't a failure of effort or competence. It is a failure of infrastructure. And it is happening in the majority of UK payroll operations right now.

Payroll is the engine that keeps modern organisations running. From in-house payroll teams to outsourced bureaus or high-volume labour supply, payroll underpins trust between employers and their people.

When it works, nobody notices. When it breaks, everyone feels it, in delayed rent payments, strained client relationships, and reputation.

Yet many organisations are still relying on outdated methods: manual processes, spreadsheets, and disconnected systems that simply can't keep pace with today's speed and complexity.

The cracks aren't new. What's new is how fast they're widening. [Our 2025 research](#) identified familiar pain points: manual errors, integration gaps, automation frustration and late payments. The 2026 findings show those weaknesses hardening rather than improving.

Human error has edged upward from 43% to 48%, while integration failures have widened beyond banking into onboarding, timesheets, and approvals. System fragmentation has shifted from a perception problem (34% citing outdated or overly complex systems in 2025) to a structural reality, with 70% now operating multiple payroll systems. Most strikingly, payment delays have surged from 43% to 68%.

Compliance pressure is mounting year-on-year. Regulatory scrutiny across labour supply chains continues to intensify, making payroll accuracy and real-time visibility increasingly critical rather than optional.

Organisations must demonstrate control, clarity, and accountability across every payment cycle. Enforcement is real, and those who are not ready will face penalties and reputational damage.

To understand the scale of this challenge, we surveyed 342 payroll professionals (December 2025 to January 2026). The findings reveal a profession under pressure:

77% lose time every week to inefficient processes and duplicated effort, while 68% face regular delays in payroll delivery, reconciliation, or reporting. These aren't isolated incidents - they're systemic failures costing businesses much more than time and money.

Compared to 2025, the direction of travel is clear. Problems are not being resolved, they are becoming embedded. Errors are now near universal (89% experiencing payroll errors), automation adoption remains low despite widespread frustration, and operational complexity is compounding rather than simplifying.

But there's opportunity here for those willing to act.

Organisations that modernise now will benefit from faster payroll cycles, reduced risk, and the confidence that comes with transparent, reliable delivery. The choice becomes increasingly clear: adapt and thrive, or remain exposed.

Foreword



68%

of organisations experience regular delays in paying workers

89%

encounter regular payroll errors

70%

operate with fragmented systems

"The industry is not facing new problems, it is facing the consequences of not solving old ones."

Payroll inefficiency is not an abstraction. It has a sound; the ping of another complaint email. It has a feeling; the dread of opening a reconciliation report on a Friday afternoon. It has a cost that goes far beyond the balance sheet; it shows up in worker complaints, difficult client conversations, and in the quiet resignation of finance teams who have stopped believing their tools will ever catch up with what's being asked of them.

Our 2026 research reveals the scale of the issue: 68% of organisations experience regular delays in paying workers, 89% encounter payroll errors, and 70% operate with fragmented systems.

What is most concerning is that these figures represent escalation, not emergence. In 2025, late payment affected 43% of organisations. Today it affects more than two-thirds. Manual errors have increased; integration problems have broadened. Frustration with automation remains high, yet only 21% have significantly reduced reliance on manual payroll processes through automation. The industry is not facing new problems, it's facing the consequences of not solving old ones.

Payroll teams lose an average of 145 hours per year to inefficient processes and tool-hopping. That's nearly four working weeks spent firefighting instead of adding value.

When onboarding lives in one tool, payroll in another, and invoicing somewhere else, with compliance tracked in spreadsheets, no one can answer basic questions with confidence. Who approved this? Why was this classified that way? The cost of time lost is inevitable.

Regulators have noticed – and they're no longer just punishing what you did wrong, they're punishing what you should have known. With Joint and Several Liability (JSL) enforcement impacting the temporary labour supply chain in April 2026, the expectation is clear: if your systems can't give you a unified view in real time, you don't have control. And if you don't have control, you have liability.

The shift from 2025 to 2026 shows us that incremental fixes are no longer sufficient. The payroll professionals we surveyed know exactly what they need: integrated systems, automated workflows, and technology built for the demands of complex payroll environments. This report reveals their frustrations, their priorities, and the gap between current capability and what modern payroll operations require to thrive.

Varun Monteiro
CEO at Finity

State of play

UK payroll teams are navigating a period of significant change. Rising employment costs, evolving worker expectations, increased regulatory scrutiny, and accelerating technology adoption are reshaping payroll operations across every sector.

Recruitment and temporary workforce payroll remains one of the most complex payroll environments. Variable pay rates, frequent payment cycles, high worker turnover, and a regulatory framework that is about to get significantly more punitive.

The UK has around **31,000** recruitment firms employing over **230,000** of their own staff, placing around **1.48 million** temporary workers, 5.2% of all employees.

31,000

UK recruitment firms

230k+

employed directly

1.48m

temporary workers placed

But the operational challenges in this report are not confined to recruitment. Payroll bureaus, in-house teams, and any organisation managing large or distributed workforces will recognise these pressures.

01

Business growth

Conflicting signals make planning difficult - growth in some payroll services but falling volumes overall.

02

Skills & workforce shortages

76% of UK employers still report difficulty filling positions, costing £6.6bn annually.

03

Employee expectations

66% would turn down a role without flexible working or flexitime options.

04

Changes to legislation

NICs rising to 15%, Employment Rights Bill, and JSL reforms fundamentally change the risk landscape.

05

Impacts of AI

42% of UK tech firms use AI in payroll - but AI on fragmented systems automates chaos, not efficiency.

State of play

Business growth

The payroll sector feels somewhat unsettled with conflicting signals that make planning difficult. While certain payroll services showed promising signs with [11% year-on-year growth](#) in August 2025, the broader picture tells a more complex story.

[Payroll volumes and processing demands have been falling](#) for many months, with the KPMG/REC Report on Jobs survey tracking this decline through to at least October 2025. This contraction comes despite payroll management [accounting for a significant portion of overall business operations](#) in 2024/25.

The culprit, according to most in the industry, is the rising cost of employing staff following recent government policy changes. The result is a planning environment where demand is uncertain, budgets are tightening, and payroll teams are expected to do more with less, a combination that punishes inefficiency harder than ever.

The culprit, according to most in the industry, is the rising cost of employing staff following recent government policy changes.

Skill & workforce shortages

The skills crisis shows signs of easing but not disappearing. While [76% of UK employers now report difficulty filling positions](#) - down from 80% the previous year - this still represents a major headache for payroll teams. The [skills shortage continues costing UK businesses £6.6 billion annually](#), through recruitment fees, higher salaries, overtime, and temporary staffing to cover payroll gaps.

Payroll teams feel this pressure from two directions. They need to retain skilled staff in a competitive market, while simultaneously ensuring accurate and compliant payroll delivery for the business. With overall [staff turnover across UK businesses sits at 35%](#), the cycle of hiring, onboarding, and retraining is constant, and each rotation carries a cost that rarely appears on a P&L. Payroll teams that help cut this churn protect margins and maintain service quality while preventing burnout.

The nature of shortages is shifting. While headline figures improve slightly, specific sectors face acute gaps. Finance, healthcare, and IT payroll teams, particularly those handling AI and cybersecurity-related roles, see demand for skilled staff growing faster than average.

Businesses may increasingly rely on temporary payroll support or outsourced services for short-term projects without long-term hiring commitments, even as economic pressures make them cautious about expanding permanent payroll headcount.

State of play

As organisations lean more heavily on flexible payroll arrangements or need to scale their workforce quickly, payroll teams play a central role in planning and managing these processes efficiently, rather than reacting to last-minute staffing demands.

Employee expectations

Workers now demand greater flexibility, including options for hybrid and remote working, plus flexibility around working hours and shifts, and this has become a genuine deal-breaker in payroll and HR processes. [A 2025 EMR Recruitment survey](#) found 66% of respondents said they would turn down a role that did not offer flexible working or flexitime.

Payroll teams must consider these expectations in relation to their own staff, improving their employee retention strategies to include more flexible working opportunities. Organisations that cannot offer their own payroll staff flexibility in how, when, and where they work will struggle to hire and retain the people who keep everything running.

Legislation changes

The combination of recently implemented and proposed changes gets blamed for the pressures on payroll budgets and processes. Employer National Insurance Contributions increased from 13.8% to 15% from April 2025, while the threshold earnings at which it must be paid has fallen. Businesses are absorbing a double hit.

Although still undergoing amendments, the proposed Employment Rights Bill will eliminate certain zero-hours contracts deemed exploitative and introduce basic employment rights from day one. For payroll teams, this means new system requirements, potentially longer onboarding processes, and less room for error.

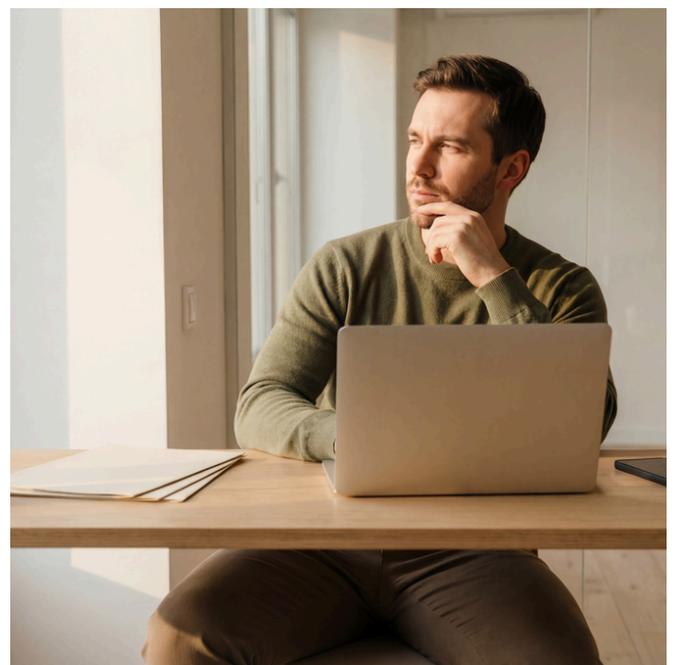
But the most consequential change is Joint and Several Liability (JSL). Under these reforms, HMRC will have greater powers to hold employers and payroll providers jointly liable for unpaid tax and National Insurance contributions in labour supply chains, which massively increases the importance of accurate, timely and transparent payroll data.

Potential impacts of AI

AI adoption is accelerating rapidly across payroll and HR functions. The technology promises significant advantages: [42% of UK tech firms](#) now use AI to streamline payroll and workforce management, and [90% of large private sector businesses](#) have integrated AI into their recruitment processes.

Businesses using AI report better alignment between payroll outputs, compliance, and workforce needs, leading to stronger outcomes. Some companies are cutting payroll processing costs by [30% per hire](#) through automation of timesheet validation, payment calculation, and reporting.

The question is no longer whether to adopt AI, but whether your payroll infrastructure can actually absorb it. AI layered on top of fragmented, disconnected systems will automate chaos, not eliminate it. The organisations seeing real returns are those combining AI adoption with structural simplification, fewer systems, cleaner data, unified workflows.



Our year-on-year comparison reveals that operational strain isn't easing, it's deepening. And it is deepening against a backdrop of rising regulatory expectations that assume a level of control most organisations have not yet achieved.

At the same time, recruitment organisations report high confidence in their readiness for the upcoming Joint and Several Liability (JSL) reforms - despite clear structural and visibility gaps beneath the surface.

	2025	2026
Time lost to payroll inefficiency	74% lose 11+ hours per week to inefficient tech/processes	77% lose up to 11 hours every week due to a lack of payroll automation and system integration
Satisfaction with time spent on payroll	45% say they spend far too much time on payroll	Only 9% satisfied with the amount of time they spend on payroll
Payroll errors	43% say human error regularly causes payroll issues	Only 11% never experience errors (→ 89% experience errors)
Poor system integration, even in mid-sized firms	63% say integration between systems, such as onboarding, placing, timesheets, approving, payroll, paying, and payslips, is the reason for regular late payments. 59% of those working in businesses with 50-100 employees agree	Poor integration between systems, e.g., onboarding, placing, timesheets, approving, payroll, payments, payslips is a pressing issue for an average of 50% of companies with 100 -1,000+ employees
Payment delays	43% struggle to pay temp workers on time	68% experience payment delays
System complexity		70% use multiple payroll systems
Manual processes / automation frustration	34% describe systems as outdated/overly complex	32% say manual processes, specifically, pose a risk to JSL readiness.

HEADLINE FINDINGS

89%

experience payroll errors - up from 43% in 2025

68%

face regular payment delays

91%

dissatisfied with time on payroll

77%

lose time weekly to inefficiency - up to 11 hrs

ERRORS & MANUAL PROCESSES

48%

of errors caused by manual processing

32%

of errors caused by workload pressure

30%

of errors caused by disconnected systems

43%

of bank reconciliations are manual

36%

of timesheet approvals are fully manual

21%

only have automated payroll end-to-end

SYSTEMS & INTEGRATION

70%

use multiple payroll systems - up 34%

63%

experience data transfer issues

26%

cite poor payroll-banking integration

3.2

avg. systems involved in the payroll process

PEOPLE & WORKFORCE

145h

lost per team per year - 4 weeks of firefighting

27%

feel overwhelmed by payroll admin

47%

of 25-34 year olds face frequent delays

8%

would leave for better payroll tech

The trajectory is clear across every metric. Satisfaction is collapsing (from 45% concerned to 91% dissatisfied). Errors are near-universal. Payment delays have surged by 25 percentage points in a single year. System complexity has shifted from a frustration to a structural condition. And manual process reliance remains entrenched even as the regulatory cost of error rises.

The problem isn't payroll. It's the architecture

70%

of organisations
use multiple
payroll systems

63%

experience data
transfer issues
between systems

26%

cite poor integration
between payroll and
banking as a direct
cause of problems

Most payroll problems aren't caused by bad work; they're caused by good people fighting bad systems.

The failures begin where systems meet or, more accurately, where they don't. When payroll is spread across multiple tools, work starts to fall into the gaps. Data gets moved around, re-entered, checked, and re-checked. That's where mistakes and delays creep in.

One system is usually manageable. Add a second, and you introduce a handover. Add a third or fourth, and suddenly you're managing the joins between systems as much as the payroll itself. Every extra boundary becomes another place for data to get stuck, lost, or misread.

And that's exactly what the research shows.

Organisations operating across multiple entities or workforce types often rely on three or more payroll systems. At that point, inefficiency is no longer accidental. It is architectural. It is built into the setup, and no amount of effort from the people operating it can fully compensate.

Payroll errors undermine compliance confidence

Payroll errors can be corrected, then everyone moves on, but over time, they erode confidence.

When accuracy depends on intervention rather than system design, compliance becomes situational.

Processes may work in normal conditions, but they don't provide certainty during audits, regulatory change, or periods of growth. That's when organisations learn whether payroll can withstand scrutiny or only routine operation.

Frequent corrections also create ambiguity. It becomes harder to separate isolated mistakes from systemic weaknesses, slowing responses and weakening an organisation's ability to demonstrate control when it matters.

Compliance readiness isn't defined by whether errors occur; it's defined by whether payroll can produce consistent, explainable outcomes without reliance on individual effort. As regulatory expectations rise, tolerance for payroll uncertainty continues to shrink.

Where errors come from

Human error during manual processing

48%

Stress and workload pressure

32%

Disconnected systems

30%



The more you do by hand, the more mistakes you make

89%

of organisations
experience
payroll errors

Manual payroll work turns simple tasks into a constant balancing act. One manual task might be manageable. Add weekly reconciliations, timesheet approvals, and other manual steps, and suddenly, payroll becomes a minefield. The more people are juggling where the density of potential errors exceeds any individual's capacity to catch them all.

The research backs this up. 89% of organisations experience payroll errors.

Errors aren't rare: 13% happen weekly, 38% monthly, 15% quarterly. Almost half blame human error during manual processing (48%), with stress and workload contributing in 32% of cases, and disconnected systems in 30%.

43%

of bank
reconciliations
are still manual

Error rates overview

13%
WEEKLY

15%
QUARTERLY

38%
MONTHLY

21%

only have fully
automated payroll
end-to-end

Manual work hotspots are everywhere. Bank reconciliations are fully manual for 43% of organisations. Timesheet approvals remain fully manual for 36%. Overall, 32% say the lack of automation or reliance on manual processes is a major pain point. Only 21% of organisations have fully automated payroll end-to-end.

When 79% of organisations still rely on some degree of manual payroll processing, the question is not whether errors will happen. It is how many, and what they will cost.

These pressures are magnified in environments handling variable pay rates, overtime, shift differentials, or contractor payments.

Delays happen when processes and systems collide

68%

experience delays in paying workers

The more systems you add to payroll, the more time your team spends managing uncertainty; the quiet, unmeasured work of reconciling data, chasing approvals, and bridging gaps that should not exist. Each extra boundary is another point where responsibility can blur, and money can be delayed.

Approvals do not fail loudly. They fail with quiet assumptions, someone thought someone else had signed off, a file sat in an inbox for two days, a field was left blank because the data lived in another system. By the time the delay becomes visible, it is already a broken promise.

49%

Poor integration between systems

68% of organisations experience delays in paying workers. Almost half point to poor integration between systems (49%) or messy banking and payment processes (46%) as the main causes. Onboarding issues (43%) and client data management problems (43%) add fuel to the fire.

46%

Messy banking & payment processes

Every delayed payment is a worker who stops trusting your process and a client who questions your reliability. Trust is not rebuilt by fixing an error. It is rebuilt by not making the next one.

Even as banking processes slowly simplify, delays remain stubbornly high. The reason is straightforward: process fixes applied to fragmented architecture will always produce diminishing returns. Systems need to talk to each other natively, not through workarounds, exports, and human bridges, to close the gaps and restore confidence.

43%

Onboarding issues

Year-on-year escalation in payment delays

43%

2025

68%

2026

43%

Client data management problems

Good people get burned out by managing payroll

91%

are not satisfied with the time they spend on payroll

27%

feel overwhelmed by payroll admin

28%

wrestling with outdated or clunky systems

The data shows a workforce under serious strain.

27% feel overwhelmed by payroll admin.

28% are wrestling with outdated or clunky systems.

Only 9% are happy with the time they spend on payroll.

Younger employees feel it most. Among 25–34 year olds, 47% deal with frequent payment delays, and 50% hit payroll errors every month. These aren't small annoyances, they're frustrations that damage trust and make people consider leaving. In fact, 8% say they'd move to another company for better payroll technology. That might sound small, but these are your payroll and finance teams - the people keeping everything running.

The problem goes deeper than people; it's the systems they're stuck with. 32% of errors are caused by heavy workloads and time pressure. When the tools don't work, mistakes pile up, stress builds, and talent leaves. The majority of organisations juggle multiple disconnected payroll systems, and 63% face regular data transfer problems. The result is a workforce trapped in endless firefighting, wondering how long they can keep it up.

Payroll should run quietly and reliably in the background. Instead, it's draining time, and nudging talented people towards the door.

Manual processes dominate

Bank reconciliations are manual

43%

Timesheet approvals are manual

36%

Rely on some manual processing

79%

“These findings reflect the operational reality many recruitment businesses are navigating. As recruitment businesses manage increasingly complex workforce supply chains and compliance demands, the processes behind paying workers have become more demanding, yet the technology supporting them has not always kept pace.

For recruitment businesses, this goes beyond an internal operational issue. The ability to pay workers accurately and on time underpins trust across the entire supply chain, from contractors to clients. **When payroll processes become slow, fragmented or difficult to oversee, they can create unnecessary risk and administrative burden** for recruitment companies operating in an already complex environment.

As scrutiny across labour supply chains continues to evolve, the ability to demonstrate reliable and transparent payroll processes will become increasingly important. Recruiters that take a proactive approach to strengthening their payroll processes will be better placed to maintain trust with workers, clients and regulators alike.

Ultimately, efficient payroll operations are not just an administrative function - they are a critical part of running a reliable and competitive recruitment business.”



Samantha Hurley

Operations Director @ APSCo

Payday shouldn't be a mission



Payroll isn't "just pressing a button." Every organisation has different pay frequencies, approval chains, compliance requirements, and reporting structures.

Bureaus juggle weekly, fortnightly, four-weekly, and monthly cycles simultaneously, across dozens of clients, in every possible format. And when things go wrong, the consequences hit where it really matters - rent, groceries, family finances, everyday security.

Better payroll does not come from working harder within broken systems. It comes from replacing fragmentation with unity, manual effort with automation, and disconnected tools with integrated platforms that give you visibility and control by design.

Unification: one platform, one source of truth

Constant context switching drains focus. Every client brings different stakeholders, processes, formats, deadlines, and expectations. Interruptions pile up - calls, emails, "quick questions," urgent requests that could've been solved by a self-service tool.

The average organisation runs payroll across 2.4 different systems. Recruitment agencies use 3.2. Some teams still rely on emailed paper forms, WhatsApp screenshots, and handwritten notes, then re-key everything manually. Every re-entry is a risk. Every extra system is a seam where data can fall through.

Speed at scale: pay people without the wait

When someone's wages arrive late, it's not just an inconvenience. It affects their livelihood and their family's security in tangible, immediate ways. You can fix an error, but rebuilding confidence takes much longer.

68% of organisations experience payment delays. For younger employees, nearly half face frequent delays. The cause is rarely complexity itself, it is work getting stuck between systems, waiting for handoffs, trapped in approval queues that span multiple platforms.

Finity connects payroll processing directly to payments, eliminating the integration gaps where delays are born. The result: 10,000 payslips processed in under 5 seconds, and workers paid on time, every time. When payroll runs seamlessly, the supply chain stays aligned, clients relax, and the complaints stop.

Effortlessness: let automation handle the heavy lifting

Managing multiple parallel processes creates what psychologists call "attention residue," which is the mental cost of switching between complex tasks. For payroll teams, it's exhausting. 48% of errors stem from manual processing mistakes. Another 32% are caused by stress, workload, and time pressure. 27% of people we surveyed feel overwhelmed, so they are operating under sustained cognitive strain. In that state, focus degrades, and errors are inevitable.

Finity automates your repetitive, error-prone work - bank reconciliation, timesheet approvals, and deductions processing. Tasks that currently eat up hours become background workflows. The more you automate, the more cognitive capacity you reclaim, for oversight, for problem-solving, for the work that actually requires human judgement.

Built from real payroll professional feedback, Finity is designed so that complex workflows become repeatable and reliable. It's HMRC-recognised software that removes uncertainty at source.



Unify tools in one place and ditch the spreadsheets



Compliance and verification built in, not bolted on



Scale to processing 10,000+ payslips in under 5 seconds



Automate onboarding and pay runs, while earning Rewards

Payday shouldn't be a mission.

This is Financial Unity

Payroll professionals turn chaos into order hundreds of times a month, with lives and livelihoods depending on their precision. Every successful payroll run is a moment of trust earned, over and over again.

When payroll, payments, and people work together within a single, unified system, the hidden costs disappear, and your team gets its time and confidence back.



About the research

This research surveyed 342 finance and payroll professionals* between December 2025 and January 2026 about operational efficiency and regulatory readiness, including preparedness for HMRC's Joint and Several Liability (JSL) reforms coming in April 2026. The findings reveal significant operational challenges and a concerning gap between perceived readiness and actual preparedness.

*All research adheres to the UK Market Research Society (MRS) code of conduct (2023)



Follow us on LinkedIn for all the latest research