



Baseline assessment of the payroll function

Deloitte and the National Payroll Institute
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This report is part of the Beyond Paydays: The Evolution of Payroll in Canada research series, developed by the National Payroll Institute in collaboration with Deloitte (June 2026). While the original report provides a comprehensive view of payroll in Canada, this theme-based version highlights key insights on a specific topic area.

It is designed to be read independently, while serving as a companion to the full report for those seeking a broader perspective.





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To fully understand the opportunities and challenges that lie ahead, it is important to first understand the state of payroll today. Today's payroll function is more than the back-office function that it once was—it is a critical enabler of compliance, employee experience, and organizational resilience. Yet, despite its importance, the payroll landscape remains uneven as it is comprised of varying degrees of maturity and modernization, with significant variation in technology adoption, workforce capabilities, and strategic positioning across industries. Drawing from recent survey insights, expert interviews, and industry research, the analysis presents a clear picture of payroll's current state: what has changed in the last five years, what gaps persist, and what risks and opportunities organizations must address to prepare for the future.

General outlook on payroll today

Role of payroll. Payroll is an essential industry, on which every nation depends to fuel its economic function, social programs, and infrastructure. While it will never go away, it has and will continue to require evolution over time to adapt to the changes taking place in and around it. According to Statistics Canada (2025) approximately 18.275 million Canadians are employed and are receiving pay across 1.375 million businesses (Statistics Canada, 2025)—this highlights how critical the payroll

The Bottom Line



Executive: Assessing current payroll maturity is a prerequisite to credible transformation and investment decisions.

Payroll professional: Uneven maturity increases workload, risk, and reliance on manual effort.

Technology: Current-state technology choices directly limit payroll's efficiency, insight, and ability to scale.

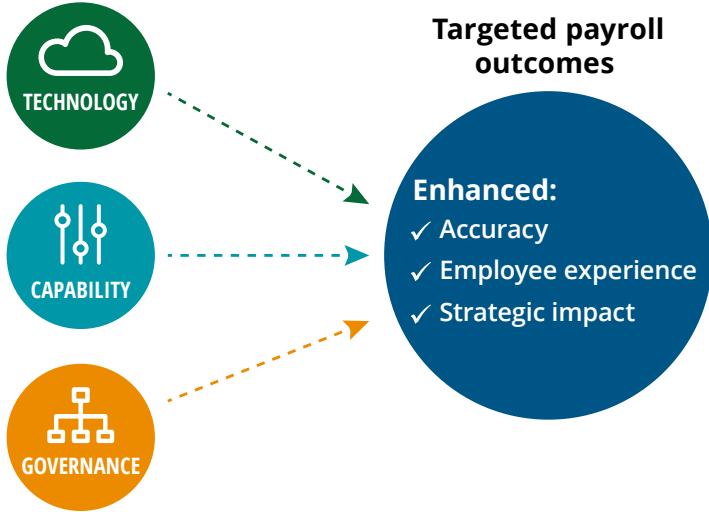
industry is to Canadians who depend on it to receive their wages and support themselves and their families. Based on the most recent study around its size and scope, it is estimated that the payroll industry is supported by approximately 77,000 payroll professionals and an additional approximately 6,700 employees who work at payroll service and software providers (National Payroll Institute).

Given payroll's critical role in society, it is unsurprising that business leaders are increasingly treating it as a strategic function in key discussions and decision making. Payroll industry experts have indicated that payroll has been evolving meaningfully, from a transactional function in an organization, to taking on more



The Canadian payroll industry is prioritizing key drivers to drive towards targeted outcomes

Key drivers

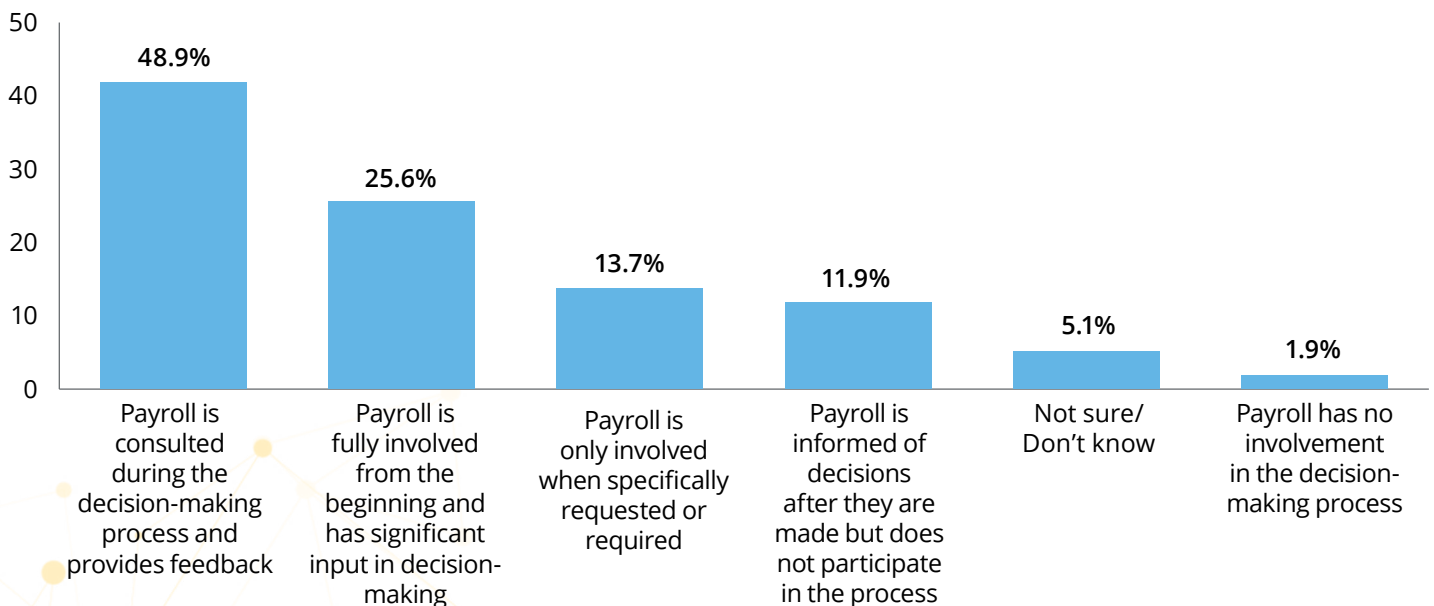


of a strategic role as a partner or advisor to business leaders. A company’s payroll has a wealth of employee and organizational data at its disposal. As organizations increasingly progress toward more evolved data analytics tools and

technology, payroll data will become critical to enabling more informed business strategies and decisions and measuring their impact. In fact, as is shown in *Figure 4*, approximately 26 percent of payroll professionals indicated that their payroll department is fully involved from the outset of relevant initiatives and has significant input, and approximately 49 percent reported that they are consulted to provide feedback in the decision-making process when a business decision may impact or be impacted by payroll.

This growing involvement in decision-making reflects a broader recognition of payroll’s evolving capabilities and value to the organization. As articulated in the National Payroll Institute’s Competency Framework for Payroll Professionals, payroll’s role extends well beyond delivering accurate and compliant pay to partnering strategically with the business. The framework highlights payroll’s unique ability to leverage systems and data, demonstrate business acumen, and translate complex legislative, financial, and

Figure 4. Role of payroll department in organizational decision-making





workforce information into clear, decision-ready insights for leaders. As payroll professionals increasingly participate in strategic planning, cross-functional initiatives, and enterprise-wide change, their deep understanding of compensation, compliance, workforce dynamics, and employee experience positions payroll as a critical contributor to informed, risk-aware, and people-centric decision-making across the organization.

Benchmarking gaps. While Payroll has the potential to act as a strategic partner and deliver data-driven insights, there is a significant shortage of benchmarking information needed to support payroll teams. Industry benchmarks, which are essential for setting standards, measuring performance, and enabling informed decision-making, are scarce and inconsistently tracked. Organizations that aim to improve the measurable performance of their payroll departments often struggle to set realistic KPIs or objectives. In many cases, they must rely on their own historical data, when it is available, or turn to external sources to obtain the benchmarks needed to guide meaningful improvements. The Institute initiated this research, with Deloitte as a research partner, to close this gap and to create a foundational data set that Institute members can use for organizational benchmarking.

The Canadian payroll environment: Context and complexity

Canada's payroll environment is recognized as one of the most complex among single-country markets, shaped by a dense regulatory landscape, multi-layered governance structures, and evolving workforce expectations. Payroll in Canada is not merely the administration of pay; it is a compliance-driven function that must navigate

federal requirements—such as income tax, the Canada Pension Plan (CPP), Employment Insurance, and Records of Employment—alongside distinct provincial and territorial tax regimes, employment standards, workers compensation, and, in some jurisdictions, bilingual reporting obligations. These intersecting rules create significant complexity and place payroll at the center of organizational risk management, accuracy, and employee trust. Canadian organizations rely on the payroll function not only to ensure employees are paid correctly and on time, but also to uphold their broader legal responsibilities and maintain operational stability.

The Canadian payroll landscape is also characterized by varying levels of technological maturity and strategic integration across organizations. While many have moved toward cloud-based payroll solutions, stronger HR-finance integration, and automation, others continue to rely on legacy systems and manual processes. This creates inconsistencies in efficiency, data quality, and the ability to scale or respond to new regulatory requirements. At the same time, payroll teams across Canada are contending with increased expectations for real-time accuracy, digital self-service, and enhanced transparency—elements that are becoming standard in other global markets. The rise of employee-centric payroll models, demand for financial wellness support, and the growing emphasis on pay transparency further reflect a shift toward positioning payroll as a core contributor to the employee experience.

Despite these challenges, Canada's payroll function is evolving steadily, driven by modernization efforts, technological advancement, and heightened governance



awareness. Organizations are increasingly recognizing the strategic value payroll brings—its unique visibility into workforce data, its role in compliance readiness, and its impact on organizational reputation. However, gaps remain: formal operating models are not consistently defined, KPI measurement and benchmarking are still underutilized, and many payroll professionals face significant workload pressures due to shrinking teams, skill shortages, and rising complexity. These realities highlight both the strengths and fragilities of the Canadian payroll landscape, setting the foundation for why global insights are valuable. Understanding how other markets are navigating similar pressures—and often adopting innovations more rapidly—can help inform Canada's path forward and identify opportunities for improvement, adaptation, and sustained resilience.

State of technology

Payroll is not exempt from rapid technological change reshaping organizations; the function itself is undergoing significant transformation. In the early 2000s, organizations adopted more refined payroll systems with integrations to related platforms. Cloud computing in the mid-to-late 2010s expanded these capabilities by improving system connectivity and functionality. Today, advances in machine learning, data analytics and AI are setting the stage for the next evolution, with potential to elevate payroll into a more strategic role through greater automation and richer insights. For most organizations, making changes to payroll is intimidating, and viewed as a high-risk decision because failures, such as missed payroll runs, can result in reputational damage. However, it is becoming clear to business leaders that updates to payroll technology are essential to support efficiency and compliance.

The Bottom Line



Executive: Technology decisions made today determine payroll's future compliance posture, efficiency, and strategic relevance.

Payroll professional: Automation and cloud tools reduce manual burden but adoption remains inconsistent, driving uneven outcomes.

Technology: Cloud, automation, and AI are becoming baseline requirements—not differentiators—for modern payroll.

Cloud payroll. A common trend amongst Canadian organizations is the migration from outdated on-premise solutions to cloud-based payroll solutions. Initially reluctant to make the shift, many organizations have become more confident in making the decision to move to cloud payroll. For many large organizations, this confidence has been driven by the influence of surrounding functions such as finance and HR which have had successful cloud-based technology transformations, while smaller organizations tend to be motivated by simple systems that integrate easily with other functions in the business. Often, these shifts are charged by a need for greater flexibility, scalability, and compliance in an environment where regulatory requirements and workforce models are rapidly evolving. Pressures to shift to cloud platforms may also be experienced when payroll systems are decommissioned or payroll technology vendors significantly reduce support for on-premise solutions, leaving organizations with little choice but to



move to the cloud. Cloud platforms offer real-time data access, have the capability of having legislative changes integrated, and enhanced integration with HR and finance systems—capabilities that on-premise systems often lack. Organizations that adopt cloud-based payroll systems typically benefit from greater insights, data access, and clear decision-making abilities. Although implementation complexity and change management can pose challenges, the shift to cloud technology presents the opportunity and launch point for payroll to support workforce planning, deliver more actionable insights, and elevate outcomes and efficiency for business leaders.

Automation and AI. The introduction of automation and AI is also a fast-moving trend in payroll today. While automation has existed within payroll systems for some time, its organizational utility has been rapidly accelerating in recent years. Organizations are increasingly leveraging automation to eliminate repetitive, manual tasks such as data entry, time and attendance validation, and payroll calculations, serving to minimize errors and reduce processing time. AI takes this a step further by enabling predictive analytics, anomaly detection, and real-time basic compliance updates, ensuring payroll systems remain aligned with evolving tax and regulatory requirements. Advanced tools now support automated remittances, benefit administration, and even ESS through chatbots, improving both operational efficiency and the employee experience. These innovations represent a major shift: payroll professionals can now move beyond routine data entry and reconciliation to focus on strategic initiatives; support decision-making and provide data-driven insights. Despite these

benefits, adoption of advanced features remains inconsistent across organizations. As automation and AI mature, they are expected to become foundational to payroll transformation, continuing to position payroll as a data-driven, strategic function rather than a purely transactional one.

Governmental push. While the private sector continues to pursue technological advancements to improve efficiency through strategic decision-making, the public sector is also seeking efficiency through “e-payroll.”, also referred to as “real-time reporting”. This federal government initiative aims to modernize the exchange of payroll, employment, and demographic information between employers and government bodies, with the intent of easing administrative demands on Canadian employers and improving the efficiency of government benefit and service delivery. Through focus groups conducted during this research, it is clear that payroll professionals are eager for the launch of real-time reporting as they anticipate a reduction in year-end burden.

Challenges, risks, and opportunities in payroll today

As payroll evolves into a more complex function, driven by technology and producing insights, organizations face a unique mix of challenges, risks, and opportunities that shape their role in business performance and employee experience.

Many organizations are struggling to find experienced payroll professionals. Survey results and membership data from the Institute indicate the majority of respondents are 45+ years old, suggesting that a large portion of the payroll workforce is in the



mid-to-late career stage. As this generational shift accelerates, organizations face growing difficulty locating talent with the required level of payroll expertise. This leads to understaffed and strained payroll teams and creates significant challenges for succession planning, as retirements are outpacing the supply of qualified replacements.

As concerns around the size of the payroll resource pool grow, an opportunity for technological innovation and adoption arises. Organizations can leverage automation and AI within their payroll functions to perform some basic, repetitive tasks, so that the remaining payroll resources can focus on the more strategic and complex tasks of planning and advising the business using data-driven insights. The introduction of automation and AI will not eliminate the number of available job opportunities for payroll professionals. Instead, these technologies will help organizations address workforce gaps created by an aging payroll population, while opening up new career opportunities and elevating the function from a transactional role to a more strategic one.

Complex regulations and the increasing sophistication of payroll solutions both create risks for organizations. Federal and provincial payroll requirements are difficult to navigate, and organizations operating across multiple provinces, territories, or countries face an even broader set of rules to comply with (6Wresearch, 2025). Industry experts report that because compliance requirements change frequently, payroll professionals often rely on their payroll systems to stay current with regulatory updates and ensure accurate and compliant processing. In organizations using on-premise payroll systems, responsibility for

system maintenance, regulatory interpretation, and software updates often rests with payroll teams or internal IT departments. In addition to managing these regulatory updates, organizations are increasingly integrating their payroll systems with other functions such as HR, finance, and accounting, which adds further complexity (6Wresearch, 2025). These technology and regulatory requirements increase the risk organizations face in staying compliant and ensuring payroll is processed accurately and on time.

Increased reliance on the integration of organizational data and technology in the payroll function has resulted in heightened risk around data security (6Wresearch, 2025). As payroll systems become more digitized and integrated with HR, finance, and time-tracking platforms, the volume of sensitive employee data (such as Social Insurance Numbers, banking details, and compensation information) stored and transmitted electronically has grown exponentially. This creates a larger attack surface for external cyber threats, as well as internal mishandling of personal identifying information. Many surveyed payroll professionals expressed concern about storing personal information and their ability to protect it against cyber-attacks. In addition, the introduction of AI in payroll has raised further apprehension, as some professionals are unsure about the privacy and security controls built into AI enabled tools.

Organizations often find that they are not prepared nor equipped to handle disasters within their payroll functions, including cyber-attacks, natural disasters, resourcing disasters, etc. It is considered leading practice for organizations to develop disaster recovery and



business continuity plans to ensure operations continue during unexpected disruptions. Effective disaster response typically requires collaboration among key players, of which includes payroll, HR, IT, etc. Each of these practice areas need to be prepared to work together to manage the shared responsibilities in the event of a disaster impacting an organization's payroll. This includes resolving the issue as quickly as possible, as well as communicating the issue and any impacts to relevant members of the organization, while being able to maintain operations using a back-up plan to ensure minimal disruption to payroll processing.

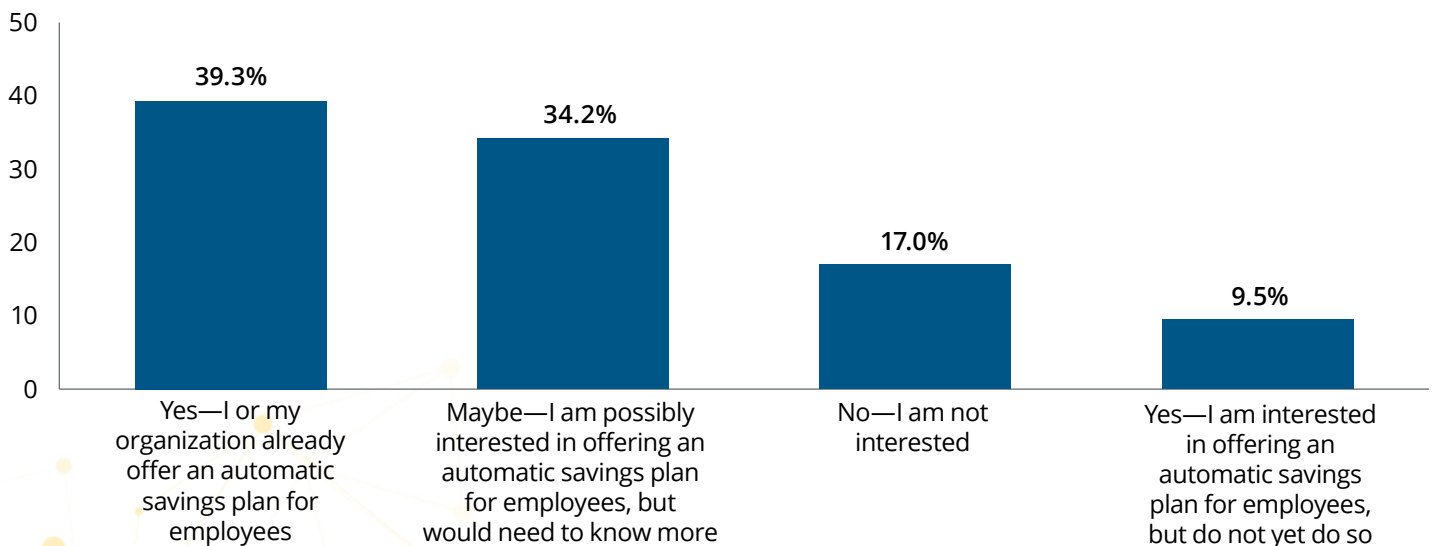
Overall, these trends indicate that payroll now represents a critical operational and compliance risk area. Organizations that do not modernize processes, strengthen governance, and build workforce and technology resilience are at an increased risk of exposure to errors, security incidents, regulatory penalties, and service disruptions.

Emerging trends

Employee experience. Employee experience has long influenced payroll operations; but it is now emerging as a central driver of technological and procedural transformation. Organizations increasingly view payroll as a critical touchpoint for trust and engagement, not just a compliance function. Self-service capabilities for payroll-related actions and inquiries are giving employees greater control and visibility over their data, enabling them to access pay information and manage personal data independently. Paperless payroll has become the norm, with 88 percent of employees using direct deposit as of 2022 (Payments Canada).

Beyond transactional efficiency, interview research reveals that payroll teams are increasingly expected to support employee financial well-being by providing education, transparency, and tools that help employees understand their pay. As per *Figure 5*, just over one third of survey respondents indicated that their organization offers an automatic savings plan to employees, and approximately

Figure 5. Level of interest in offering automatic savings plans to employees





10 percent of those that do not already offer one of these plans are interested in exploring the option. This highlights the desire for organizations to keep employee experience at the forefront of payroll operations.

Alternative payment methods. Alternative payment methods are used in various jurisdictions globally and are receiving some attention in Canada; however, adoption remains cautious and uneven. Options such as earned wage access (also known as on-demand pay) and payroll cards (prepaid debit cards used to pay wages electronically instead of paper cheques or direct deposit) are available through a growing number of providers, to support employee flexibility and financial well-being, yet most Canadian organizations report limited readiness to implement them. Survey results indicate that the majority of respondents are not prepared to offer earned wage access, payroll cards, or cryptocurrency-based payroll. This suggests a gap between available market capabilities and organizational readiness. Further, it also reflects differences between Canada and other countries, such as the United States, where alternative payment methods like payroll cards have been in use for years, potentially reflecting differences in banking practices and payroll practices. These findings point to the operational, compliance, and security considerations associated with supporting these models.

Interviews reinforce this cautious stance, citing regulatory hurdles, data security risks, and the need for robust governance as key barriers. Payroll industry experts view flexible pay options as a way to support employee financial management and enhance aspects

of the employee experience in the United States, particularly when used for essentials such as rent, fuel, and bills. EWA may help improve financial outcomes by reducing certain banking fees and interest payments (Davis, 2025). Implementation of these tools must be accompanied by clear policies, effective controls, and close collaboration across HR, finance, and IT. As these options mature, success hinges on balancing benefits with risks like over-indebtedness or data vulnerabilities, alongside regulatory clarity.

Managing trends. Payroll is increasingly in the spotlight, and trends are emerging quickly. It is essential payroll professionals and organizational leaders stay current so they can meet employee expectations and manage compliance effectively. There are many avenues which can be used to stay current, including formal learning opportunities (i.e. courses, webinars, etc.), networking and industry events, receiving updates and reading about payroll, and more. *Figure 6* shows how survey respondents prefer to stay informed about emerging trends and technologies, with most relying on professional associations, such as the National Payroll Institute.

When asked which trends are expected to most impact their role as a payroll professional, respondents indicated adoption of new payroll technologies and automation, and changes in government regulations and compliance requirements as being top of mind (*Figure 7*). This suggests that payroll professionals anticipate a future defined by rapid technological advancement and heightened regulatory complexity—both of which indicate a need for sustained upskilling,



Figure 6. Preferred method of staying informed about payroll trends

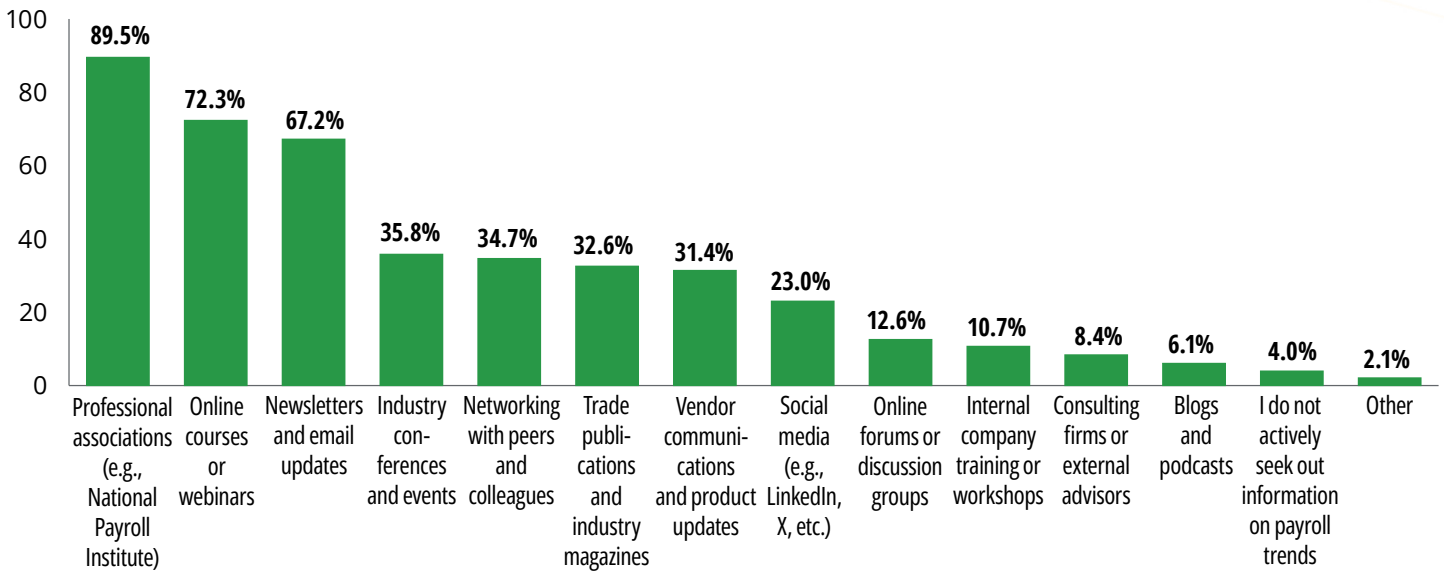
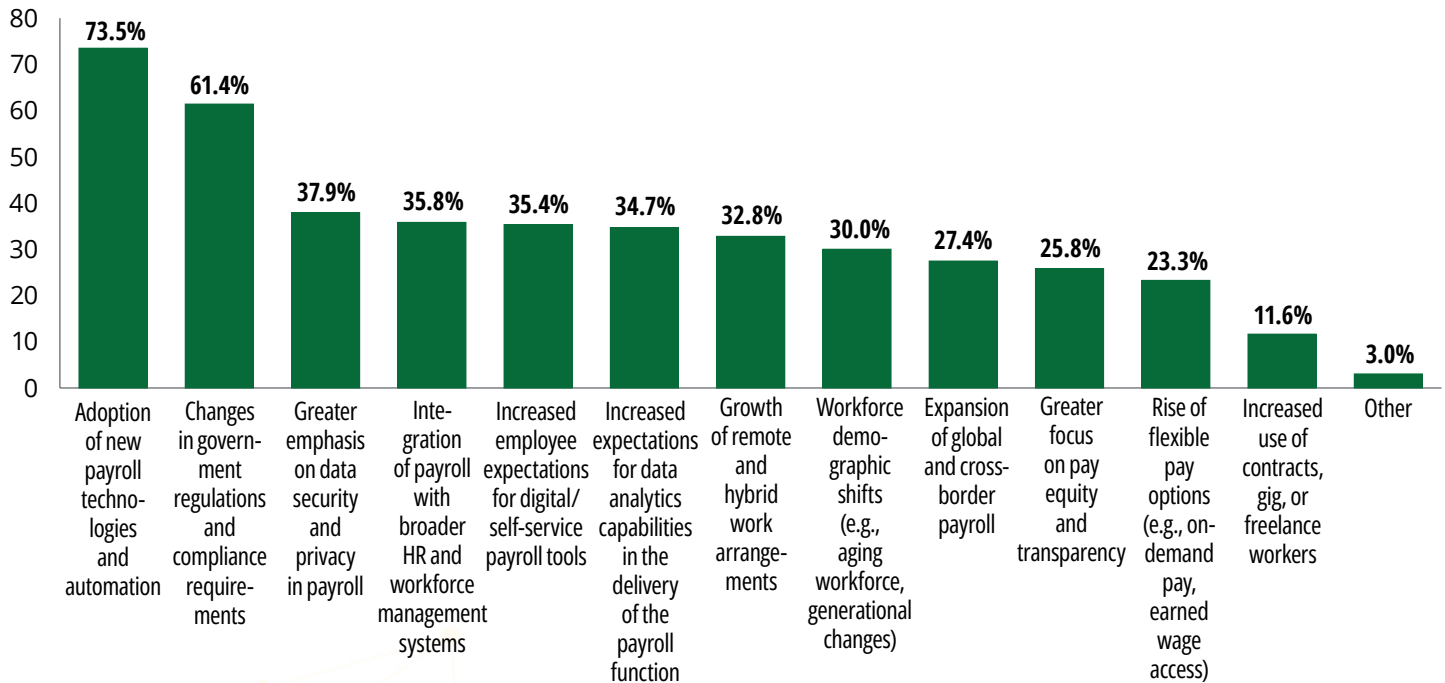


Figure 7. Anticipated impacting factors to the role of a payroll professional





stronger governance frameworks, and increased collaborating with HR, finance, and IT. It is important to be aware of these anticipated trends, as this will enable organizations and professionals to better prepare for what is coming. Additionally, understanding upcoming trends ensures education and can be designed to equip new payroll professionals with the skills needed for the future.

While most professionals recognize that emerging trends will bring meaningful changes to their work, the specific implications of these trends are not always well understood. AI is widely discussed but often misunderstood within the payroll community. Despite the high volume of discourse surrounding AI's potential, many perceive it as being more advanced or more deeply embedded in payroll operations than it currently is. In reality, the research suggests AI's present role remains relatively targeted: it appears primarily as a built-in functionality with addition options for add-on functionality within payroll software, where it supports tasks, such as identifying discrepancies, detecting potential errors, and streamlining activities that were traditionally manual. Thus far, based on information shared during focus groups and interviews with payroll professionals and payroll industry experts, small and mid-sized organizations are farther ahead in their journey to adopt AI in payroll. Some of these organizations are beginning to draft policies regarding AI and experiment with new ways to incorporate AI into their payroll operations. This advanced adoption of AI and automation in small and mid-sized is likely a result of the higher levels of agility that are present in smaller organizations

when compared to large. As a result, while AI is beginning to influence payroll, its current contribution overall is incremental rather than transformational—highlighting the need for clearer education, realistic expectations, and guidance on its practical applications.





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Glossary

AI	Artificial Intelligence
Altinn	Norwegian government digital portal
CBA	Collective Bargaining Agreement
CPP	Canada Pension Plan
CRA	Canada Revenue Agency
DATEV	German statutory/compliance platform
DSN	Déclaration Sociale Nominative—France’s unified social reporting
EI	Employment Insurance
ERP	Enterprise Resource Planning
eSocial	Brazil’s unified digital reporting system
ESS	Employee Self-Service
EWA	Earned Wage Access
FinTech	Financial Technology
FTE	Full-Time Equivalent
HCM	Human Capital Management
HRIS	Human Resources Information System
ISV	Independent Software Vendors
The Institute	The National Payroll Institute
KPI	Key Performance Indicator
PCP	Payroll Compliance Professional
PLP	Payroll Leadership Professional
PwC	PricewaterhouseCoopers
Real-time reporting	Previously known as e-payroll
ROE	Record of Employment
SMB	Small-Medium Business
SME	Subject Matter Expert
SOP	Standard Operating Procedure



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