



# Benchmarking and measuring success

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.





# Benchmarking and measuring success

Measuring organizational performance is a strong, foundational management practice. Comparing these measures across similar organizations to gauge comparative performance within industry is critical to informed decision-making and establishing a strong business case for change. It enables organizational leaders at any level to track progress, measure success, and make informed decisions about resource allocation, process improvements, technology advancements, and other key business-impacting decisions.

To support this process, organizations typically use metrics to assess and track performance over time. A metric is a numerical standard of measurement that enables organizations to measure the value of the time and resources spent on activities. Metrics provide actionable information on the organization's efficiency and effectiveness to help leaders make key decisions and investments. In a payroll context, these metrics might include the number of payroll corrections required in a payroll cycle, or a measure of the time it takes to complete a payroll cycle.

To truly measure performance, organizations typically prioritize a set of metrics that provide quantifiable, specific indicators to evaluate the success of a particular activity or key organizational goal. These applied, strategic metrics are referred to as key performance indicators (KPIs). KPIs are measurable values

## ***The Bottom Line***



**Executive:** Without KPIs and benchmarks, payroll investments cannot be justified or outcomes measured.

**Payroll professional:** Benchmarking enables payroll to demonstrate value, prioritize improvements, and support business cases.

**Technology:** Measurement depends on systems that produce reliable, timely, and integrated data.

that indicate how effectively a function is achieving its objectives and provide visibility into operational efficiency and highlight areas that require attention. These KPIs can then be compared to a peer organization to gauge the relative effectiveness or efficiency of the organization. This comparison process is referred to as benchmarking. Benchmarks provide the "what," how an organization compares, but not the "why" behind performance differences or the "how" required to improve them.

## **Benchmarking in payroll**

The importance of KPIs cannot be overstated. Payroll is a high-stakes, numbers-based function where errors lead to compliance penalties, financial loss, and diminished employee trust. By tracking KPIs, organizations can identify



inefficiencies, reduce risk, and ensure that payroll processes align with broader business goals. Benchmarking against industry standards or peer organizations adds another layer of insight, helping leaders understand whether their payroll performance is competitive and where improvements can deliver the greatest impact for the organization as a whole.

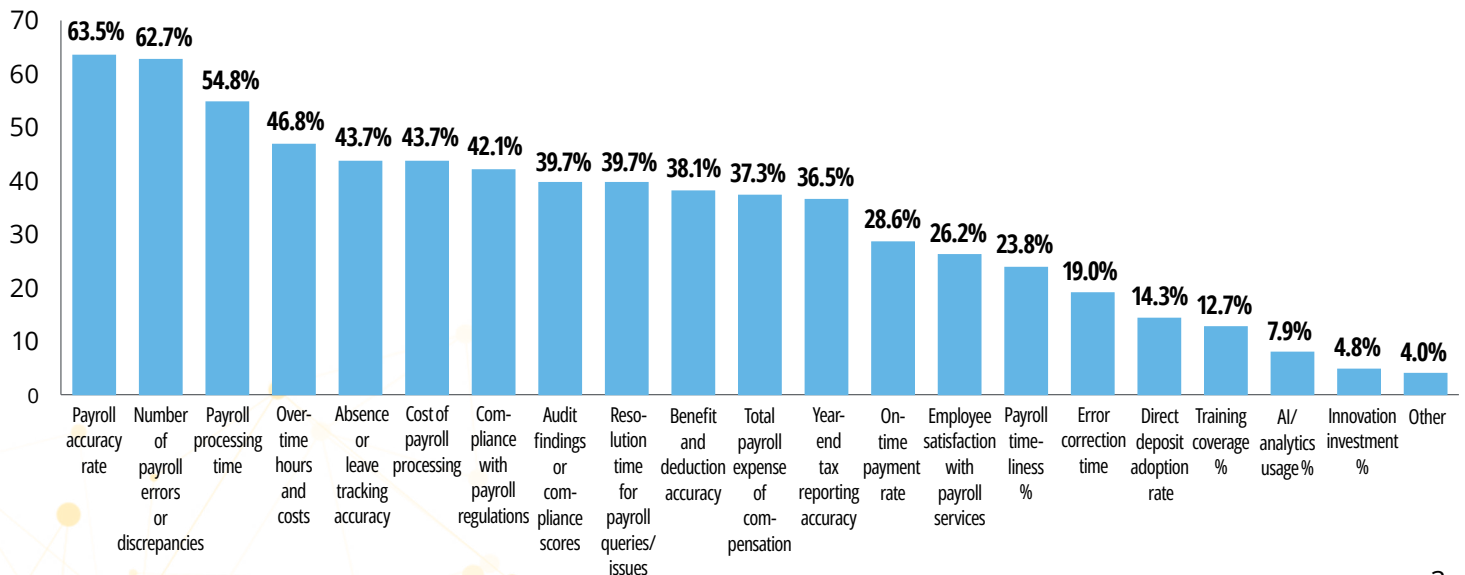
For organizations considering a transformation within payroll it is beneficial to begin measuring KPIs, if not already doing so, particularly for outcomes related to the desired transformation, for example, measuring inquiry resolution time prior to implementing a new shared service tool. By measuring performance prior to the transformation, it will enable the organization to identify key areas that require improvement thereby supporting the business case process for the transformation and identifying areas to focus on for use cases in the transformation. Once the transformation is complete, it is important to continue measuring these KPIs to evaluate the effectiveness of the transformation and to identify any areas that may need further attention.

By tracking KPIs, the payroll function positions itself as a strategic partner for the business, enabling it to make informed, data-driven workforce and financial recommendations that demonstrate impact. In leveraging its position as the employee data “engine” to track meaningful data in the form of KPIs and analytics, payroll can produce valuable insights on organizational performance and workforce trends that inform the rest of the organization. With the rise of analytics capabilities and the tracking of KPIs, the payroll function is more equipped than ever to highlight its role as a strategic partner rather than a transactional function.

### Recommended measurements

Although measuring payroll KPIs is highly beneficial, many organizations either do not track any metrics or track only a limited few. When asked whether their organization monitors payroll-related KPIs, only 21 percent of payroll professionals reported that it does. As shown in *Figure 20* payroll accuracy rate and number of payroll errors are the most commonly tracked metrics among organizations

Figure 20. Commonly tracked KPIs





that measure payroll performance. This limited adoption indicates that KPI measurement within the payroll function remains largely underdeveloped, especially when compared to other business areas.

The KPIs that are most frequently tracked tend to focus on basic operational measures such as on-time payroll processing and payroll accuracy rate. While these are important, they provide only a narrow view of payroll performance. Organizations that stop at these metrics miss opportunities to evaluate broader dimensions such as compliance, cost efficiency, employee experience, and technology effectiveness—all of which are critical to positioning payroll as a strategic partner.

To close the gap, organizations may consider expanding their KPI framework to include measures that reflect both operational excellence and strategic impact. For example, compliance-based KPIs such as number of late remittances or audit findings which help to monitor risk and regulatory adherence; cost and productivity KPIs such as cost per pay statement and payroll full-time equivalent (FTE) to-employee ratio that can provide insight into efficiency and resource allocation; employee experience-related KPIs such as inquiry resolution time and satisfaction scores which demonstrate payroll's role in supporting engagement and trust; number of payroll corrections which enables organizations to identify areas that require further investigation to determine root causes of errors and therefore identify training or configuration needs; and, technology-based KPIs such as automation coverage or system uptime which measure the effectiveness of digital investments and readiness for future transformation.

It is important to consider payroll's unique organizational standpoint as the employee data "catch-all". In tracking KPIs such as the number of time and attendance corrections per pay period, or the number of employee data errors, organizations can identify root causes—often stemming from upstream process gaps or knowledge deficiencies. Once detected by the payroll function, these issues can be addressed through corrective measures such as additional controls, standard operating procedures, and enhanced training and development.

Ultimately, expanding KPI measurement equips payroll leaders with the data needed to make informed recommendations, validate transformation outcomes, and demonstrate payroll's contribution to organizational success.

### **Industry benchmarking**

Tracking KPIs not only strengthens internal performance management but also enables benchmarking against industry standards. Benchmarking enables organizations to compare their payroll function with peers of similar size, industry, and complexity, identifying where they lead and where improvement is needed. When comparing benchmarks against other organizations, business leaders are able to uncover actionable insights for optimizing processes and justifying investments.

Consistent with a lack of measurement of KPIs, benchmarking is often underutilized despite its value. Many organizations lack visibility into how their payroll performance stacks up against others, which limits their ability to identify gaps or validate transformation outcomes. Commonly benchmarked metrics include payroll full time equivalent (FTE) -to-employee ratio, payroll processing time, payroll errors, and inquiry



resolution time, among others. *Table 2* outlines the recommended metrics to measure and benchmark by the National Payroll Institute, along with how to calculate the measurement.

**Payroll FTE-to-employee ratio.** The payroll FTE-to-employee ratio measures the number of employees supported per full-time payroll staff member. It is a key indicator of staffing efficiency and process automation. A lower ratio than the recommended benchmark often suggests heavy manual work or limited technology adoption, while a higher ratio typically reflects streamlined processes, effective use of automation, and self-service tools. Organizations can use this metric to assess whether their payroll team size aligns with industry norms and identify opportunities for efficiency gains.

Based on the survey results, the payroll FTE-to-employee ratio for large organizations of 500+ employees is 1:370, while the ratio for medium-sized organizations of 100 to 499 employees is 1:175, and small organizations of 99 or fewer employees is 1:34. When evaluating the payroll operating model, service delivery model, or resourcing, organizations may consider comparing their payroll FTE-to-employee ratio to these noted ratios as it may indicate inefficiencies that need to be addressed or support a case for technical transformation. Further, it may indicate a need for additional resourcing in the payroll department to meet the demand of the employee population base.

**Payroll processing time.** Payroll processing time refers to the total time required to complete a payroll cycle—from data collection and validation to final payment and reporting. This metric highlights operational efficiency and the impact of technology on cycle speed. Longer processing times may indicate manual dependencies,

fragmented systems, or data quality issues, whereas shorter times often point to automation and integrated platforms. Benchmarking this metric helps organizations evaluate whether their payroll timelines are competitive and where process improvements, technology modifications, or transformations can reduce delays.

Based on survey responses, the typical payroll processing time is three days. When comparing larger organizations to small organizations, the payroll processing time is slightly greater with large organizations having typically having a processing time of three and a half days, mid-sized organizations having a typical processing time of three days, and small organizations having a typical processing time of two days. Additionally, organizations that process payroll outside of the country typically experience longer processing times (four days) than those that process payroll in only within Canada (three days). Organizations that experience a longer processing time than these benchmarks for similar organizations may want to consider conducting further analysis into their payroll function to determine where inefficiencies may be impacting the payroll processing time.

**Payroll errors.** Payroll is where organizational employee data culminates. It is not unusual to encounter occasional data errors in payroll processing, but frequent, recurring errors are indicative of a systemic issue. Benchmarking the number of payroll errors validates the frequency of errors in payroll calculations, relative to peers. Leading practice typically sees this measurement include errors across deductions or tax filings, often expressed as an error rate percentage (i.e., number of errors divided by the total number of payroll transactions). High error rates indicate compliance risks, potential for financial penalties, and diminished employee



trust. Monitoring this metric provides insight into accuracy, the quality of the payroll and peripheral system configuration, and process controls. Organizations with lower error rates typically have robust validation steps, well-integrated employee data between upstream systems and payroll, automated calculations, and strong governance frameworks. AI is beginning to assist with anomaly and error detection which enables the payroll team to mitigate and resolve issues prior to running payroll, ultimately reducing the number of errors in the payroll cycle.

According to survey results, approximately four percent of organizations run daily off-cycle payments, 35 percent run weekly off-cycle payments, 11 percent run off-cycle payments two-to-three times a week, and three percent run off-cycle payments four-to-six times per week. The rate of off-cycle payments can be an indicator of how often an organization must address payroll errors. Large organizations tend to have a higher rate of off-cycle payments when compared to medium and small organizations, where 27 percent of large organizations indicated that they never run off-cycle payments, while 60 percent of mid-sized organizations and 86 percent of small organizations indicated that they never run off-cycle payments. This difference is likely impacted by the level of automation and possible AI features that would support error detection that tends to be present in large organizations or due to the fact that smaller organizations may tend to make corrections on the next scheduled pay run rather than making off-cycle corrections.

**Inquiry resolution time.** Organizations are often interested in the inquiry resolution time metric which measures the speed at which employee payroll inquiries are resolved. This metric

indicates the health of the operating model, service delivery model, and the interactions between teams. Longer resolution times may signal unclear pay statements, insufficient self-service capabilities, or limited support resources. Faster resolution times generally indicate that employees can easily access the information they need, and that payroll teams are equipped with tools and knowledge to respond effectively. Benchmarking this metric helps organizations strengthen the employee experience and identify areas where targeted improvements can reduce inquiry volumes.

Survey results indicate that organizations vary widely in how quickly they resolve payroll-related inquiries, with the typical resolution time sitting at one day. No differences emerge in inquiry resolution time when comparing organization sizes. Inquiry resolution speed is often influenced by operational complexity. Organizations that have complex pay policies such as large or complicated CBAs or that manage pay for different provinces (especially Quebec) or countries which have different compliance regulations typically experience longer resolution times due to the increased level of complexity associated with the inquiries. For organizations whose inquiry resolution time exceeds these benchmarks, a closer examination of their support processes, communication channels, or self-service capabilities may reveal opportunities to streamline workflows and enhance the overall employee experience.

Together, these benchmarks provide organizations with a balanced view of payroll performance, helping them identify strengths, uncover improvement opportunities, and align their payroll operations with leading practices across their industry.

**Table 2. Commonly measured metrics**

<b>Metric</b>	<b>Description</b>	<b>Formula</b>
<b>FTE per payroll staff</b>	Measures payroll staffing efficiency by comparing the number of payroll team members to the total number of full-time employees	Total FTE employees ÷ Number of payroll staff
<b>Payroll processing time</b>	Time taken to complete one payroll cycle	End time of processing – Start time of processing
<b>Payroll error rate</b>	Frequency of payroll errors per cycle	(Number of payroll errors ÷ Total payroll transactions) × 100
<b>Compliance rate</b>	Percentage of payroll filings and remittances completed by statutory deadlines	(On-time filings ÷ Total required filings) × 100
<b>ROEs issued on time</b>	Efficiency in handling interruptions of earnings	(ROEs issued within deadline ÷ Total ROEs required) × 100
<b>Off-cycle payments</b>	What percentage of total pay runs in the year were off-cycle	(Off-cycle pay runs ÷ Total pay runs) × 100
<b>Cost of off-cycle pay run</b>	What is the cost associated with running off cycle payroll (i.e., adjustments or bonus payroll runs)	Total cost includes: Labour + Vendor processing fees
<b>Payroll related inquiry volume</b>	The number of payroll related tickets per pay period	Ticket count per pay cycle
<b>Time to resolve payroll queries</b>	Average time to resolve employee payroll questions	Total time spent on queries ÷ Number of payroll queries
<b>Employee self-service usage</b>	Percentage of employees using ESS	(Number of employees using ESS ÷ Total employees) × 100
<b>Direct deposit rate</b>	Percentage of employees using direct deposit for pay	(Number of employees using direct deposit ÷ Total employees) × 100
<b>Cost of payroll per pay cycle</b>	Administrative cost of running each payroll cycle	Total payroll administration cost ÷ Number of payroll runs
<b>Average payroll cost per employee</b>	Payroll cost averaged across all employees	Total payroll cost ÷ Number of employees
<b>Level of automation</b>	Measures the proportion of payroll processes that are automated vs. manual (e.g., time & attendance)	(Automated transactions ÷ Total transactions) × 100



<b>Integration with other systems</b>	How well the payroll system is integrated with other core systems (HRIS, time tracking, benefits, finance)	$(\text{Number of integrated systems} \div \text{Relevant systems}) \times 100$
<b>Security and data protection</b>	Measures how effectively payroll processes comply with data protection standards (e.g., encryption, access controls, privacy laws).	$(\text{Number of security controls implemented} \div \text{Total required security controls}) \times 100$
<b>Payroll system uptime</b>	Reliability of the payroll software system	$(\text{Total available time} - \text{Downtime}) \div \text{Total available time} \times 100$
<b>Payroll transparency</b>	Survey employees asking if they understand how their pay is calculated	Likert scale (1-5) % responding Yes/No
<b>Time to pay impact for new employees</b>	Time from hire to first successful payroll cycle	Date of first pay - Hire date

Source: National Payroll Institute



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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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