

HR & Payroll Pulse 2026

A Reality Check for Europe

Payroll at the core of how work runs



Introduction

Payroll is a lot more than an operational infrastructure in 2026. It is more than a regular payslip at the end of every month.

In practice, payroll represents the most repeated interaction between the employer and the employee, reinforcing or weakening trust, demonstrating fairness, proving compliance and lifting the veil on labour costs. Payroll does not just process pay, but also reveals how well an organisation truly runs.

Using data from the 2026 HR & Payroll Pulse research, this report spotlights payroll as an essential topic for organisations in 2026. Payroll is where work becomes real for everyone at a given organisation, and as more companies report mounting pressures, that interaction becomes more central.

It analyses the impact and perception of payroll across four pillars—trust, control, connectivity and insight—to demonstrate how payroll performance can reflect an organisation’s maturity in more ways than you may expect.

About the research

The HR & Payroll Pulse Report is the largest annual research project on HR in Europe. As the flagship resource from SD Worx Research Institute, it provides evidence-based insights to help HR and payroll specialists enhance their day-to-day operations and long-term strategies. It also helps leaders and teams understand the field now and anticipate critical trends.

The 2026 report focuses on five key themes: HR challenges, payroll, time & planning, reward, and AI, plus how each trend affects organisations and their people.

Based on the research, SD Worx Research Institute is also releasing four specialised reports to give more detail into several of these topics. This report provides a unique and detailed perspective on the impact payroll has on people and organisations and major trends shaping the discipline today.

2026 research scope

Scope: Belgium, Croatia, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Romania, Serbia, Slovenia, Spain, Sweden, and the United Kingdom.

Target groups: Decision-makers in HR management and employees, covering 5,936 HR leaders and 16,500 employees.

Data collection: Anonymous online survey conducted among the international panel of Bilendi Group and analysed by our SD Worx Research Institute experts.



“Payroll may not be leading the business, but it’s one of those key parts of the puzzle where all the complexity of a company becomes visible.”

Tarryn Lewis
Head of Portfolio Management International at SD Worx

Key takeaways

01

Payroll is becoming a core business function. As the place where work becomes real, payroll management can reveal fragility. 1 in 3 employees still experiences inaccurate payroll, 17% report delays and 31% worry about unsecure data handling.

02

Trust in payroll is about the overall experience. Most employees (83%) trust payroll timeliness but only 69% of employees find payslips easy to understand.

03

Organisations do not feel fully prepared for mounting compliance pressures. In the past 12 months, 32% of companies faced payroll compliance or audit issues, and only 68% feel ready to adapt to new legislation.

04

Connectivity is now a payroll performance driver. 20% of organisations now prioritise system integrations with HR, finance, time and benefits.

05

Payroll holds some of the richest cost and workforce data, but only 18% of organisations prioritise improving payroll analytics. Only 16% aim to measure its efficiency and ROI.

Payroll and trust: The lived experience of employment

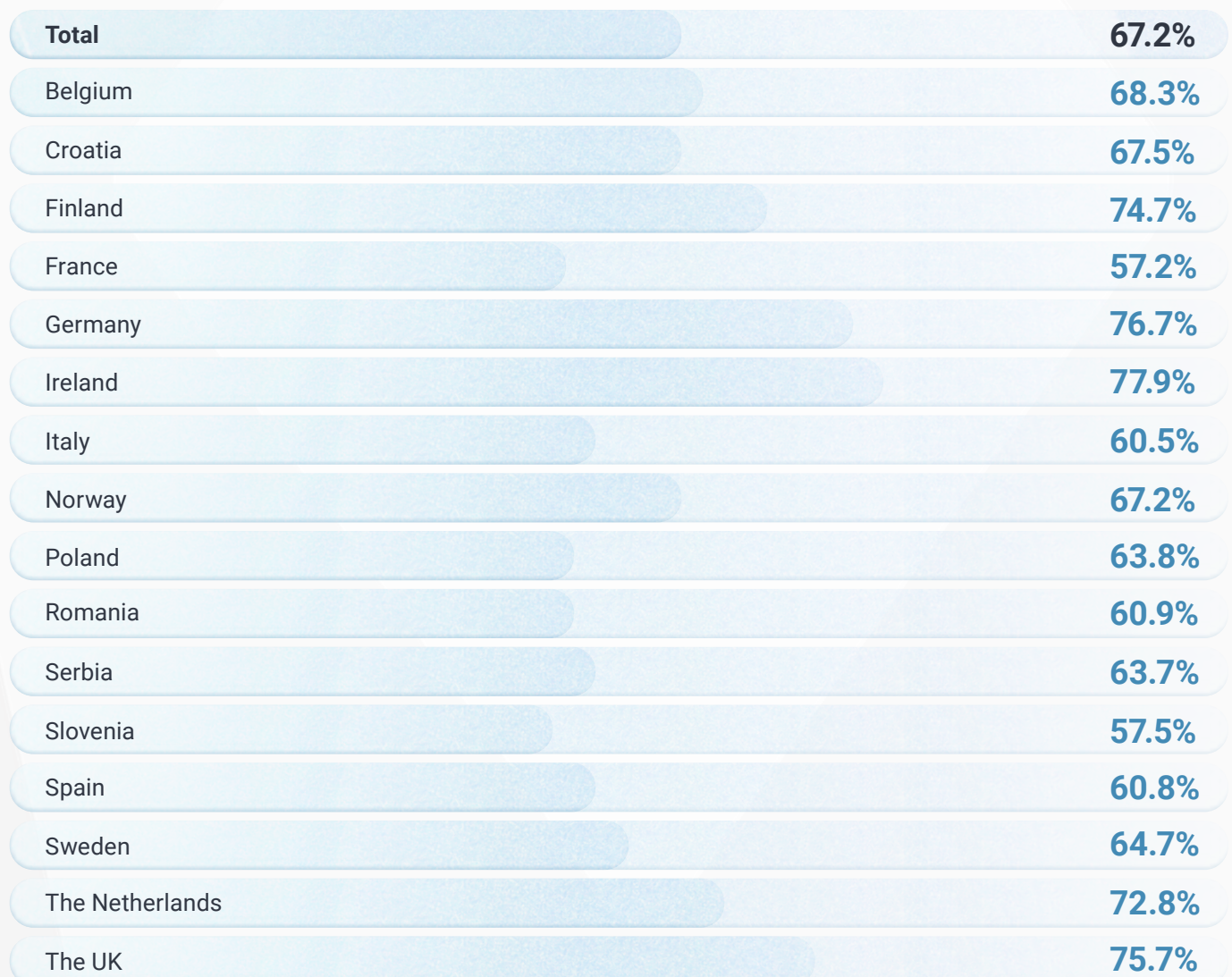
Trust is not an abstract concept in payroll. It is an operational concern. If pay is wrong, unclear or late, it affects an employee's financial security and the perceived competence and credibility of the employer. Pulse data confirms this lived experience.

Around 2 in 3 employees are positive about how their employer handles payroll.

- **67%** of employees say that their organisation handles payroll accurately and reliably.
- **83%** say their pay is always delivered on time.
- Only **40%** say that their organisation offers easy, self-service options for managing time, leave and pay.

The data reveals an important nuance. Companies seem able to deliver accuracy, with 69% of employees saying their payslips are easy to read and understand, but clarity and ease aren't as easy to achieve.

Payroll accuracy and reliability across Europe



There is also regional variation to how employees experience payroll. Due in part to different legislative environments and levels of digitalisation, employees in Ireland report the most accurate and reliable payroll handling (77.9%), with only 57.2% of employees in France saying the same.

Payroll in France is legally complex, with many employees reporting how difficult it is to understand their payslips. Ireland, in contrast, has a more streamlined payroll and tax environment, and higher rates of payroll digitalisation.

Most employers report accurate and timely payroll processes.

- **76%** report that payroll is processed accurately within the organisation.
- **76%** also say that payroll delays are rare and their organisations meet their payroll deadlines consistently.
- **75%** define protecting employee data as a top priority for HR and payroll functions.

Employers in Europe demonstrate operational reliability, but trust among employees is about more than receiving payment. People want to better understand how and why they are compensated a certain way. In that way, payroll is regular proof of whether an organisation upholds its end of the deal.



“Employees want to know more than what they are being paid. They want to know that it is correct and fair, and to have more transparency on what may have changed and why.”

Tarryn Lewis
Head of Portfolio Management International at SD Worx

HR leaders, empowered by broader organisational aims, should seek to make the payroll experience more transparent, explainable and employee-centric. Payroll is where work becomes real—in immediate reward terms and as a long-term value signal—so payroll specialists should design portals and messaging, as well as payslips themselves, that give more complete context to what employees earn and why.

Payroll and control: Compliance as a visible structure

For employees, payroll is becoming a proof point of accountability and fairness. And as payroll processes become more visible, people tend to scrutinise it more. Control in payroll therefore is no longer about doing everything right behind closed doors. It is about showing your people what you did and maybe even how.

When we talk about control, one essential dimension of it is compliance. Organisations across Europe are facing rising compliance pressures, with 17.1% of companies ranking strengthening compliance and adapting to new labour or tax regulations as a top priority in 2026.

Organisational preparedness for rising compliance pressures remains mixed.

- **68%** of organisations say they can adapt to new legislative and compliance requirements in payroll and HR.
- **54%** of organisations are investing in greater pay transparency.
- **62%** of organisations have everything in place to comply with the EU Pay Transparency Directive, with the June 2026 deadline for member states looming.

A big piece of the control puzzle is cybersecurity. It is an essential part of managing operational risk, as payroll systems contain salaries, bank account information, personal identifiers, and other sensitive data.

The cybersecurity protection gap:

- **75%** of organisations say protecting employee data is a top priority.
- **63%** of employers feel their current systems offer sufficient protection against cyber threats.
- **69%** of employees say their pay and personal data are handled securely.

While a similar share of employers and employees feel secure in financial data security, there is a substantial minority of around 1 in 3 people on either side of that equation. And protecting employee data is lower on the priorities list for a quarter of organisations.

AI integrations into sensitive processes, along with growing compliance needs, may widen the cybersecurity protection gap.

Control also goes beyond compliance and data protection. Companies can organise payroll in many ways, from doing everything internally to collaborating with a third-party payroll provider or leaving the whole process up to a vendor. Outsourcing payroll partially or entirely changes where control must sit and how it should be governed.

Payroll management in 2026 versus the next 3 years

	Currently	Next 3 years
Own software and people	18.8%	14.4%
Own software and external people	9.5%	10.6%
SaaS	21.6%	17.7%
MPS	43.9%	47.2%
Full BPO	6.2%	10.2%

Currently, almost 20% of companies manage their payroll internally, with that share projected to drop in the next three years. Notably, the SaaS model will decline in that time, with full BPO (business process outsourcing) set to take a larger share of Europe's payroll management. Partial outsourcing via MPS (managed payroll service) solutions will also gain more traction in the coming years.

More and more companies are seeing the benefits from working with a payroll provider, citing quicker and more reliable processing, less administrative work, more accurate accounting and better reporting as key factors.

The top 10 benefits of working with a payroll provider

Faster and more reliable payroll processing	28.9%
Reduced administrative workload	28.7%
Improved payroll accuracy and fewer errors	24.8%
Clearer or easier-to-understand payslips and pay breakdowns	24.3%
Better reporting and payroll insights	22.2%
Lower overall payroll operating costs	22.1%
Faster resolution of employee payroll questions	21.8%
Increased data security and risk management	21.6%
Better compliance with legal and regulatory requirements	20.7%
Improved employee access to payroll information (e.g., mobile access)	19.5%

Organisations also opt for payroll service providers to lower costs. Around 1 in 5 (22.1%) of companies say they've experienced lower overall payroll operating costs from working with their current provider, with 16.3% benefiting from more predictable or transparent cost structures.

Working with payroll providers is also about addressing control and reliability. Payroll has become too complex and risky for many companies to manage fully in-house, and third-party providers come with compliance expertise and standardisation. More than a cost-cutting measure, offloading payroll execution removes toil without sacrificing oversight and governance.

Practical steps:

Do you treat compliance like a list of things to check off? It should be a system capability. Compliance is a continuous, technology-enabled discipline that should impact workflows and data governance. To get to this point, invest in better auditability, ownership, and cybersecurity to showcase control as more complex regulations come into play.

Payroll and connectivity: Achieving operational coherence

Payroll sits at the centre of a complex ecosystem that includes HRIS (human resources information systems), time, benefits, finance reporting and payroll itself. Connectivity between these touchpoints determines how coherent operations are for employees and the employer.

When integrations fall short, payroll tends to absorb the resulting friction. This can result in inconsistent data, duplicate entries, retro-pay adjustments and too many manual corrections, all of which can grind efficiency to a halt and hurt employee trust.

The positive news is that companies are placing integration and connectivity higher on the agenda.

How organisations are prioritising connectivity.

- **20%** of organisations rank integrating HR, finance, time-tracking or benefits systems as a priority for 2026.
- **13%** prioritise migrating payroll to cloud-based platforms.

Despite the intention, it's important to note that connectivity should not be seen as just technical plumbing. It requires disciplined coordination and better performance based on cleaner inputs from the organisation.



“The moment you have fragmentation, you lose the ability to really benefit from your data. You can connect systems technically, but governing that data and making it usable at scale is the real challenge.”

Tarryn Lewis

Head of Portfolio Management International at SD Worx

Practical steps:

Connectivity should be the foundation of payroll performance. Eliminate fragmentation by integrating HR, time, finance and benefits into one coherent data flow. Crucially, treat this connectivity as a business-critical capability, rather than a siloed IT project.

Payroll and insight: The financial pulse of the workforce

Many companies are sitting on a mountain of payroll data and are either unaware of its value or are unsure how to extract that value.

When structured properly, payroll and its regular stream of data become a cost intelligence layer and an early warning signal to the organisation beyond just HR. Companies can gain insight into costs surrounding overtime, absences, and allowances, while also spotting structural inefficiencies and governance gaps much quicker. Patterns in retroactive pay can expose problems upstream.

Pulse data suggests that organisations recognise the potential of payroll data for strategic and planning insights. Enhancing analytics is even a top priority for many companies in 2026.

The potential of payroll data

- **18%** of organisations are prioritising enhancing payroll data analytics for workforce and business insights.
- **16%** aim to measure payroll efficiency and ROI more systemically.

As previously shown, many companies are looking to make payroll more efficient from cost and operational standpoints, and better data analytics will provide the insights to achieve that efficiency.

Crucially, only 66% of organisations consider the payroll process cost-efficient, which leaves a considerable gap for improvement. Cost efficiency is also no longer an internal optimisation metric. The expectation now is that cost efficiency should be clearly demonstrated and quantified, while also being reflected in how third-party providers set prices for their payroll services.

Practical steps:

Transform payroll from a cost centre to a value engine and use data to answer business questions. Payroll data can give you actionable insights on cost, productivity and workforce dynamics.

The top payroll priorities for 2026

Payroll may not seem to be a major business driver but it is mission-critical. It is an essential part of infrastructure and a cornerstone of trust, compliance and consistent business performance.

Organisations do not seem to be perceiving payroll improvements with the same urgency as employee well-being and talent acquisition, but there is still significant interest in making the process more efficient and more integrated into operational and strategic decision-making.

13.4%

of organisations place payroll optimisation in their top five most urgent HR challenges.

Even though it isn't the most urgent pressure, organisations do have improvements they are eyeing for 2026 and the years to come.

Top 10 payroll-related priorities for organisations in 2026

Training and upskilling of internal payroll professionals	21.5%
Self-service solutions for employees (e.g., payslip access, leave requests)	21.3%
Sustainable payroll practices (e.g., paperless processes, energy-efficient systems)	20.9%
System integrations with HR, finance, time-tracking, or benefits platforms	19.8%
Improving payroll data privacy and security	19.7%
Strengthening compliance and adapting to new labour or tax regulations	19.7%
Pay transparency initiatives (e.g., pay gap analysis, clear payslips, employee insights)	18.7%
Employee financial well-being initiatives (e.g., earned wage access, financial education)	17.9%
Integration of AI into the payroll process	17.6%
Enhancing payroll data analytics for workforce and business insights	17.6%

Additionally, 15.5% of companies are prioritising adapting payroll for flexible, hybrid or gig workforce models, and 14.1% are placing importance on outsourcing or collaborating with external payroll service providers.

Recommendations for HR leaders

- **Treat payroll as a core part of your business infrastructure. It should be a source of workforce data, cost insights, and compliance guidance.**
- **Payroll reflects an organisation's complexity. Move from execution to orchestration by improving data integrity, making it more explainable and reinforcing systems.**
- **As organisations focus more on automation and AI use cases, cost efficiency must be proven and quantified. Define clear metrics for payroll efficiency and ROI (e.g. cost per payslip, error reduction, cycle time, manual effort saved), and translate these into tangible business value.**
- **Prepare payroll teams for better validation, risk management and orchestration. Invest in upskilling on data literacy, analytics and system understanding. Enable your people to control quality and insight, rather than just executing tasks.**
- **Be careful about adopting AI and automation tools. AI can increase efficiency and give further insight, but only on top of strong foundations. Do not scale weak workflows and governance structures.**
- **Move from managing vendors to managing payroll outcomes. Define clear expectations on accuracy, timeliness, compliance and experience, while organising teams around accountability and ownership.**
- **Choose sourcing models based on your ability to govern complexity, rather than simply reducing costs. Ensure clear ownership between internal teams and providers. Position payroll as the orchestrator of a multi-provider ecosystem.**

Conclusion

Payroll sits at the intersection of pay, time, compliance and employee trust. Understanding more about how it operates and its perception across the organisation is a step toward a more reliable and connected system.

As critical as payroll is, it is only one element of an organisation's complex ecosystem.

HR leaders are reckoning with many challenges on top of better payroll management, from reward to AI integration. Our 2026 HR & Payroll Pulse report explores the most important themes surrounding people operations and strategy in Europe.

You can download the full report for free for the most expansive look at where payroll sits among other challenges and what organisations should do to future-proof operations and strategies now. For the latest evidence-based insights, head to the SD Worx Research Institute hub to better understand and address your unique HR and payroll challenges.

Check out the [SD Worx Research Institute website](#) for more insights about the European workplace.