Total Cost of Ownership in Payroll and HR Administration

July 2026

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Purpose

Since 2003, PwC and ADP have tracked the cost of payroll administration over the course of 5 separate studies. Our collaboration examines the full spectrum of visible and hidden expenses that organizations frequently overlook. In this paper, we examine the total cost of ownership (TCO) associated with payroll, workforce management (WFM), and human resources and outline the operational and technology strategies that are enabling organizations to manage these functions more efficiently at scale.

Organizations often underestimate the full cost of payroll operations. While direct costs—such as payroll staff, vendor fees, and system implementation—are typically well understood, many indirect or “hidden” costs are less visible. These include the effort required to manage employee inquiries, resolve payroll errors, maintain compliance across jurisdictions, and integrate payroll with broader HR and finance systems.

In many cases, payroll and HR processes have evolved in a fragmented manner, with multiple systems, vendors, and delivery models operating across regions or business units.

This fragmentation introduces duplication of effort, inconsistent processes, and increased risk exposure. It also limits an organization’s ability to scale efficiently or gain transparency into true operating costs.

As organizations respond to these challenges, PwC has seen a clear shift in organizations assessing their global payroll and WFM landscape for consolidation. Standardizing processes and reducing the number of systems and vendors can help increase pay accuracy, reduce administrative complexity, improve data consistency, and enable more efficient operating models.

Within this landscape, payroll providers play a key role in enabling transformation. Solutions that support global standardization, flexible delivery models, and integration across HR and finance systems can help organizations address both cost and complexity.

This study highlights that a more integrated, technology-enabled approach to payroll and WFM can help organizations better understand and manage total cost of ownership, while improving operational efficiency, strengthening governance, and supporting scalable growth.

Methodology

This primary research study includes data collected from 80 participating organizations, ranging from fewer than 5,000 employees to over 50,000 employees. This study marks the fifth installment in a series over two decades during which PwC has surveyed more than 650 organizations.

PwC conducted this assessment primarily through use of a confidential survey administered from January to April of 2026. Senior financial and HR executives (i.e., CFOs, CHROs, Directors of Payroll and HR) were invited to participate. In cases where an organization had multiple respondents provide inputs, we created a single consistent response. PwC also conducted follow up phone calls and emails with respondents to verify, clean and complete data.

The median participant organization has 17,000 employees and $10 billion in revenue. 30% of organizations surveyed have under 5,000 employees, 22% between 5,000-20,000 employees, 29% between 20,000-50,000, and 19% over 50,000.

We surveyed a variety of industries with a well-rounded representation from: consumer markets, financial services, healthcare, manufacturing, and technology.

For payroll outsourcing, 57% of participants are utilizing ADP payroll solution while the other 43% are utilizing a non-ADP technology. 44% are utilizing an ADP HR solution and the rest are on a non-ADP HR solution.

35% of organizations surveyed have their payroll employees fully onshore, with the majority having a portion of resources supporting payroll offshore.

The total cost of ownership (TCO) focused on two facets: human resources and payroll. Within human resources, the survey included total costs for HR labor (including salaries, benefits, bonuses, and taxes for HR staff), HR vendor cost (cost of outsourced services like benefits administrators and contractors) and HRIS spend (technology expenses supporting HR systems). Payroll costs included payroll labor (including salaries, benefits, bonuses, and taxes for internal payroll employees), payroll vendor costs (external payroll providers or third-party contractors), payroll IT spend (software, integration, IT support related to payroll), compliance-driven costs (system upgrades and penalties), and integration costs (third-party vendor cost).

For the purposes of this report, references to “payroll” encompass both payroll and workforce management (WFM) functions unless otherwise noted.

This white paper has been researched and prepared by PwC. ADP is the sponsor of this TCO study.

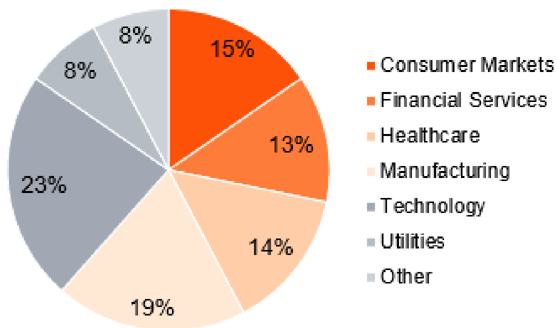
Participant Demographics

Peer Group Profile

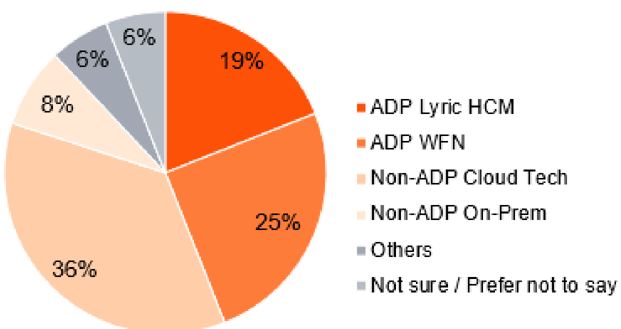
Participation: 80 organizations

Median participant: $10B in revenue, 17k employees

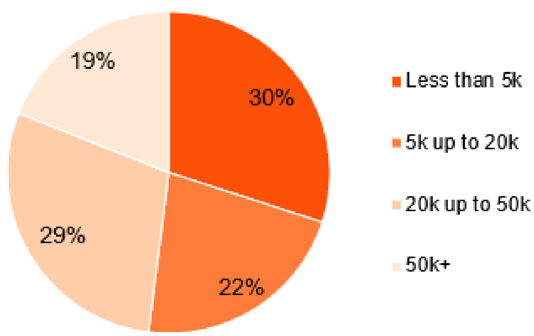
Industry Sectors



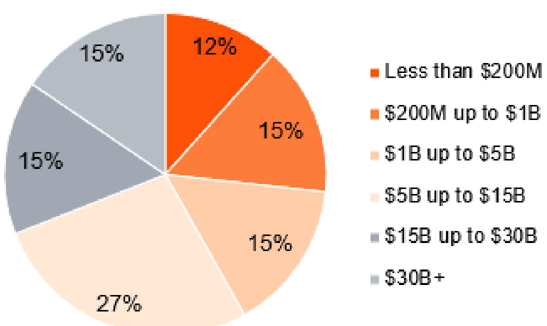
HR Solution



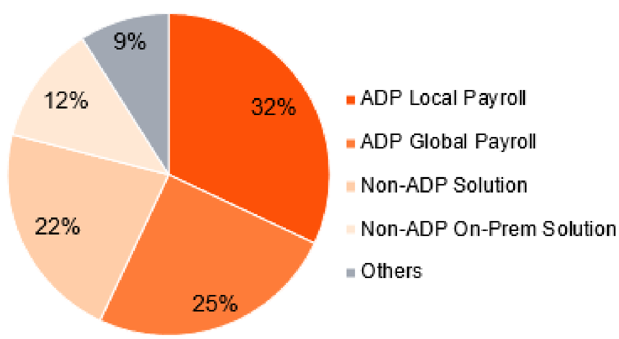
Headcount



Revenue



Payroll Solution



Key Findings

Global payroll and time transformation is driving cost savings

From this year's study, PwC saw a large uptick in consolidating payroll and time into a single unified global platform, which is in line with the trends seen over the last few years. Two-thirds of companies say payroll consolidation has improved efficiency and reduced errors and compliance risk. ADP clients reported $56 per employee per year savings when they consolidated payroll technology.

Total cost of ownership has remained nominally stable despite significant pressures such as increased regulatory complexity and inflation

According to PwC, the typical total cost of HR and payroll ownership is $1,793 per employee per year (PEPY). In the 2011 version of this study, organizations were spending between $1,400 and $2,000 PEPY. This cost stability indicates that organizations are delivering payroll and HR services at a lower real cost than prior years when adjusted for inflation and scope expansion.

Compliance staying top of mind for executives

Compliance continues to be a large focus of organizations, especially as companies have expanded their presence globally. 85% of ADP users expressed confidence that their payroll and HR systems support regulatory compliance, outperforming non-ADP solutions by ~30 percentage points.

Total Cost of Ownership Remains Nominally Stable Compared to 15 Years Ago

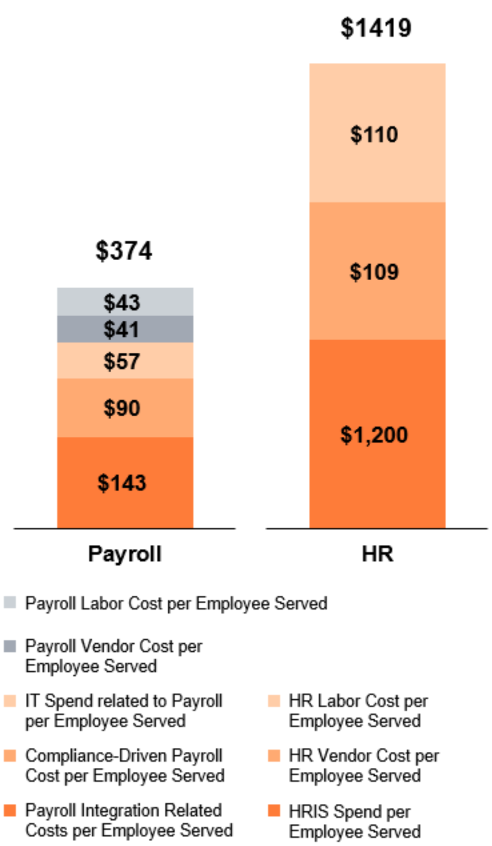
Our survey found that $1,793 per employee per year (PEPY) is the total cost of ownership for payroll and HR within an organization. Organizations are spending $374 per employee per year on payroll within these areas: payroll labor, payroll vendor, IT spend, compliance, and payroll integrations. The HR side of the house has higher spending, with $1,419 PEPY amongst HR labor, HR vendor, and HRIS spend. HR TCO is higher than payroll as expected due to more sub-functions that exist within HR.

In comparison to our report in 2011, **we saw the total cost of ownership remain consistent, despite the expectation that inflation would have increased TCO by about $855** according to the U.S. Bureau of Labor Statistics. In inflation-adjusted terms, this may indicate that companies are effectively receiving more value from their technologies while keeping PEPY costs relatively flat.

We've seen pressures increase over the last decade around regulatory complexity, expanded workforce expectations, and inflation. Technology has played a significant role, providing reduction of manual efforts through automation, improved accuracy through compliance oversight and enabled scale for organizations, all without proportional cost increases.

Economies of scale materially reduce payroll total cost of ownership (TCO), with payroll labor efficiency as the primary driver. Organizations with fewer than 5,000 employees incur the highest payroll costs, averaging $606 PEPY, compared with $391 PEPY among organizations with 20,000–50,000 employees—a 35% cost differential. This gap is driven predominantly by higher payroll labor costs in smaller organizations. **As organizations scale, they specialize their teams and better utilize technology solutions and AI to economize their per-employee support.** They also often receive lower rates from vendors due to volume.

Total Cost of Ownership Remains Nominally Steady[1]



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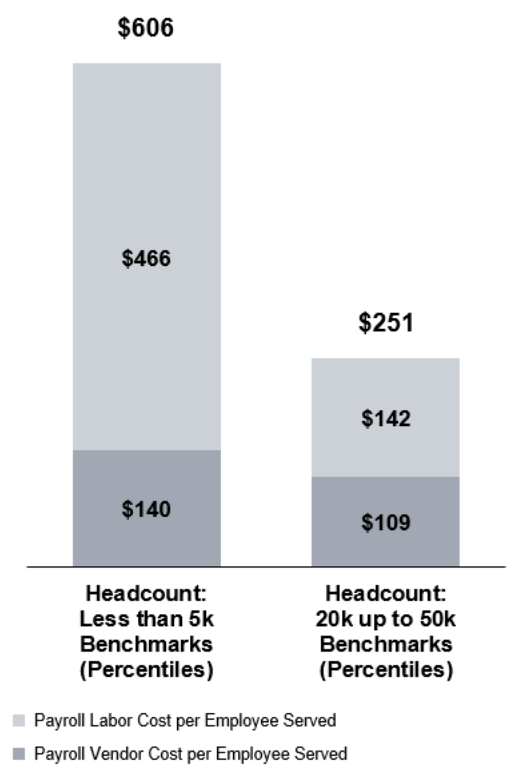
Organizations see reduced total cost of ownership due to economies of scale as they grow.



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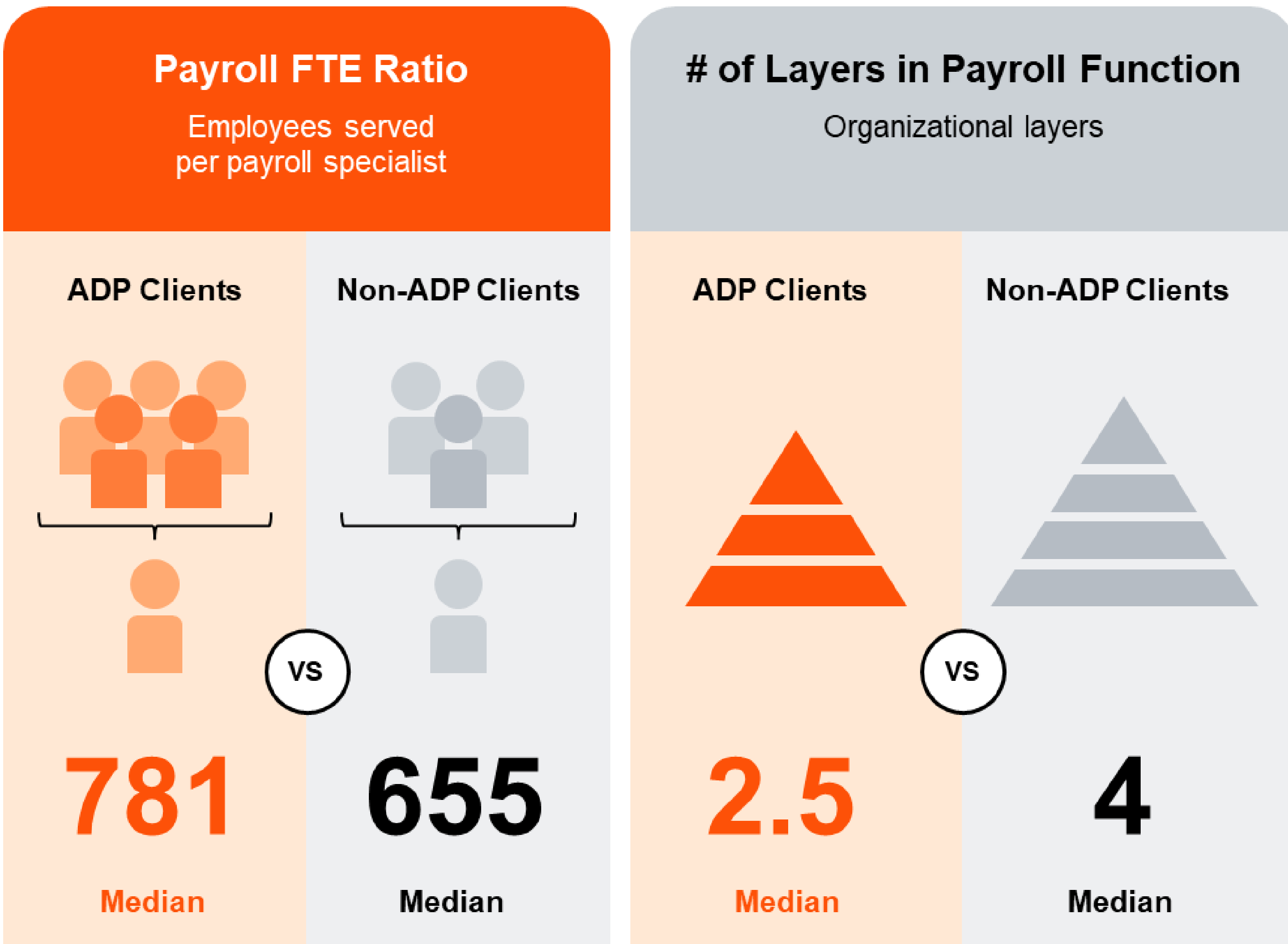
[1] Total Cost of Ownership numbers are representative of all survey respondents. Unless otherwise noted, all respondents are included in graphics.

[2] Only these two populations were noted to show the variance at scale. Other populations were not included for the purpose of this chart.

For ADP clients specifically, organizations are able to serve more employees per payroll resource, with 781 at the median. ADP clients tend to operate with flatter payroll organizational structures, averaging 2.5 management levels within payroll compared to 4 levels among non-ADP businesses. With the increased management layers, there is greater distance between payroll leadership and the day-to-day operations. Flatter structures can improve leadership visibility into operations, team performance and fewer bottlenecks.

ADP clients see fewer payroll specialists and fewer organizational layers needed to service employees.

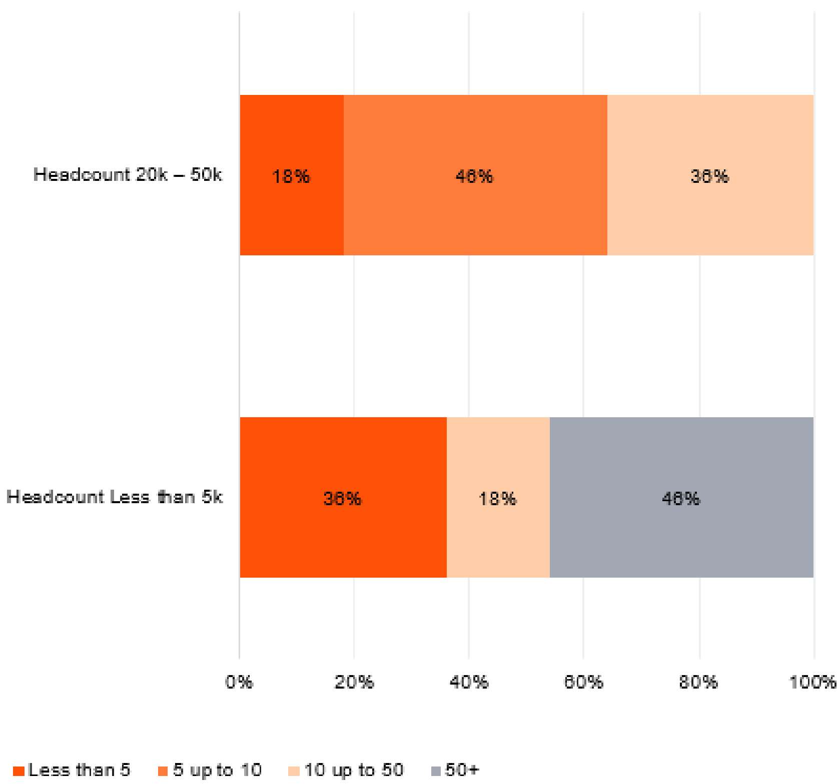


Declining Inquiry Volumes are Reducing Labor Costs, Enabled by Technology

Managing employee questions is a huge component that impacts labor costs for payroll and HR teams. In our study, we found that ADP is beating the market by ~10 percentage points with over a third of organizations seeing less than 5 tickets per week per 1,000 employees. This was true for both payroll and HR tickets. Fewer tickets translate to fewer resources needed to answer employee questions and more accurate payroll leaving employees with fewer questions. **ADP clients' median cost of payroll labor per employee served is $28 less per employee per year than non-ADP clients, due to the capabilities provided within the technology.**

We also found that the larger the organization (20k employees or more) had fewer tickets per 1,000 employees, nearly all participants citing less than 10 employee tickets per week. In our research, we've seen as organizations grow in size, they find that technology is a key asset for employees. This can be from the ease of use of a major technology like ADP's self-service capabilities to the standard resources built into the system that enable employees to find their own answers. As organizations scale, managing 50+ tickets per week becomes unsustainable and costly. Organizations see that the most effective solution is a strong technology to support an efficient process related to employee inquiries.

Payroll Tickets per 1,000 Employees Decrease as Company Size Increases



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[3] Only these two populations were noted to show the variance at scale. Other populations were not included for the purpose of this chart.

The use of resources in lower-cost delivery locations has increased significantly since PwC completed its last TCO study.

During that time, we found that resources in these locations enabled organizations to reduce labor costs while maintaining effective outcomes. On average, ~60% of organizations in this study utilize some level of support from resources in lower-cost delivery locations for payroll operations. Among organizations using ADP's global payroll solution, 88% leverage resources in lower-cost delivery locations to process payroll—18 percentage points higher than the overall average. As hypothesized, implementing a global technology platform enables organizations to more effectively leverage cost-efficient delivery locations and reduce overall labor costs. It also positions companies to adopt regional or global shared services models.

60% On average, organizations have some portion of offshore resources supporting payroll.

88% Organizations utilizing ADP's global payroll solution are significantly more likely to leverage offshore resources, **exceeding the overall benchmark by 18 points.**

Hidden Compliance Costs Drive Focus Towards Strategic Partners

As businesses continue to expand globally, payroll teams are managing statutory requirements, tax jurisdictions, wage and hour regulations that they'd never managed previously. During this time, payroll and HR technology has provided clarity, consistency, and answers to these problems.

ADP users have greater confidence in compliance support

ADP Users		Non-ADP Users
85%	+~30 points	54%

Dealing with local taxes, labor laws, and data privacy is top of mind for payroll and HR executives. From the organizations surveyed, there was a consistent focus on compliance and managing the related hidden costs. Organizations surveyed are spending $41 PEPY on these hidden compliance-driven payroll costs. 85% of ADP users expressed confidence that their payroll and HR systems support regulatory compliance, outperforming non-ADP solutions by ~30 percentage points. Consistent with survey feedback, PwC and clients consistently recognize ADP as a leader in the global compliance space.

Technology Consolidation is Reducing Costs and Driving Higher ROI

PwC has seen a large trend in organizations streamlining and consolidating their technologies. Employees and leaders want a single user experience and executives do not want employees to be working out of many systems, but want a clear system of record for data transparency and management. **Two-thirds of companies say payroll consolidation has improved efficiency and reduced errors and compliance risk.** Consolidating onto one HR or payroll and WFM platform gives teams access to reporting and data insights that help them make strategic decisions on their budgets, staffing, and more. ADP clients reported $56 of PEPY savings when they consolidated payroll technology.

With this in mind, we see a higher investment in HR, payroll, and WFM technologies as well as having the full suite in one technology. This helps build employee trust, keep compliance in one system, and centralize employee data. Most organizations surveyed expressed confidence in their partners and resources to deliver value promised on future HR and payroll technology. ADP Lyric HCM clients had the highest agreement rate at 80%, beating the overall by 24 percentage points. Companies that are meeting or exceeding ROI expectations on technology investments are investing in consolidation of payroll and WFM systems, global payroll platforms, and AI solutions to streamline workflows. Here are the key themes shared by respondents:

Key Themes

- Organizations have invested in cloud-based HR and global payroll platforms (e.g., ADP Lyric) to modernize systems and support scalable payroll operations.
- Many companies have consolidated payroll systems and rationalized vendors to reduce fragmentation and improve integration across HR and payroll platforms.
- Automation technologies (Robotic Process Automation - RPA, AI, and machine learning) have been implemented to streamline workflows, reduce manual processing, and improve operational efficiency.
- Employee and manager self-service portals have been introduced to increase accessibility and reduce administrative workload for HR and payroll teams.
- Advanced analytics and data platforms (e.g., reporting tools, data lakes) are being deployed to improve visibility, reporting, and data-driven decision making.
- AI-powered service desks and chatbots are increasingly used to automate employee support and handle HR/payroll inquiries more efficiently.
- Organizations are investing in system integrations and connectors to link HRIS, payroll, and other enterprise systems, enabling better data flow and reducing manual reconciliation.

AI

AI Enablement is Driving Operational Efficiency and Cost Reduction

As AI has become center focus, we're seeing that reflected in the survey results as well. The majority of HR teams indicate that they have specific budget allocation for AI. 46% of participants say they are actively testing AI use cases in their business, with early adopters, 17%, have a defined roadmap and governance model. We anticipate AI budgets and roadmaps to increase drastically in the near term.

Overall, organizations are primarily utilizing AI in their HR, payroll, and WFM functions to improve operational efficiency, reduce manual efforts, reduce costs, enhance decision making, and improve client experience.

As companies continue to invest in AI, we see this being the next evolution in the payroll, WFM, and HR space. AI is allowing companies to do payroll prediction, labor forecasting, and anomaly detection. AI agents also can provide immediate solutions to basic employee questions, reducing time needed from HR and payroll professionals. With HR TCO being significantly higher than payroll, AI agents are becoming a strategic way to reduce overall HR labor costs. According to PwC article *HR tech and AI agents: 5 actions CHROs should take now*, AI agents can help assist ~50% of HR advisory work and over 88% of HR administrative workflows[4].

Ultimately, global technology transformation is foundational to simplifying architecture and realize the full potential of artificial intelligence. Having scalable infrastructure and integrated business processes in these technologies allows AI to be deployed more rapidly.

[4] PwC, *Future of HR: 5 Ways CHROs Can Lead with AI*, PwC Tech Effect, accessed May 15, 2026.

Conclusion

The findings from this year's study show that organizations investing in global payroll, WFM, and HR transformation are improving operational performance and unlocking cost savings. As consolidation increases, companies are seeing tangible benefits like a reduction of compliance risks and greater accuracy. Organizations are seeing the stability of total cost of ownership – despite inflation pressure, global expansion, and regulatory complexity. This is the result of focus on automation, consolidation, and standardization. Compliance remains a key driver to companies, with increased confidence tied to technology-enabled solutions. Organizations that remain fragmented are seeing greater exposure and missed opportunities for efficiency.

While organizations often find it challenging to transform their HR and payroll functions, this study makes it clear how impactful it can be. Organizations can start this process by assessing their current state, defining a transformation roadmap, and considering technology solutions. From reducing workload and compliance risk to increasing automation and stability, organizations can achieve scalable growth through a strong global technology platform and an operating model backed by this technology. This positions organizations to win as AI and other technology enhancements transform the future of payroll, WFM, and HR.

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