



KPIs: What the Duck?



Measuring What Matters in Modern Payroll Operations

Introduction

In any payroll function, accuracy, compliance and reliability are non-negotiable. Employees expect to be paid correctly and on time, regulators expect statutory submissions to be flawless, and organisations rely on payroll data to make informed financial decisions. Yet, despite its importance, payroll performance is often difficult to quantify without a structured way to measure it.

This is where Key Performance Indicators, or KPIs, become essential. Good KPIs provide a clear, objective view of how well payroll, and its people, are functioning, where risks may be emerging, and where improvements can be made.



KPIs can play a huge role in turning our operational knowledge into strategic insight

What is a KPI?

A KPI is an indicator that reflects how effectively a team or process is achieving its goals.

These can then be monitored over time to show improvement, or areas of concern. They can tell us how **efficient, accurate and compliant** we are (or are not!). Think of them as a dashboard; you can even colour code them using a RAG (Red Amber Green) rating.

What could a RAG rating look like?

GREEN - On track	AMBER - Watch	RED - Action required
KPI is within the agreed target.	Outside target or trending the wrong way - review may be needed.	Materially outside target and needs investigation/action.



KPIs turn complex operational activity into meaningful data points

Why have them?

Without KPIs, payroll teams are left to rely on anecdotal feedback or reactive problem solving, which can mask underlying issues until they escalate.

They help **identify risks early**, such as rising error rates or missed deadlines, and they support **continuous improvement** by showing whether changes to processes or systems are having the desired effect.

 **KPIs also create accountability, ensuring everyone understands what “good” looks like and how it will be measured.**

For leadership teams, KPIs provide the evidence needed to justify:

- **investment** in training and/or additional resourcing
- **system enhancements**
- **process/procedure changes**

KPIs can align payroll activity with broader organisational goals, whatever they may be.

How Do You Measure KPIs?

Measuring KPIs effectively requires:

CLARITY	+	CONSISTENCY
Everyone understands what is being measured and how it is calculated.		The same measure is reported regularly so trends can be compared over time.

Clear measures + consistent measurement = meaningful comparison

 **The real power of KPIs comes from tracking them over time; trends reveal whether issues are isolated or systemic, and whether improvements are sustainable.**

What Might Good Payroll KPIs Look Like?

Good payroll KPIs are those that genuinely reflect the health of the payroll function. Targets should be realistic and aligned with industry standards where available.

Some example metrics are provided below, but consider what is happening in your organisation. How are your systems interacting with each other? Who has input into your regular payroll process? How engaged are your employees with their pay and benefits?

What can be tracked, what can be improved and what are you concerned about?

Accuracy / Compliance	Timeliness	People
Number of NMW breaches identified	100% statutory submissions on time - HMRC/Pensions etc	Pension beneficiary forms completed
% of monthly over or underpayments	% of workers paid on time	Payslip portal sign ups
Number of payroll errors identified in payroll period - payroll team	Query response and resolution time	Team CPD hours
Number of payroll errors identified in payroll period - upstream	Time spent on manual activities	No. of employees in workplace saving schemes

When setting the KPI consider:

- ✓ The frequency of your payroll activities
- ✓ When the information will be available
- ✓ The time it will take to collate and measure the data
- ✓ How and when to share the insight with your team and organisation leaders

How KPIs Can Link to Risk Management

KPIs also play a crucial role in risk assessment.

While KPIs measure performance, risk assessments evaluate the potential consequences of failure. The two work in conjunction with each other.



Turning risk into a KPI

RISK	KPI	MEASURE	TRIGGER	ACTION
Payroll errors are increasing	Payroll accuracy rate	% of payslips processed without correction	RAG rating against an agreed tolerance	Investigate recurring error types and underlying causes

A rising error rate signals a growing **accuracy risk**; missed deadlines point to timeliness or **capacity risks**; high volumes of manual adjustments suggest **system or data quality risks**; and compliance breaches highlight **governance risks**. Even employee query trends can reveal deeper issues with communication or accuracy. By combining KPI data with structured risk assessments, payroll teams can identify where controls need strengthening, where processes require redesign, and where additional training or resourcing may be necessary.

Take Action

Use these checklists as a practical starting point for reviewing or introducing payroll KPIs.

Already have KPIs?

- ☐ **Review them** - do they need updating or refreshing?
- ☐ **Are they being shared with the right people at the right time?**
- ☐ **Can their production be automated or made more efficient?**
- ☐ Diarise a further review in 3-6 months' time.

New to Payroll KPIs?

- ☐ **Define the activity**, who is accountable and **what 'good' looks like**.
- ☐ **Identify if the KPI underpins any organisational goals** (getting strategic here!).
- ☐ **Conduct the review**, use this as the **baseline** and decide how often the KPI data will be refreshed.
- ☐ **Identify who in your organisation will benefit** from this insight.
 - Agree on a way to share the information
 - Agree a timeframe and reporting frequency
- ☐ Diarise a further review in 3-6 months' time.



The Payroll Support Network is a free, independent community created to connect, support and share knowledge across the payroll profession.



The Leppington Group delivers consultancy, advice and solutions designed to enhance payroll efficiency, ensure accuracy, and keep your business compliant with changing payroll regulations.

Together, we want to make good payroll practice easier to understand, measure and put into action.

Community resource prepared by PSN & The Leppington Group