COMPLIANCE AS A CATALYST FOR CHANGE

70%

say it's hard to identify where they are noncompliant

69%

overpay employees rather than risk compliance violations

68%

incur penalties at least once or twice a year

Compliance is at the heart of payroll operations and affects every aspect of an organisation. However, it's often one of the trickiest things to get right and takes up a significant chunk of payroll teams' time and energy. But something is shifting in how payroll leaders think about it. Increasingly, regulatory complexity is being seen not just as a challenge to manage, but as a catalyst for transformation.

That shift reflects a more strategic approach to compliance. As the global payroll survey, **The potential of payroll in 2026** shows, compliance remains the single most widely cited operational challenge in global payroll. Seventy-five percent of leaders say keeping up with local regulations across multiple countries is a significant challenge.

The true cost of compliance uncertainty

One of the most striking findings in this year's survey is the prevalence of precautionary overpayment. Sixty-nine percent of organisations say they overpay employees in certain circumstances rather than risk compliance violations. On one level, this reflects responsible caution. But it also reveals a deeper problem: a lack of confidence in the systems, processes, and expertise needed to make accurate decisions.

Overpayment is expensive. So are penalties. Both are avoidable, but only when organisations invest in the tools, expertise, and visibility needed to develop a proactive compliance governance.

Building compliance as a capability

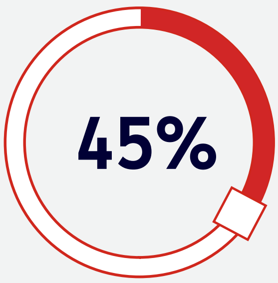
The organisations making the most progress are those treating compliance as a strategic function rather than a reactive one. That means investing in dedicated compliance resources (45% already have them; 38% are actively building this capability) and freeing up more time for compliance tracking, even though payroll teams are already stretched. Prioritising teams' valuable time on compliance shows that leaders see this as a strategic investment. The increased focus on dedicated compliance expertise and smarter use of resources suggests payroll is moving toward a more deliberate, structured approach.

Global complexity, local accountability

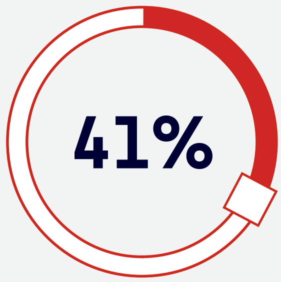
For organisations operating across multiple countries, the compliance challenge is compounded by the sheer diversity of local regulatory environments. Employment law, tax treatment, mandatory benefits, and reporting obligations all vary significantly by jurisdiction, and all are subject to change.

Thirty-seven percent of leaders reviewing how to deliver payroll with fewer people are considering outsourcing some processes specifically to manage this complexity more effectively. External expertise — whether from a global payroll provider or specialist compliance support — offers an important buffer against the risks of managing multi-country obligations with in-house resources alone.

The organisations that treat compliance complexity as a reason to invest in better processes, sharper tools, and deeper expertise are the ones building payroll functions that are not just compliant, but genuinely resilient.



have dedicated compliance resources



want their teams to spend more time on compliance tracking

DISCOVER MORE

Learn how organisations are turning compliance into a strategic advantage in the full report: The potential of payroll in 2026: Global payroll survey

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