

2026 Payroll AI Adoption Report



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Introduction

Artificial intelligence (AI) continues to reshape the way organisations operate, and payroll is no exception. Last year, the Australian Payroll Association's inaugural Payroll AI Adoption Survey established a baseline for the profession: adoption was in its infancy, understanding was patchy and confidence was low. This second annual survey, supported and sponsored by The Access Group, revisits that baseline to see how far the profession has moved in twelve months.

Based on data collected between August and September 2026, this report draws on responses from 467 payroll, HR and finance professionals across Australia who completed the survey. The results show a profession that is moving from experimentation towards implementation but one still working through real gaps in skills, governance and trust.

The defining story of 2026 is that AI adoption is accelerating faster than payroll's readiness to govern it.

The State of Payroll AI in 2026

The State of Payroll AI in 2026

AI Adoption

 **60.8%**
now report
some level of AI
adoption

 **61%**
say their personal confidence
increased during the past year

Understanding and Confidence in AI

9.3%
widely
implementing
or fully
integrating AI,
up from 2.2%

 **46.6%**
have no AI policy
or governance
framework for payroll

Challenges and Concerns in Payroll AI Adoption

Real World Use, Autonomy and Workload

3.7%
have received
formal AI in
payroll training.

Future Outlook for Payroll AI

Adoption

Maturity

Confidence

Governance

Training

Professional Development

Human Oversight
Remains Critical

The Profession Wants
To Learn

Recommendations for Organisations and Vendors

Only
4.5%

are comfortable with high/
full AI autonomy

87.7%

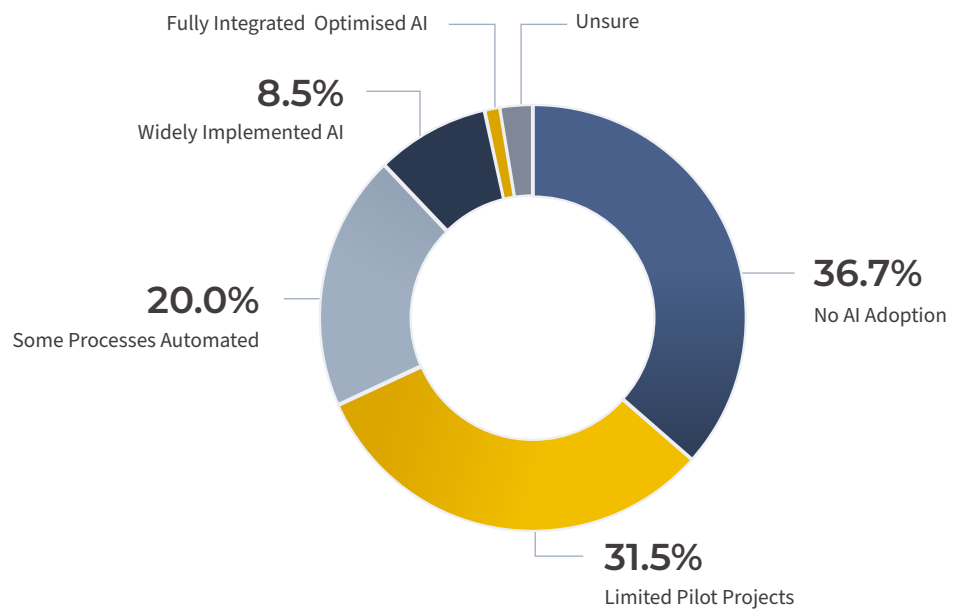
want to participate in AI conversations
and events over the next year

Closing Remarks

AI Adoption

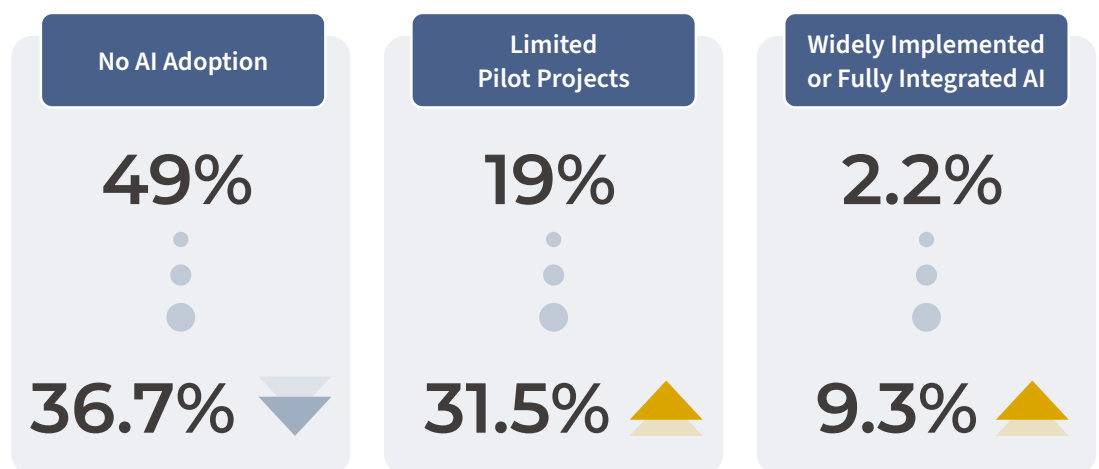
Overall Adoption

AI adoption in payroll is still an emerging story, but it has clearly progressed since last year's baseline. This year, 36.7 percent of organisations report no AI adoption at all, down from 49 percent in 2025. A further 31.5 percent are running limited pilot projects, 20.0 percent have automated some processes and a combined 9.3 percent have reached widely implemented or fully integrated and optimised AI, up from 2.2 percent last year.



Current level of AI adoption in payroll

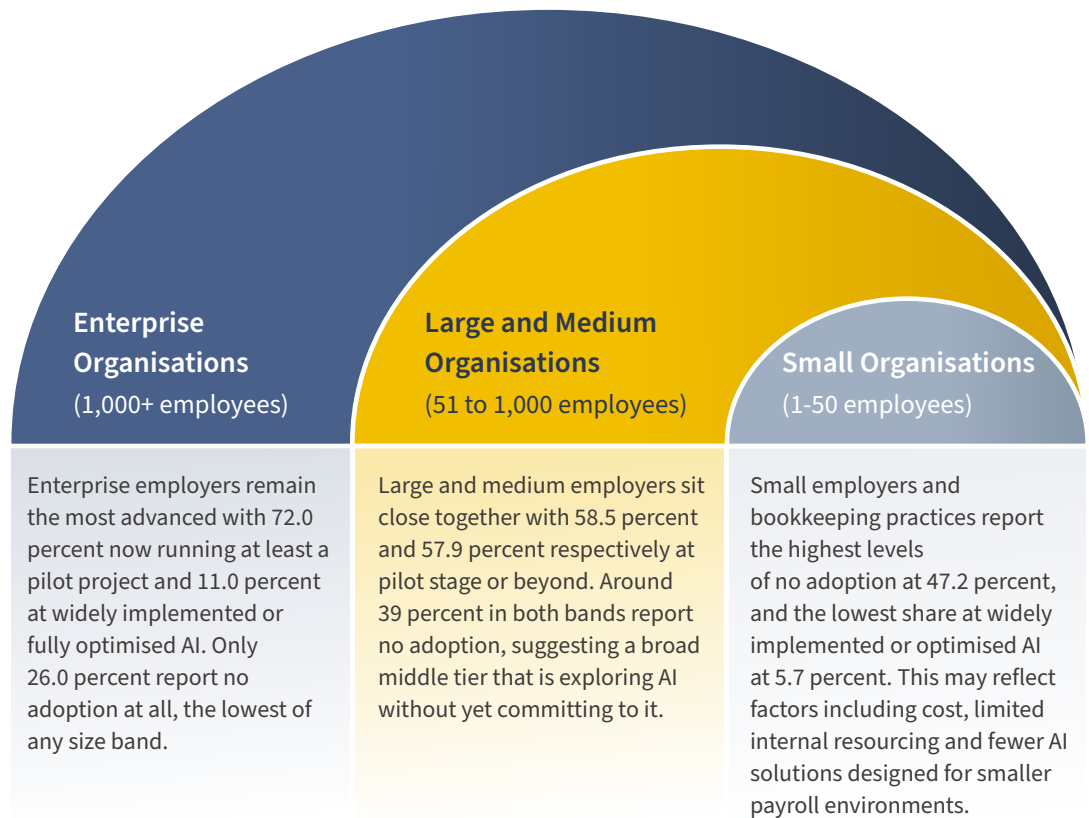
12 Months of Change



The shift over 12 months is significant, but most movement has been from no adoption into pilot activity rather than mature implementation. For most organisations, payroll AI remains under evaluation rather than fully embedded.

Adoption by Company Size

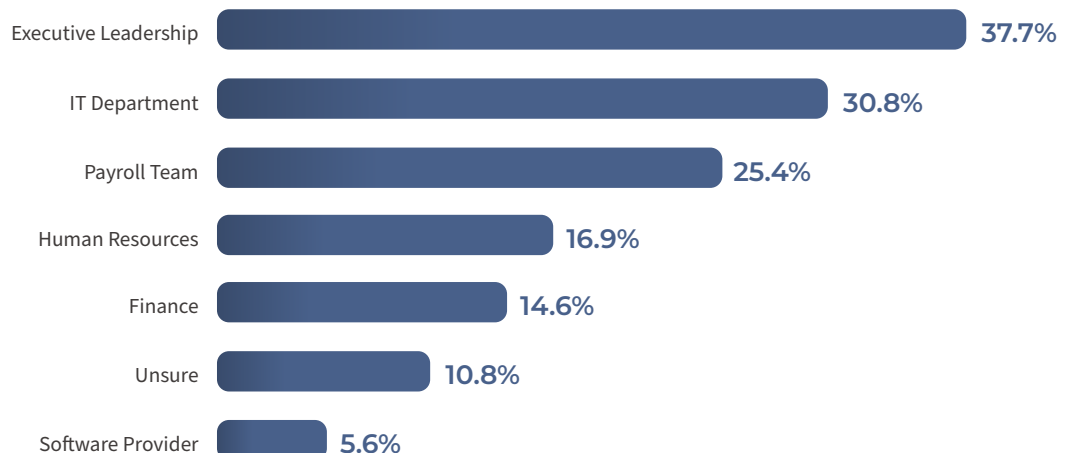
Adoption still tracks organisational scale, though the gap between large and small employers has narrowed compared with last year.



While organisation size still matters, AI is no longer exclusively an enterprise story. Adoption has broadened across the market, although smaller payroll teams continue to face greater barriers around cost, resources and access to suitable technology.

Payroll AI Moves Onto the Executive Agenda

Last year's report found payroll teams driving AI adoption from the bottom up, with executives largely absent from the conversation. That pattern has reversed. Executive leadership is now the group most commonly involved in the decision to adopt AI, cited by 37.7 percent of respondents, ahead of IT departments (30.8 percent) and payroll teams themselves (25.4 percent). Human resources (16.9 percent) and finance (14.6 percent) also play a role, while 36.7 percent of organisations have not adopted AI at all and 10.8 percent are unsure who is involved.



Teams involved in the decision to adopt AI

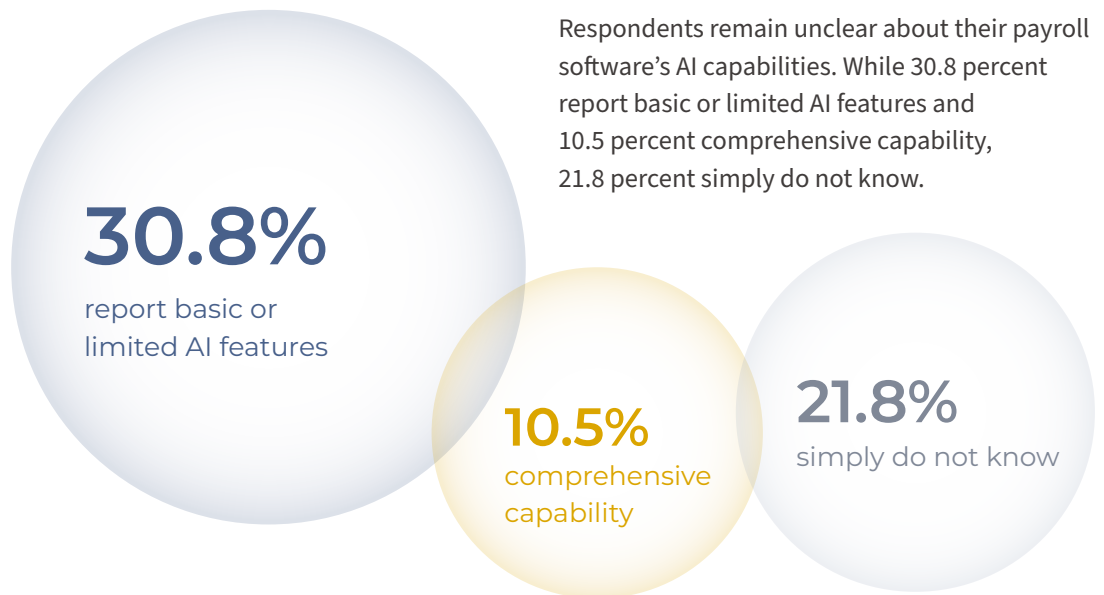
Introduction

This shift suggests payroll AI is increasingly being treated as a governed, cross-functional initiative rather than a grassroots experiment. That is a positive sign for accountability but it also raises the risk that decisions are being made without enough payroll specific expertise at the table, particularly where IT and executive leadership are driving adoption ahead of the payroll team.

The State of Payroll AI in 2026

AI Adoption

Software Providers' Role



Understanding and Confidence in AI

Challenges and Concerns in Payroll AI Adoption

The Vendor Governance Blind Spot

Real World Use, Autonomy and Workload



Future Outlook for Payroll AI

Professional Development

Recommendations for Organisations and Vendors

As AI becomes more embedded in payroll technology, confidence in how it is governed is becoming as important as functionality. Independent standards such as ISO/IEC 42001 provide a framework for responsible AI management, including governance, risk and oversight.

Yet awareness remains low. 68.7 percent of respondents do not know whether their payroll software provider holds independent AI governance certification such as ISO/IEC 42001, while only 7.9 percent could confirm that their provider does. More than one in five also do not know whether their provider offers AI features at all.

For software providers, the opportunity is clear:

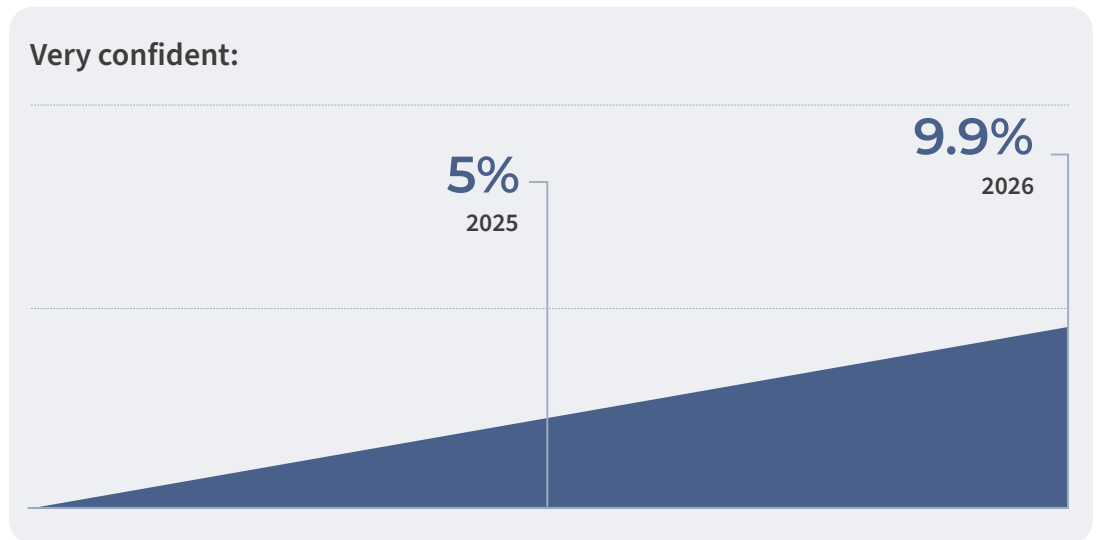
AI capability alone is not enough.

Greater transparency around AI functionality, governance, security, data handling, human oversight and independent certification will be critical to building trust and confidence with payroll professionals.

Closing Remarks

Understanding and Confidence in AI

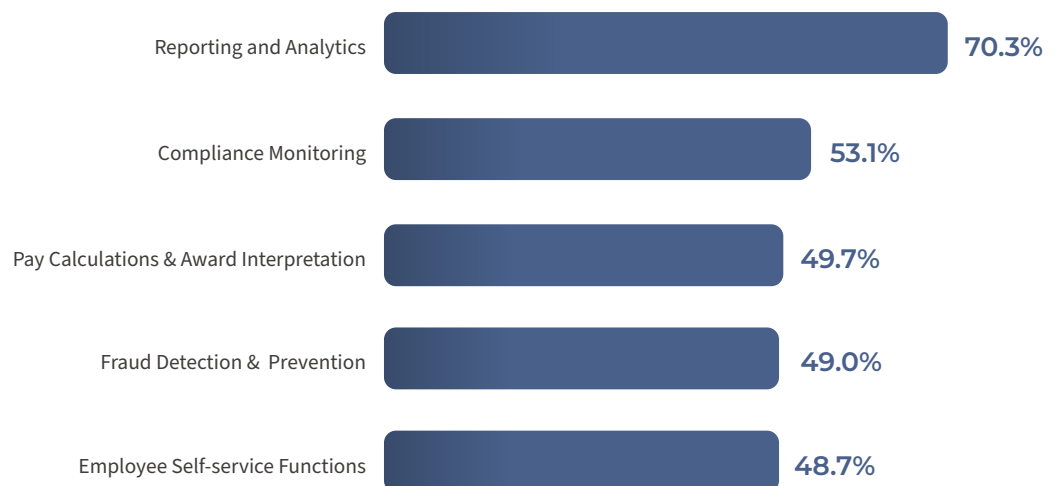
Confidence is Growing but Remains Low



Confidence is improving, but more than a third of respondents remain not very confident or not at all confident in understanding AI's potential applications in payroll.

Best Use Cases for AI

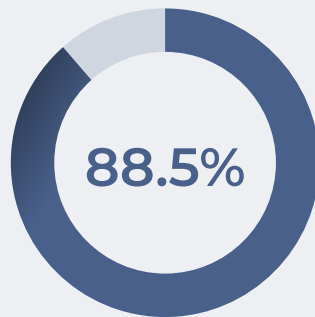
Reporting and analytics remains the clearest use case in payroll professionals' minds, cited by 70.3 percent of respondents as a task AI is well suited to improve. Compliance monitoring (53.1 percent), pay calculations and award interpretation (49.7 percent), fraud detection and prevention (49.0 percent) and employee self-service functions (48.7 percent) all cluster closely behind it.



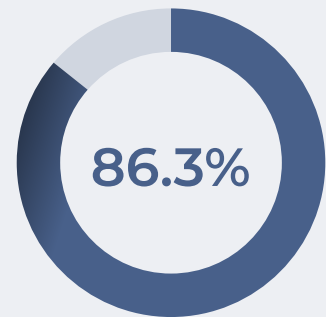
Payroll tasks AI is believed to be best suited to improve

Where Payroll Professionals Believe AI will Make the Biggest Difference

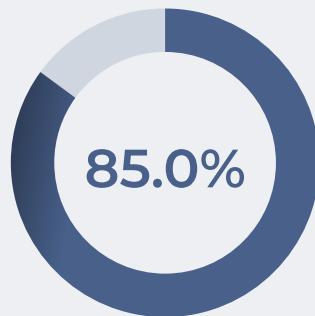
Compliance



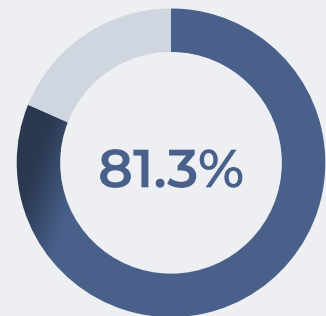
Reducing Errors



Faster, Better Informed Decisions



Employee Experience



Despite concerns around implementation, payroll professionals overwhelmingly believe AI can improve core payroll outcomes.

AI Momentum is Building

59%

61%



say their organisation's pace of AI adoption increased

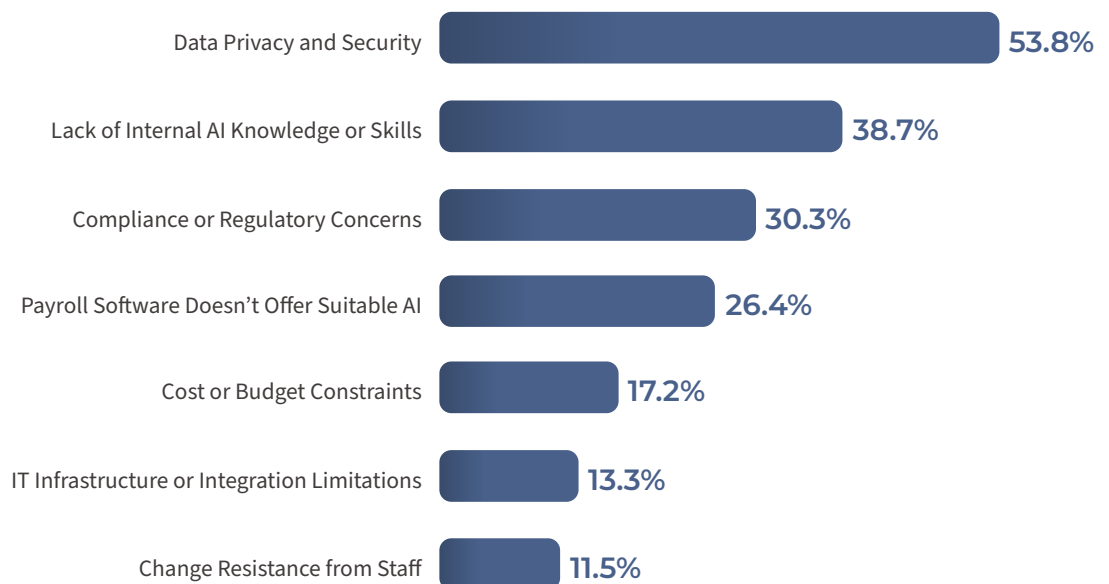
say their personal confidence in AI increased

Momentum is clearly positive, although progress remains predominantly incremental rather than transformational. Most of the profession describes gradual progress rather than a step change, which fits with the broader picture of pilots and exploration rather than mature deployment.

Challenges and Concerns in Payroll AI Adoption

Data Privacy and Compliance Risks

Data privacy and security remains the single biggest barrier to greater AI adoption, named by 53.8 percent of respondents among their top three concerns. A lack of internal AI knowledge or skills is now the second most cited barrier at 38.7 percent, followed by compliance or regulatory concerns (30.3 percent) and payroll software that does not yet offer suitable AI features (26.4 percent). Cost and budget constraints (17.2 percent) and IT infrastructure limitations (13.3 percent) round out the main barriers.



Biggest barriers to greater AI adoption, up to three selected

The rise of the internal skills gap as the second biggest barrier, ahead of compliance concerns. Payroll professionals are no longer only worried about whether AI can be trusted with sensitive data. Many are now equally worried about whether they and their teams have the knowledge to use it well.

Ethical and Security Risk Perceptions

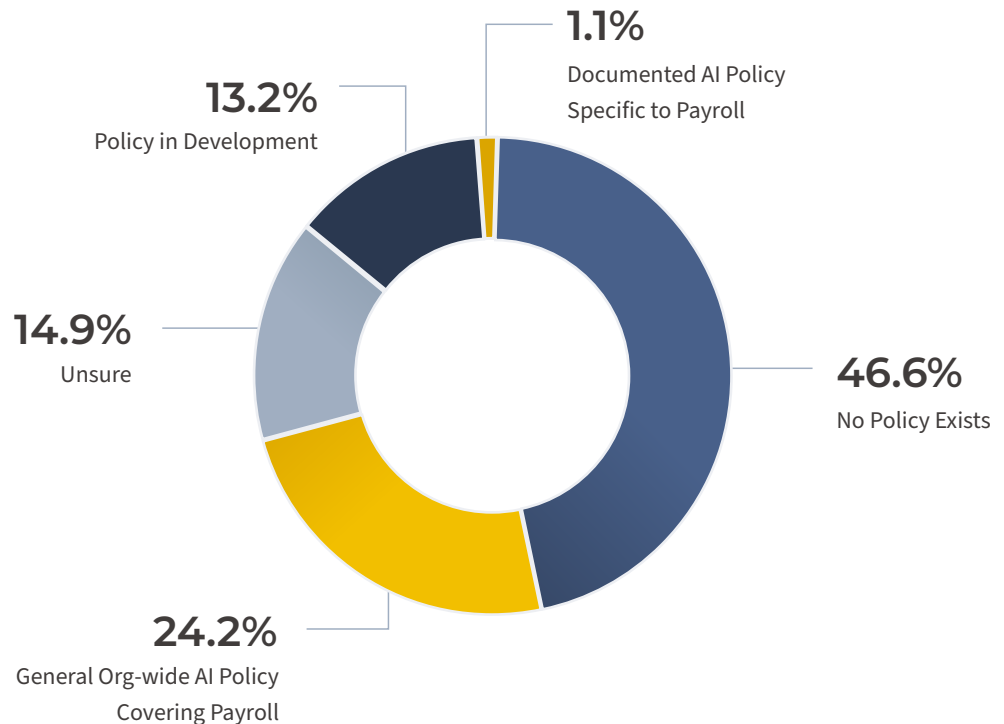
When asked directly whether AI in payroll poses ethical or security risks, **69.1 percent of respondents say there is some risk that can be managed with proper controls** and a further **20.4 percent believe the risk is significant**. Only **5.0 percent believe the risks are minimal**. This is a profession that broadly accepts AI has a role to play but wants that role bounded by clear safeguards rather than left open ended.

The Payroll AI Governance Gap

46.6% have no AI governance framework.

Only 1.1% have a documented AI policy specific to payroll.

The challenge is becoming more urgent because AI use is no longer theoretical. Public generative AI tools are already being used within payroll teams, including in workplaces where that use is not fully sanctioned.



Does your organisation have a formal policy or governance framework for AI use in payroll?

Resistance to Change

Resistance is present but relatively low across the organisation. Payroll teams are most commonly identified as resistant at 11.0 percent, closely followed by senior leadership at 10.8 percent, suggesting hesitation exists at both operational and leadership levels.



Payroll teams are most commonly identified as resistant

senior leadership

Real World Use, Autonomy and Workload

This year's survey asked several new questions to understand not just whether AI is being adopted but how it is actually being used day to day and how comfortable payroll professionals are with letting it act more independently.

Public AI Tools in Payroll Work

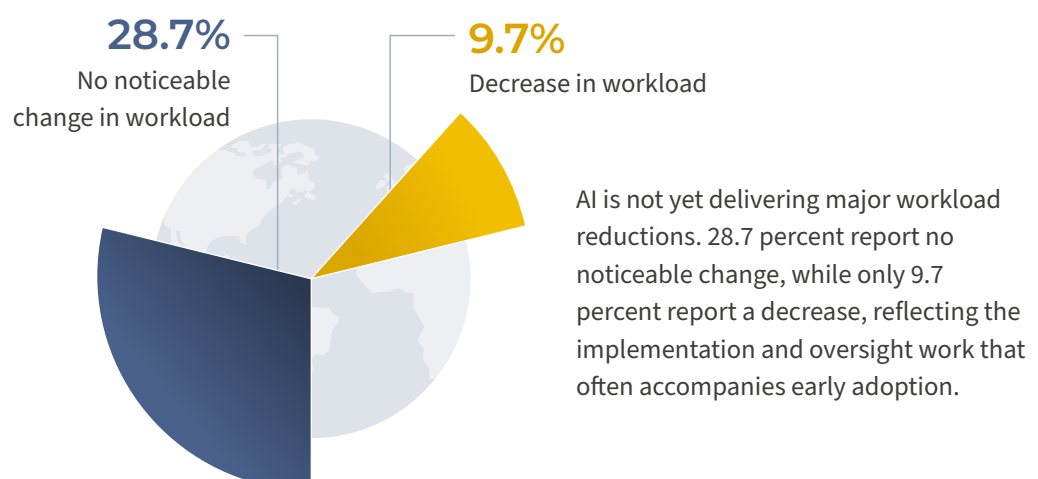


Almost 1 in 4 workplaces
report some unsanctioned use of public AI tools in payroll

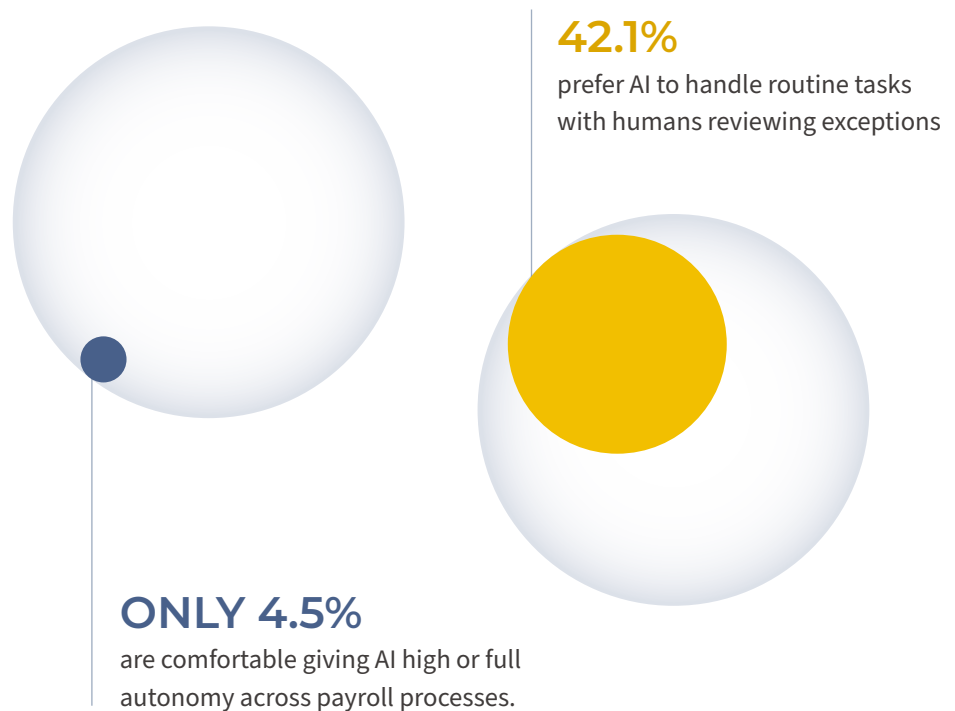
For a function handling highly sensitive employee, financial and personal information, this finding reinforces the urgency of clear AI policies, approved tools, data controls and employee education.

Public generative AI tools such as ChatGPT, Claude and Gemini have already found their way into payroll workflows, whether officially sanctioned or not. While 34.3 percent report approved-only use, close to one in four organisations report some unsanctioned use, reinforcing the need for clear policies, approved tools and data controls.

Workload Impact

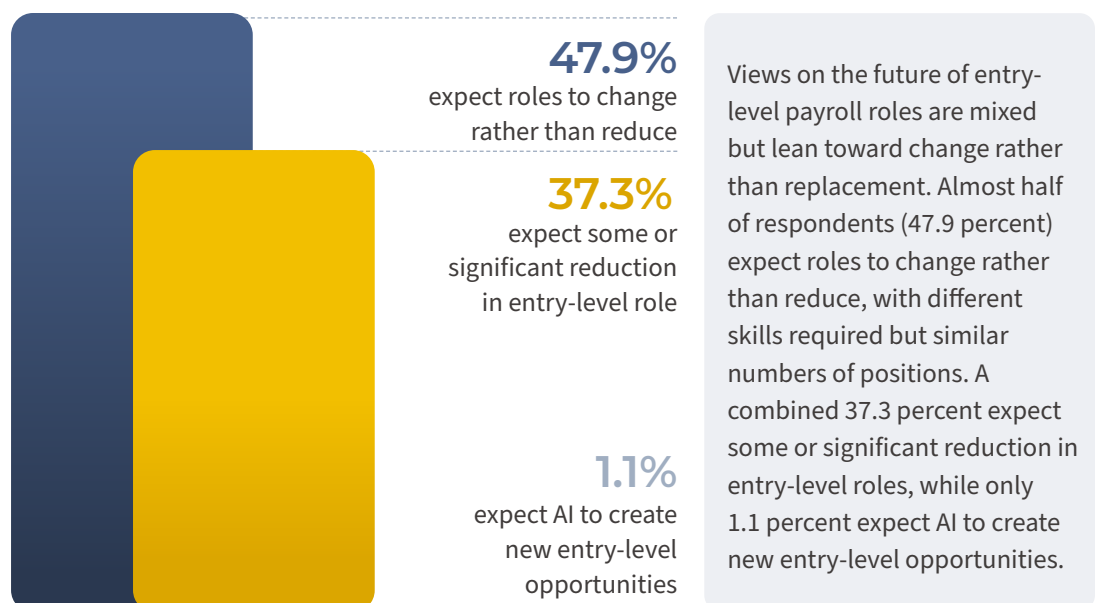


Payroll Wants AI, with A Human in the Loop



Payroll professionals are cautious about how much independence they are willing to give AI. Moderate autonomy, where AI can action routine tasks with human review of exceptions, is the most comfortable setting for 42.1 percent of respondents. A further 32.0 percent would prefer AI to only suggest with humans actioning everything and 13.4 percent believe a human should check every AI output. Only 4.5 percent are comfortable giving AI high or full autonomy across payroll processes.

Impact on Entry-Level Roles

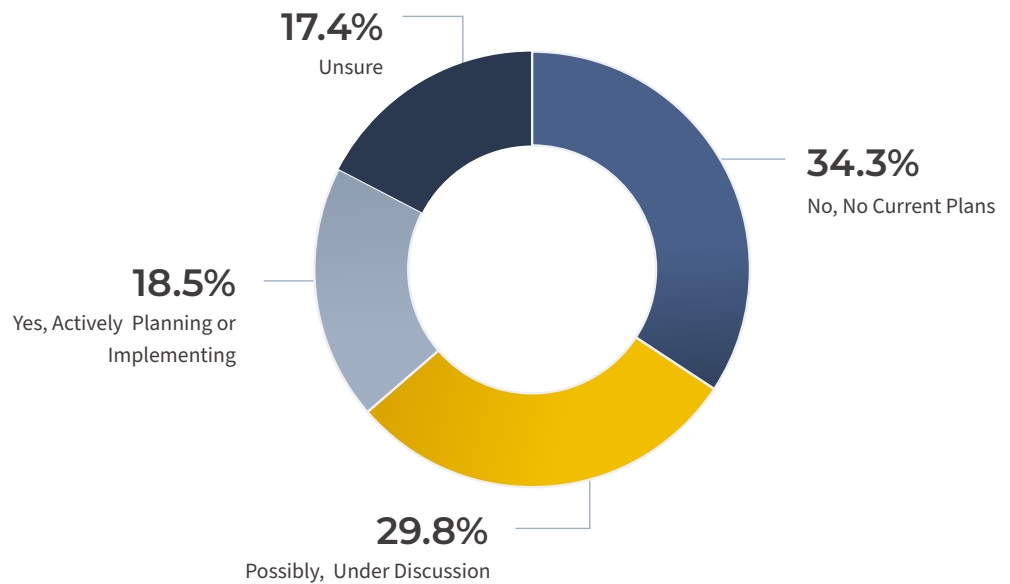


This raises a broader workforce development question for the profession. If AI increasingly performs routine tasks traditionally undertaken by entry-level payroll professionals, organisations will need to consider how new entrants develop the practical knowledge and experience required to progress into more complex payroll roles.

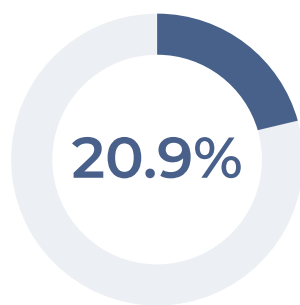
Future Outlook for Payroll AI

Investment Intent is Turning Into Action

Active planning or implementation has risen from 10% in 2025 to 18.5% in 2026, while a further 29.8% are discussing or considering investment.



Does your organisation plan to invest in AI for payroll within the next 12 to 24 months?

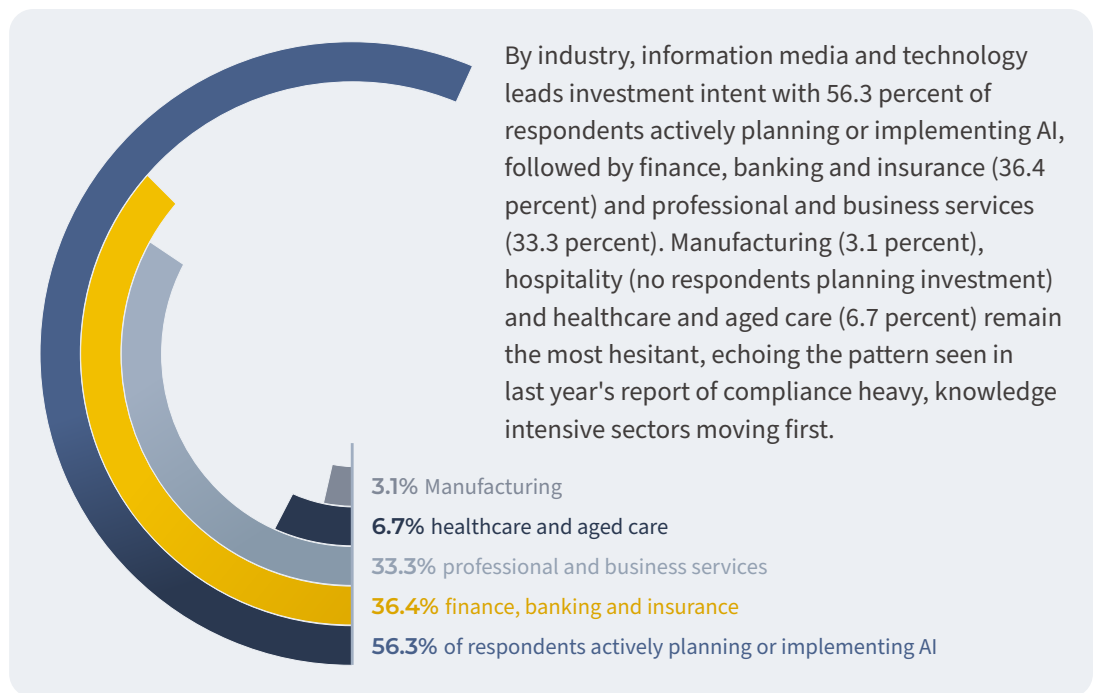


Enterprise organisations are the most decisive with **20.9 percent** actively planning or implementing AI and only **20.9 percent** ruling it out entirely, an even split that points to a maturing enterprise segment moving past the discussion stage.

Small organisations show the widest gap between interest and commitment:



20.0 percent are actively planning investment, yet **46.0 percent** have no current plans at all.



Expected Benefits

Reduced manual work for staff is now the outcome organisations most want from AI in payroll, chosen by 44.6 percent of respondents, narrowly ahead of greater compliance and confidence (41.0 percent). Higher payroll accuracy (34.1 percent) and strategic reporting and insights (32.6 percent) follow with faster processing times (24.6 percent) and lower operational costs (15.6 percent) further behind.



Outcomes organisations most want to achieve from AI in payroll, up to three selected

The emphasis on reducing manual work over cutting costs suggests payroll teams are looking to AI to free up capacity for higher value work, rather than primarily to shrink the payroll function itself.

Transformation Expectations

Nearly three quarters expect AI to meaningfully transform payroll over the next five years, with **53.4 percent** expecting moderate transformation and **20.8 percent** a major shift.

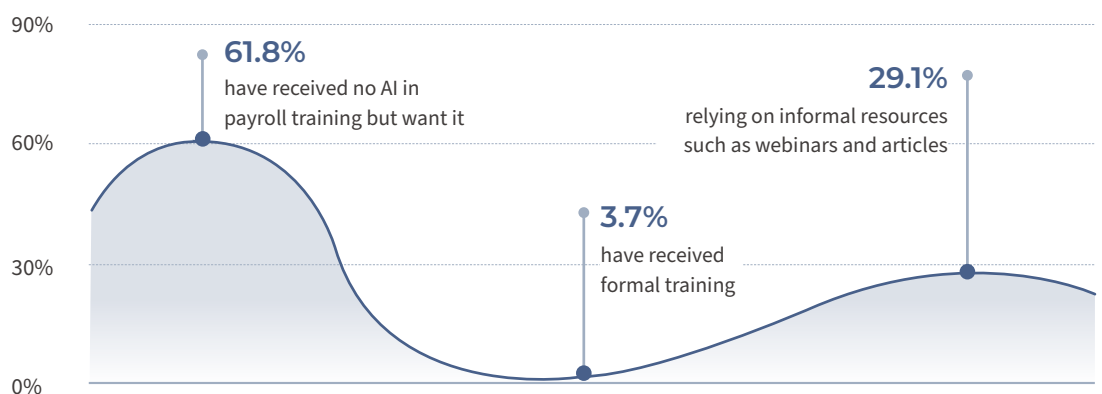
Professional Development

The need for AI capability is becoming more pronounced. Compared with 2025, a greater proportion of payroll professionals now identify every major AI related capability measured as important. Understanding how AI works in payroll systems remains the top priority, rising from 70 percent to 80.3 percent, while risk management and compliance has increased from 60 percent to 72.3 percent. Data analysis and interpretation has risen from 50 percent to 60.3 percent and communication and change management from 35 percent to 39.7 percent.

The year on year movement suggests that as payroll professionals gain greater exposure to AI, they are becoming more aware of the skills required to use it effectively and responsibly.



The Training Gap

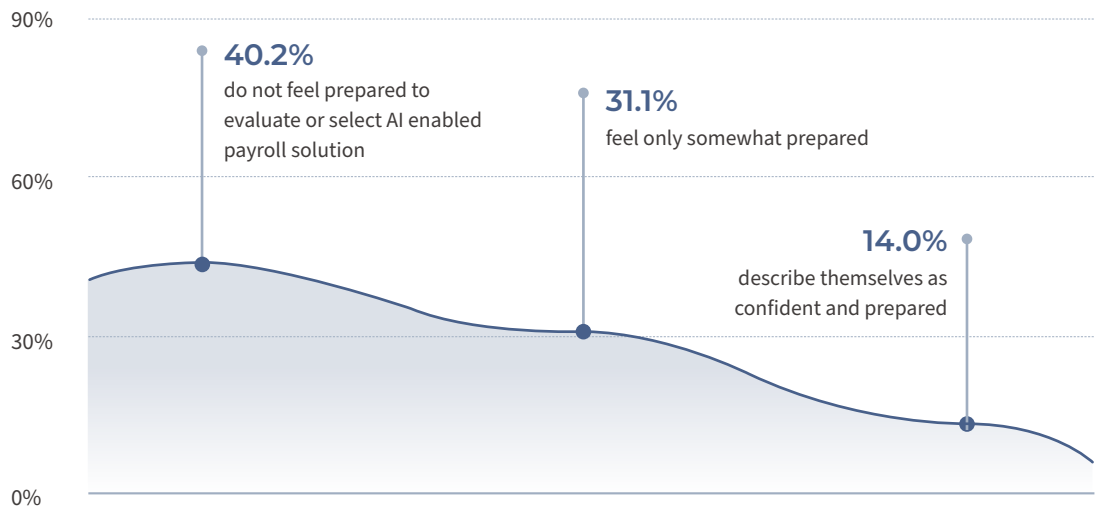


Training and Preparedness

Growing recognition of the skills required has not yet translated into formal development. While 61.8 percent of respondents have received no AI-in-payroll training but are interested in it, only 3.7 percent have received formal training. A further 29.1 percent are relying on informal resources such as webinars and articles.

Capability Hasn't Yet Translated into Preparedness

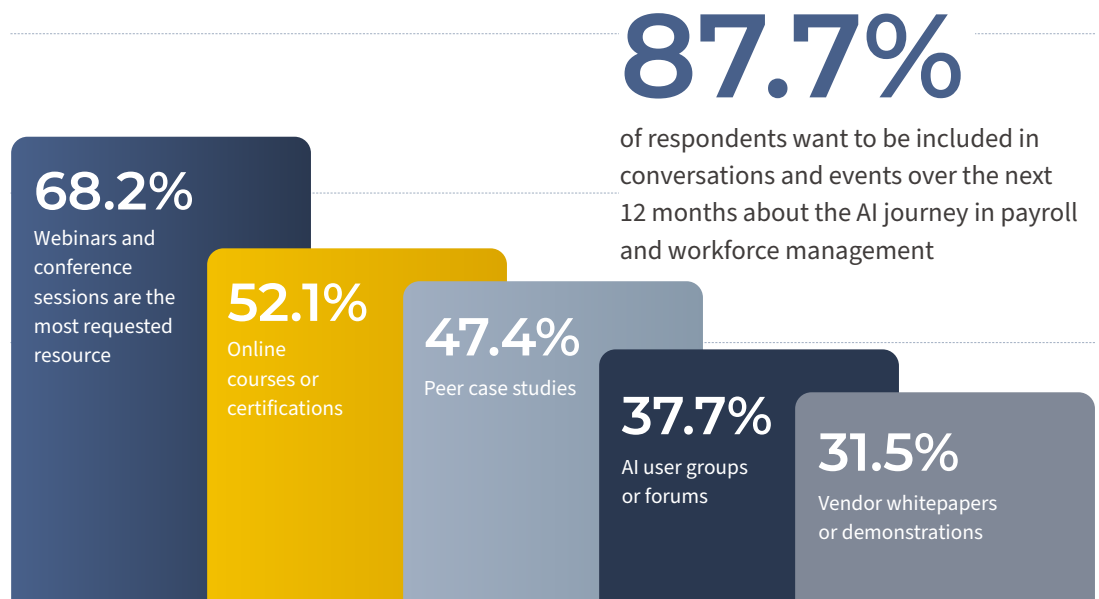
The capability gap is reflected in how prepared payroll professionals feel to make AI related decisions.



This creates an important gap between growing AI adoption and the capability of payroll professionals to confidently assess the technology being introduced into their function.

What Payroll Professionals Want

Respondents are clear about the support they need.



87.7%

of respondents want to be included in conversations and events over the next 12 months about the AI journey in payroll and workforce management

Respondents are clear about the support they need. Webinars and conference sessions are the most requested resource (68.2%), followed by online courses or certifications (52.1%) and peer case studies (47.4%). AI user groups or forums (37.7%) and vendor whitepapers or demonstrations (31.5%) also have a role to play.

Appetite for further engagement is high, with 87.7 percent wanting to participate in conversations and events about AI in payroll and workforce management over the next 12 months.

Encouragingly, appetite for further engagement is high regardless of current confidence levels. 87.7 percent of respondents want to be included in conversations and events over the next 12 months about the AI journey in payroll and workforce management, a clear signal that the profession is ready to learn, even if it is not yet ready to act.

Recommendations for Organisations and Vendors

For Organisations

This year's findings point to four priorities for organisations looking to move beyond pilots and experimentation:

01

Close the skills gap deliberately. Understanding how AI works and how to manage its risks, is now the profession's top priority. Formal training remains rare so organisations that invest here will move ahead of the pack.

02

Put governance in place before scaling up. With fewer than half of organisations having any AI policy for payroll and public AI tools already in use in around a quarter of workplaces in an unsanctioned or mixed way, governance needs to catch up with practice rather than the other way around.

03

Match autonomy to trust, not ambition. Most payroll professionals are comfortable with AI handling routine tasks under human review, not operating independently. Rollouts that respect this preference are more likely to build confidence than rollouts that outpace it.

04

Bring payroll into the room. Executive leadership and IT are now the most common drivers of AI adoption decisions. Organisations should ensure the payroll team's operational and compliance expertise shapes those decisions, not just implements them.

For Vendors

Payroll software providers remain central to how confidently their customers can adopt AI. To build trust and uptake, vendors should:



Close the awareness gap. More than a fifth of respondents do not know whether their provider offers AI features at all and nearly seven in ten do not know whether their provider holds independent AI governance certification. Clearer, proactive communication would resolve much of this uncertainty.



Lead with compliance and control. Data privacy and security remain the biggest barrier to adoption. Vendors who can demonstrate auditability, human oversight and clear data handling practices will find a more receptive audience.



Support the shift to moderate autonomy. Features that let AI act on routine tasks while flagging exceptions for human review match where payroll professionals say they are comfortable operating today.



Invest in education, not just features. Webinars, case studies and user communities are the resources payroll professionals say they want most. Vendors that provide these well will do more to drive adoption than product features alone.



Closing Remarks

“

Twelve months ago, payroll was largely talking about AI. In 2026, it has started using it.

Adoption has accelerated, investment is increasing and confidence is growing. But this year's findings also make clear that adoption alone is not the measure of progress. The next stage of payroll's AI journey will be defined by how well organisations govern the technology, develop their people and preserve professional judgement as AI takes on a greater role.

None of this should discourage the profession. It should focus it. The organisations moving fastest this year are not the ones with the boldest ambitions for AI but the ones building the skills, policies and trust to use it well. That is the work ahead for the next twelve months: turning growing confidence into governed, deliberate capability.

At Australian Payroll Association, we remain committed to supporting payroll professionals and employers through this transition, through education, benchmarking and the ongoing conversations this survey exists to inform.

The opportunity for 2027 is to turn experimentation into capability and capability into confidence.

Tracy Angwin

Founder and Non-executive Director,
Australian Payroll Association

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