Human Capital Management
& Payroll Software/Services

# Essential Payroll Metrics Every Executive Must Know

Article

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## The 10 Payroll Metrics Every Australian Executive Should Have on Their Dashboard

When Woolworths Australia found itself facing a $300 million underpayment scandal, it wasn't just the PR team scrambling. The board was asking hard questions: How did we miss this? What metrics should we have been watching?[1]

They're not alone. Across boardrooms everywhere in Australia, executives are coming to a new realisation: payroll isn't just an administrative function—it's a strategic priority with governance implications that demand C-suite attention.

Most executives can recite their company's EBITDA down to the decimal point but how many could tell you their payroll accuracy rate? That knowledge gap represents significant risk in today's regulatory environment.

With the Fair Work Ombudsman ramping up enforcement, wage compliance has become a board-level concern. To help, we've built a definitive list of payroll metrics that should be on every Australian executive's dashboard. These aren't just numbers for your payroll manager—they're strategic indicators that require your attention.


### 1. Total Payroll Cost as a Percentage of Revenue

Any organisation noting this metric creeping upward shouldn't just shrug it off as inflation. They should dig deeper to discover the root cause.

This metric is like the canary in the coal mine. When it moves unexpectedly, something significant is happening in your business.

For most Australian companies, this percentage ranges from 20-40%, though it varies considerably by industry. Professional services firms might run at 60% or higher, while capital-intensive industries might operate below 15%.[2]

**Bottom Line:** If this number is trending upward without corresponding revenue growth, it's time for executive intervention.

## 2. Payroll Processing Accuracy Rate

Headlines declaring staff underpayment or Wage Theft allegations flag significant organisational issues, and not just within payroll. They telegraph governance failures that come with significant consequences.

Any organisation that can claim payroll accuracy rates that are close to 100% aren't doing so by accident. They have dug deep into process to develop executive-sponsored controls including pre-submission analytics and post-pay auditing, and recognise that accuracy is ultimately a governance concern, not just a processing metric.

More and more, boards are establishing specific payroll accuracy targets and tying executive KPI's to their achievement. This represents a significant shift from treating payroll as just another back-office function, to an operational and compliance priority.

**Bottom Line:** Anything less than 99% accuracy should trigger immediate executive concern and remediation planning.

## 3. Cost Per Payslip

This metric reveals whether your payroll function is lean and efficient or bloated and wasteful. Any organisation undertaking a thorough audit may identify opportunities for process redesign and technology enhancement, potentially freeing significant capital for more strategic investments.

A 2023 report by the Australian Payroll Association revealed significant variations in payroll processing costs across different industries. According to the report, organisations show substantial differences in administrative efficiency, with processing costs ranging from $12 to $28 per payslip depending on industry complexity, technological infrastructure, and organisational scale.

This metric becomes particularly revealing when compared to industry benchmarks. Healthcare typically runs higher (average $22-28 per payslip) due to complex awards, while financial services averages $15-20 despite higher salaries.[3]

**Bottom Line:** If you're significantly above industry averages, your payroll function may be ripe for transformation.

## 4. Payroll Processing Time

Time is more than money when it comes to payroll—it's also a risk indicator. Companies that dramatically reduce their payroll processing time typically create space for quality checks that dramatically improve accuracy.

Processing time and error rates are often inversely correlated. Often, the most accurate payroll departments are usually the most efficient ones, because they've eliminated manual processes that introduce errors.

The Australian Payroll Association's benchmarking reveals top-quartile processing times of less than 1.2 minutes per employee per pay cycle, while bottom-quartile performers require over 4 minutes.[4]

**Bottom Line:** Extended processing times may indicate broken processes that create compliance risk.

## 5. Superannuation Compliance Rate

It's the metric that keeps directors up at night, and with good reason. Personal liability provisions mean board members can be personally responsible for super non-compliance—a fact that has elevated this metric to the boardroom.

More and more often, Directors are asking for explicit confirmation that obligations are being met, not just assuming compliance.

With the ATO's Superannuation Guarantee Charge imposing penalties of 10% plus interest, non-compliance hits both the P&L and potentially directors' personal assets.[5]

**Bottom Line:** There's only one acceptable number here: 100% compliance.

## 6. Leave Liability

It's the balance sheet item that grows silently until it creates material financial impact. When discovered, it prompts a company-wide program to encourage leave utilisation, to reduce the liability over an extended period.

Many executives don't realise the magnitude until it's specifically quantified.

Beyond the financial impact, growing leave liability often indicates workforce wellbeing issues. Ample studies have confirmed that employees not taking leave are more prone to burnout, errors, and eventual turnover.

**Bottom Line:** Regular tracking prevents unwelcome financial surprises and provides insight into workforce health.

## 7. Overtime as Percentage of Base Salary

An organisation realising that overtime as a percentage of base salary is high should not just accept it as the cost of doing business. A deeper dive is likely to reveal other operational issues that are creating production backlogs requiring overtime to resolve. Addressing the root cause will not only reduce overtime but improve output at the same time.

Excessive overtime is rarely just about staffing levels. It's usually symptomatic of deeper operational issues that require executive attention.

While benchmarks vary by industry, sustained overtime above 8% typically indicates structural problems rather than occasional spikes in demand.[6]

**Bottom Line:** High overtime isn't just a cost issue—it's a window into operational effectiveness.

## 8. Payroll Tax Compliance

With different thresholds, rates, and definitions across states and territories, payroll tax compliance has tripped up even sophisticated Australian employers. If your organisation discovers a multi-jurisdictional payroll tax issue through internal audit, it faces not only back taxes but very steep penalties.

The complexity of Australia's state-based payroll tax system creates substantial risk, but misunderstanding of payroll tax obligations poses a significant risk that deserves executive oversight.

**Bottom Line:** Regular compliance confirmation is essential, particularly when operating across state borders.

## 9. Employee Turnover Cost

If the total cost of turnover represents as much or more than the terminating employee's salary, it’s time to review your approach to staff retention. Often, companies who return this metric elevate retention from an HR concern to a financial imperative, spurring investment in significant and wide-spread culture initiatives.

While calculation methodologies vary, comprehensive approaches include recruitment costs, onboarding expenses, training time, productivity ramp-up, and knowledge loss.[7]

**Bottom Line:** Understanding the full financial impact of turnover transforms people strategies from cost centres to value creators.

## 10. Single Touch Payroll (STP) Reporting Compliance

Since becoming mandatory for all Australian employers, STP has transformed the compliance landscape. The ATO now receives real-time visibility into payroll patterns and anomalies, making non-compliance immediately apparent.[8]

STP represents the most significant change to payroll compliance in decades. Organisations with poor STP compliance effectively broadcast their problems directly to the regulator.

**Bottom Line:** STP compliance isn't optional, and failures create immediate regulatory visibility

## From Metrics to Action:
## Building Your Executive Dashboard

The most forward-thinking Australian executives aren't just tracking these metrics—they're integrating them into executive dashboards that provide at-a-glance visibility into payroll performance.

Consider undertaking reviews quarterly. Compliance metrics deserve monthly attention, while cost metrics can be assessed quarterly alongside other financial indicators.

For boards, these metrics should feature in risk committee reviews, with particular attention to accuracy rates, compliance measures, and significant movements in cost.

## References

[1] Fair Work Ombudsman, "Woolworths Group self-disclosure shows $427m in underpayments." Press Release, February 2020.

[2] Deloitte Australia. "Australian Payroll Benchmarking Report." 2024.

[3] Australian Payroll Association. "Australian Payroll Benchmarking Study." 2024.

[4] Australian Payroll Association. "Australian Payroll Benchmarking Study." 2024.

[5] Australian Taxation Office. "Superannuation Guarantee Charge Statement." 2024.

[6] Australian Payroll Association. "Australian Payroll Benchmarking Study." 2024.

## About Frontier Software

Frontier Software is a leading software and services organisation specialising in digital transformation for payroll and HR solutions. With over 40 years of industry experience, our comprehensive solutions are trusted by businesses across the globe. Our expert team is dedicated to helping organisations streamline their payroll and HR processes, ensuring compliance, accuracy, and efficiency. Looking to enhance your payroll and HR processes? We can help you optimise your existing Frontier Software solution or create a completely new system tailored to your business needs.

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>
> Michael Howard, Founder