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2025 State of Payroll Connectivity Report

Why Integrations Drive Workplace Benefits Purchase Decisions

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Introduction

Employer demand for affordable, accessible benefits has steadily increased over the past five years in response to legislative requirements and employees' struggles to keep up with rising costs.

But these benefits rely on company and financial data that is held within HRIS and payroll systems, where the fragmented landscape makes it difficult for employers to share this information between platforms. In fact, employers report using an average of three different communication methods — from integrations to emails and text messages — to share payroll data with their external vendors, the most common of which are manual and inefficient.

As these businesses look to offer more benefits to their employees, they're prioritizing system connectivity above all else — even pricing.

> In our survey of 1,000 software buying decision-makers, easy integration with systems of record was the most impactful factor influencing their purchase decisions.
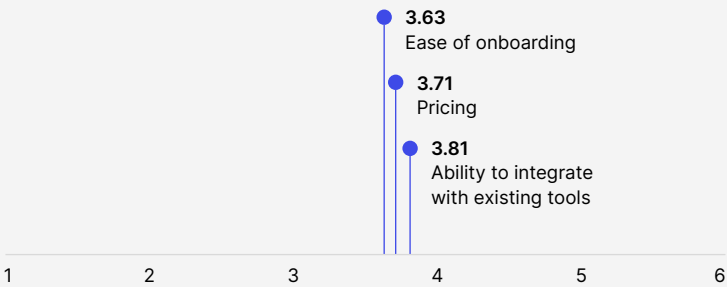
Benefits providers competing for new business in the increasingly crowded and competitive market will need to differentiate themselves with robust integration capabilities.

In this report, we explore the state of payroll connectivity across the tools employers use to manage employee pay and benefits data and uncover the factors that are most likely to drive their future purchase decisions. We also identify how investments in technology can help benefits providers attract and retain customers, lower operating costs, and build for scale as legislative and economic factors drive an influx of new employers offering health, retirement, and financial benefits.

Executive Summary

Integration capabilities are the most impactful factor in employers' software buying decisions

1 Average importance score for software buying criteria on a scale of 1–6

3.63
Ease of onboarding

3.71
Pricing

3.81
Ability to integrate with existing tools

| 1 | 2 | 3 | 4 | 5 | 6 |

Less than half of employers are completely satisfied with the current state of system connectivity
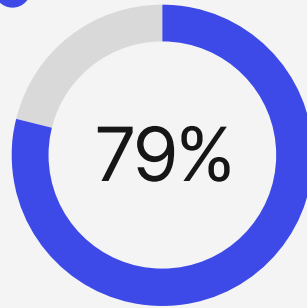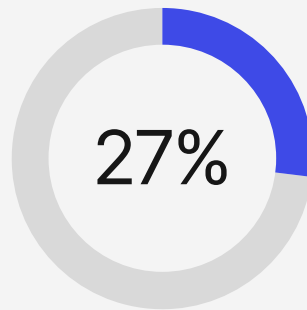
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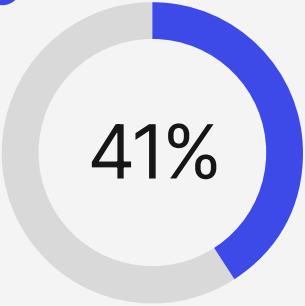
41%

41% of employers are "very satisfied" with the way their employment systems are currently integrated

Employers' operational headcount costs exceed $8 billion per year, driven in part by their continued reliance on manual data entry[1]

3

79%

79% of employers spend **4+ hours** on manual data entry each week

27%

27% of employers spend **7+ hours** on manual data entry each week

1 Estimate based on **US employment data**

Employers routinely find inaccuracies in their employee data, incurring more than $24B in annual remediation costs[2]

4

52%
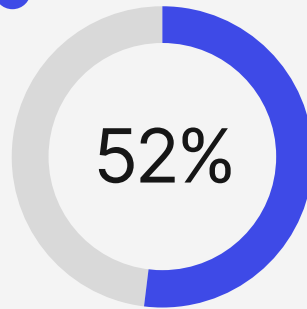
52% of employers report finding incorrect or outdated information in employee data **weekly**

22%
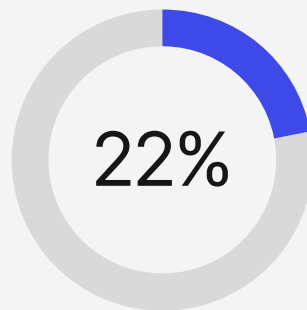
22% of employers report finding incorrect or outdated information in employee data **daily**

2 Estimate based on **average payroll error remediation costs**

Nearly than 1 in 3 employers aren't using integrations to share payroll data between vendors or systems

5

68%

68% of employers report using some form of integration to share payroll data
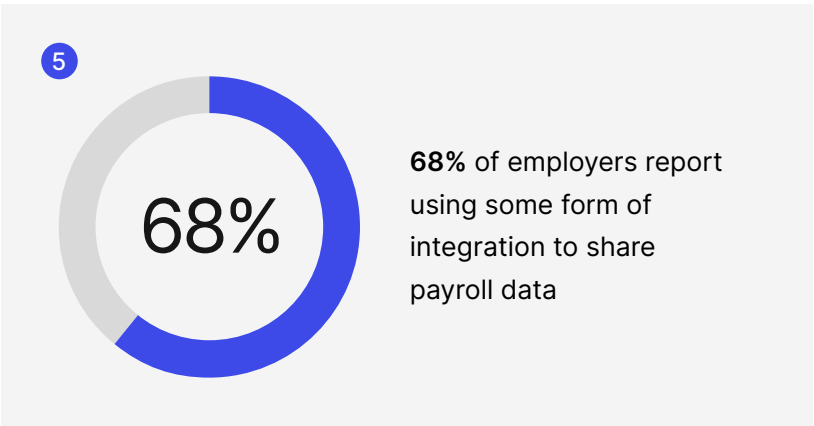
Most employers' financial tools are unable to integrate with payroll

6

45%

45% of the software systems employers use to manage pay and benefits data are capable of integrating with employers' payroll systems, on average
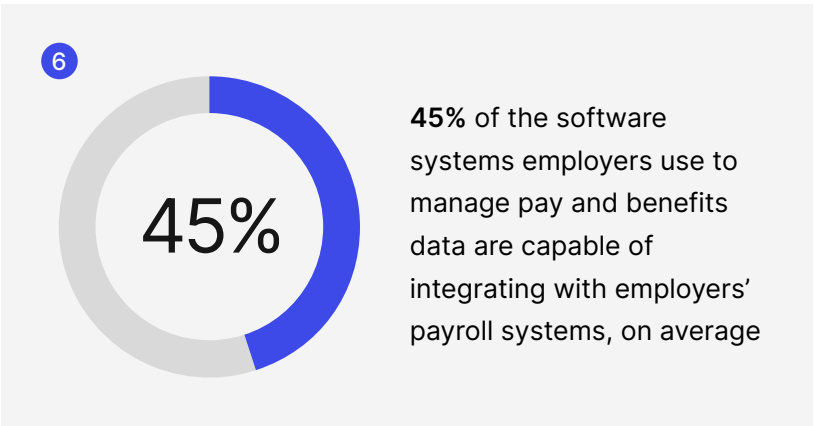
Connectivity Drives Employers' Purchasing Decisions

Employers care deeply about the integration capabilities of their tools — so much so that it's the most influential factor in their purchasing decisions.

Despite this demand, less than half of employers are completely satisfied with the current state of connectivity across their tech stacks.

System connectivity is a top priority for employers.

92% say it's extremely important or very important that their payroll system integrate with the other software systems they use to manage employee benefits and pay. But less than half **(41%)** of those employers report being "very satisfied" with the current state of connectivity between their employment systems.

92%
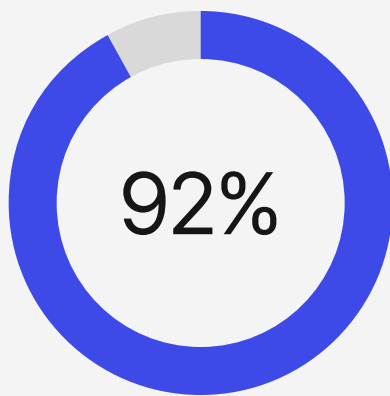
92% of employers say it's "extremely" or "very" important that their payroll system integrate with the other tools they use to manage benefits and pay
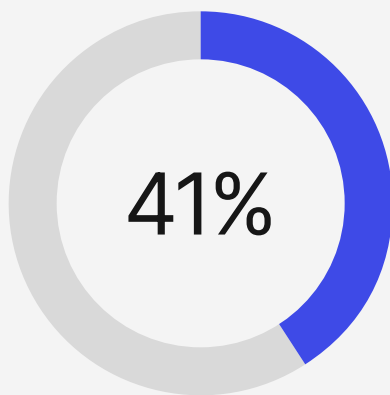
41%

41% of employers are "very satisfied" with the way their employment systems are currently integrated

This dissatisfaction is evidenced by the challenges employers are facing with their existing software systems. Nearly half **(45%)** reported their systems require too much technical work to integrate with other software tools, while **32%** say their systems are too siloed and unable to share data. Disconnected systems have a material impact on employers, who are forced to update data across platforms manually.

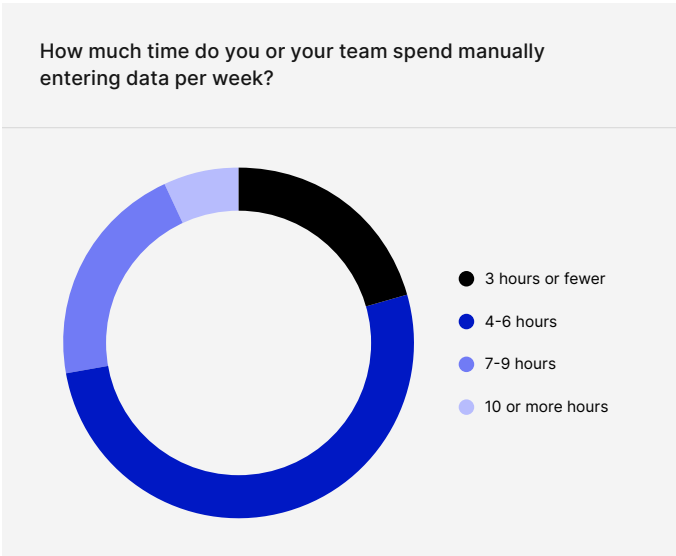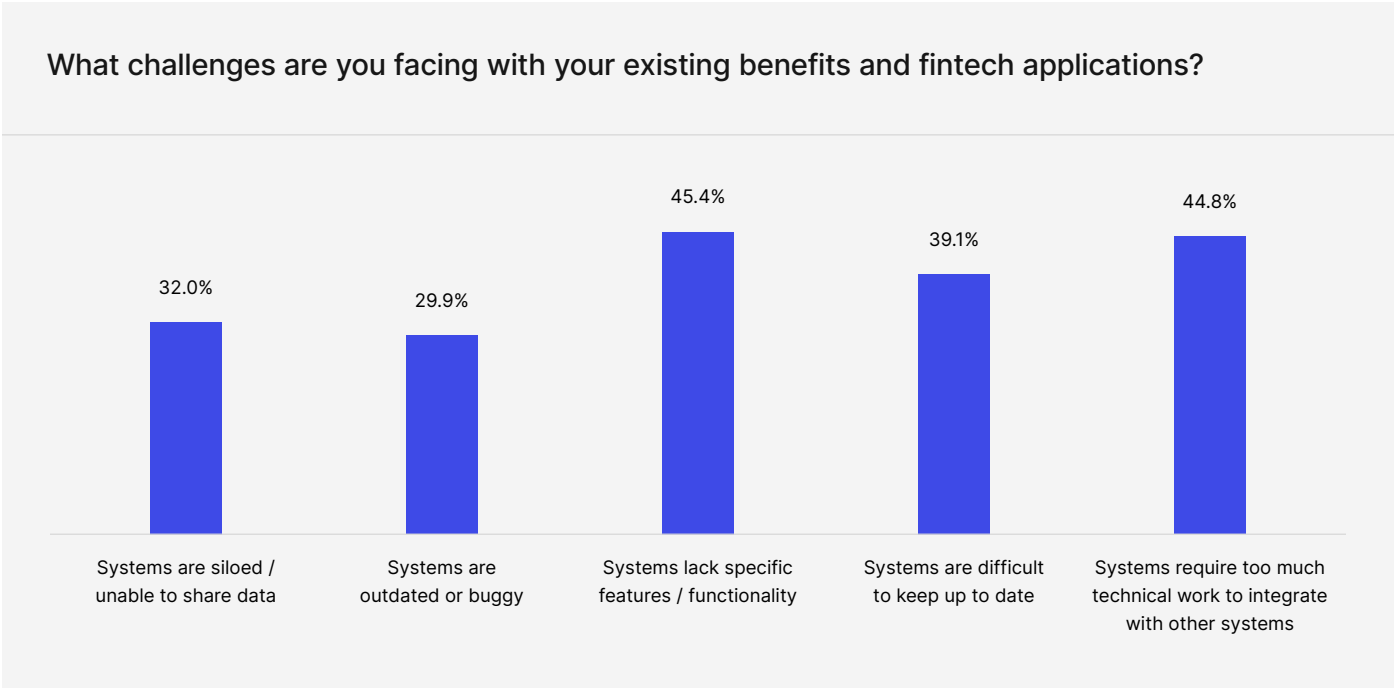Nearly **8 in 10 employers (79%)** report spending at least **4 hours per week** on manual data entry and more than one quarter **(27%) spend 7+ hours per week**. In addition to taking up valuable time, this manual entry has other implications: more than half of employers **(52%)** report finding outdated or inaccurate employee data in their records at least **once per week**, and **22%** report finding inaccuracies **every day**.

What challenges are you facing with your existing benefits and fintech applications?

Systems are siloed / unable to share data	Systems are outdated or buggy	Systems lack specific features / functionality	Systems are difficult to keep up to date	Systems require too much technical work to integrate with other systems
32.0%	29.9%	45.4%	39.1%	44.8%

How much time do you or your team spend manually entering data per week?

- 3 hours or fewer
- 4-6 hours
- 7-9 hours
- 10 or more hours

How often do you or your team find incorrect or outdated information in employee data?

Hourly	6%
Daily	15%
Weekly	31%
Monthly	22%
Quarterly	17%
Annually	5%
Never	5%

Bad data can wreak havoc on any organization, but it's especially alarming when that data is being used to administer employee benefits or pay.

Inaccuracies can affect an employee's paycheck and put the business at risk of running afoul of compliance mandates. For example, outdated information could result in an employee being improperly flagged as ineligible for a retirement plan, and therefore never auto-enrolled.

With more than **30%** of employers using **7 or more** systems to manage employee compensation alone, integrations are critical to keeping employee data up to date across the entire tech stack.
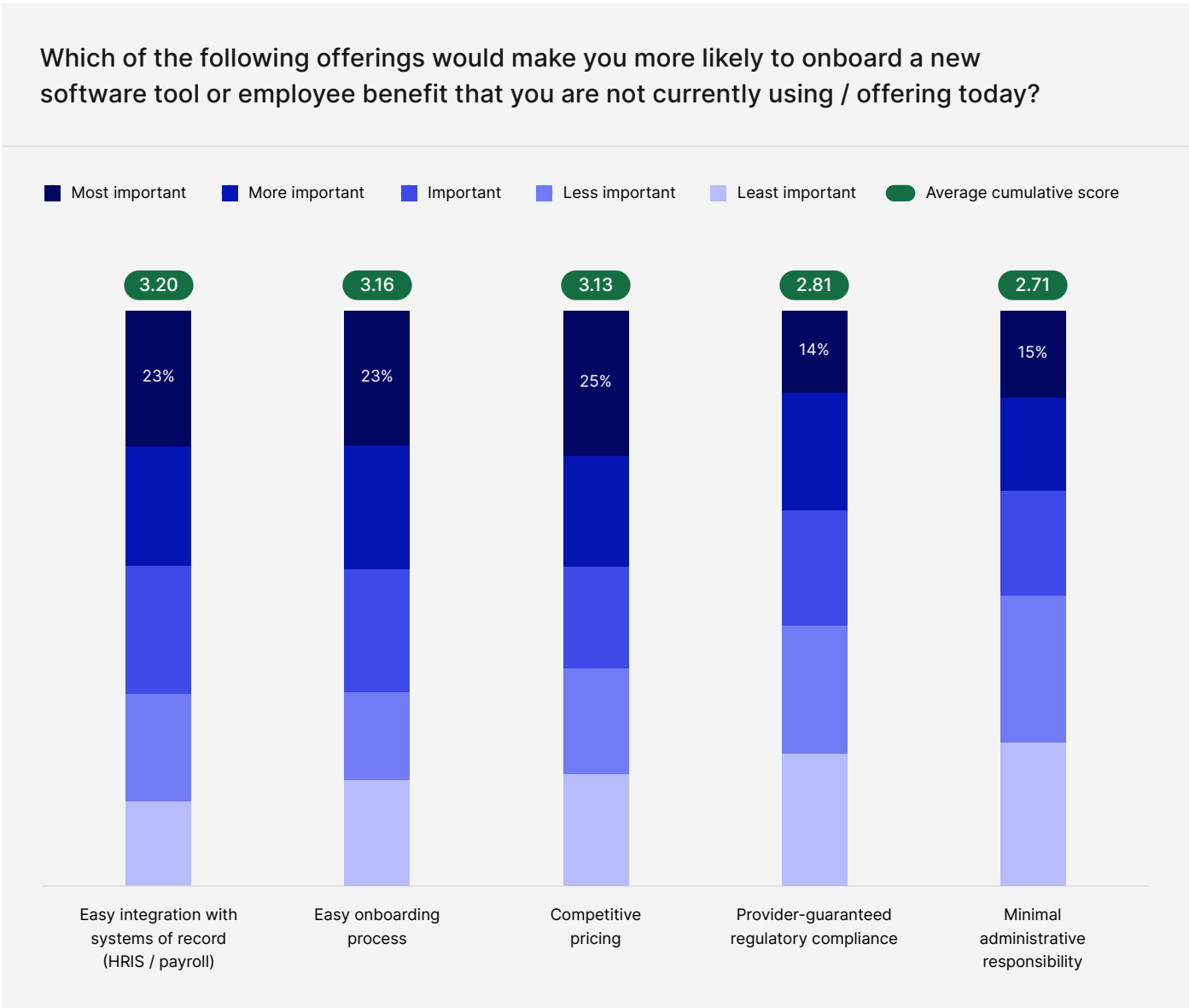
How many software systems do you use to manage employee pay and benefits?

Category	Percentage
1-3	36.4%
4-6	32.3%
7-9	22.7%
10-12	6.4%
13+	1.7%
I don't have any of these	0.5%
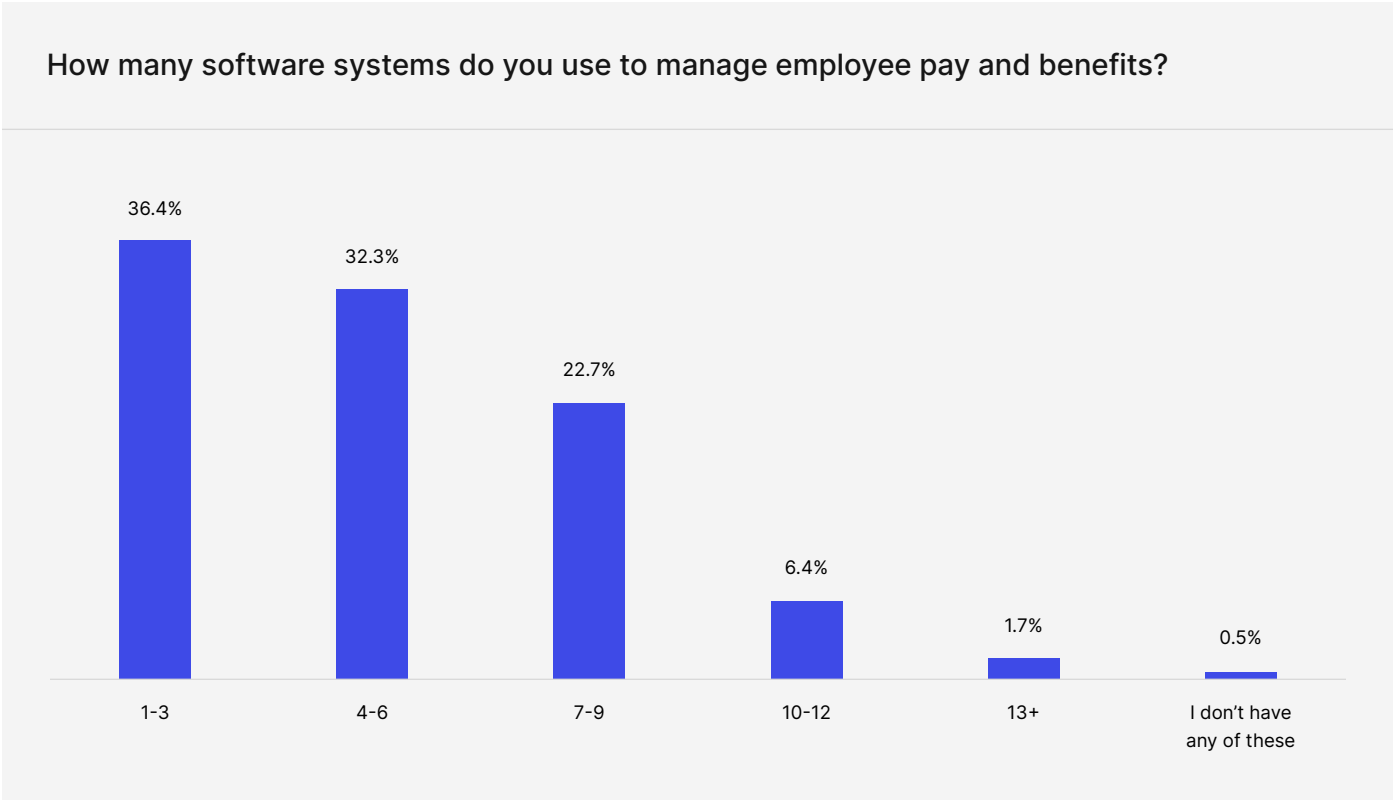
Integration capabilities have a greater impact on employers' purchasing decisions than pricing.

Given the challenges employers are facing with their existing tools, it's no surprise that integration capabilities are a major factor in their software purchasing decisions; but it may come as a surprise that they are even more impactful than pricing in decision-making.

We asked employers to rank several evaluation criteria in order of importance, both when

determining whether to offer a new employee benefit and when evaluating a new software tool. In both cases, **easy integration with their existing software tools was the most impactful criterion.**

Pricing was still an important consideration, as was ease of onboarding. In fact, when asked what factors would make them more likely to onboard a new benefit, **employers ranked both integration capabilities and ease of onboarding as more important than pricing.**

Which of the following offerings would make you more likely to onboard a new software tool or employee benefit that you are not currently using / offering today?

Legend: ■ Most important ■ More important ■ Important ■ Less important ■ Least important ● Average cumulative score

Category	Average cumulative score	Most important %
Easy integration with systems of record (HRIS / payroll)	3.20	23%
Easy onboarding process	3.16	23%
Competitive pricing	3.13	25%
Provider-guaranteed regulatory compliance	2.81	14%
Minimal administrative responsibility	2.71	15%

Pitfalls of Existing Payroll Integrations

Despite employers' evident need and want for powerful system integrations, existing connectivity in the employment sector is lacking. As we previously noted, less than half (41%) of employers are very satisfied with their current integrations.

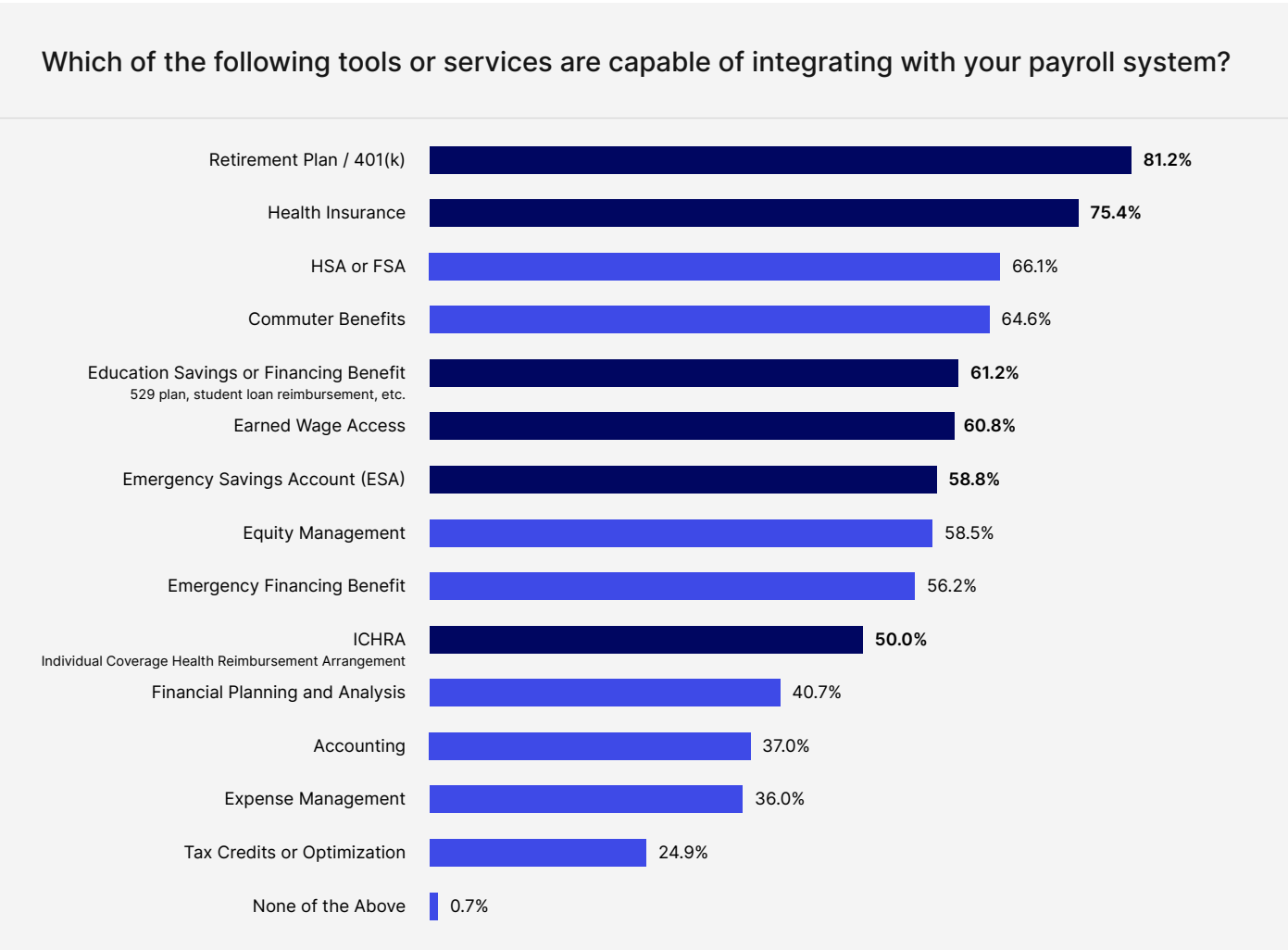Employers' dissatisfaction boils down to two core problems:

1. Too few systems integrate with payroll

2. Status-quo integrations aren't meeting employers' needs

Too few systems integrate with payroll

Across all of the systems employers use to manage employee pay and benefits — including employer-sponsored benefits platforms and financial tools like those used for accounting and financial planning — most are capable of integrating with the employer's payroll system **less than two-thirds of the time**. The only exceptions are retirement benefits, health insurance, and HSAs and FSAs.

81% of retirement providers and **75%** of health insurance administrators — the most common employee benefits — are capable of integrating with

employers' payroll systems. Despite being inextricably linked to payroll data, employer-sponsored benefits like education financing, earned wage access (EWA), emergency savings accounts (ESAs) and Individual Contribution Health Reimbursement Plans (ICHRAs) were all capable of integrating with the employer's payroll system **61% of the time or less**. Payroll integrations were even less common among financial planning, accounting, expense management, and tax credit/optimization tools.
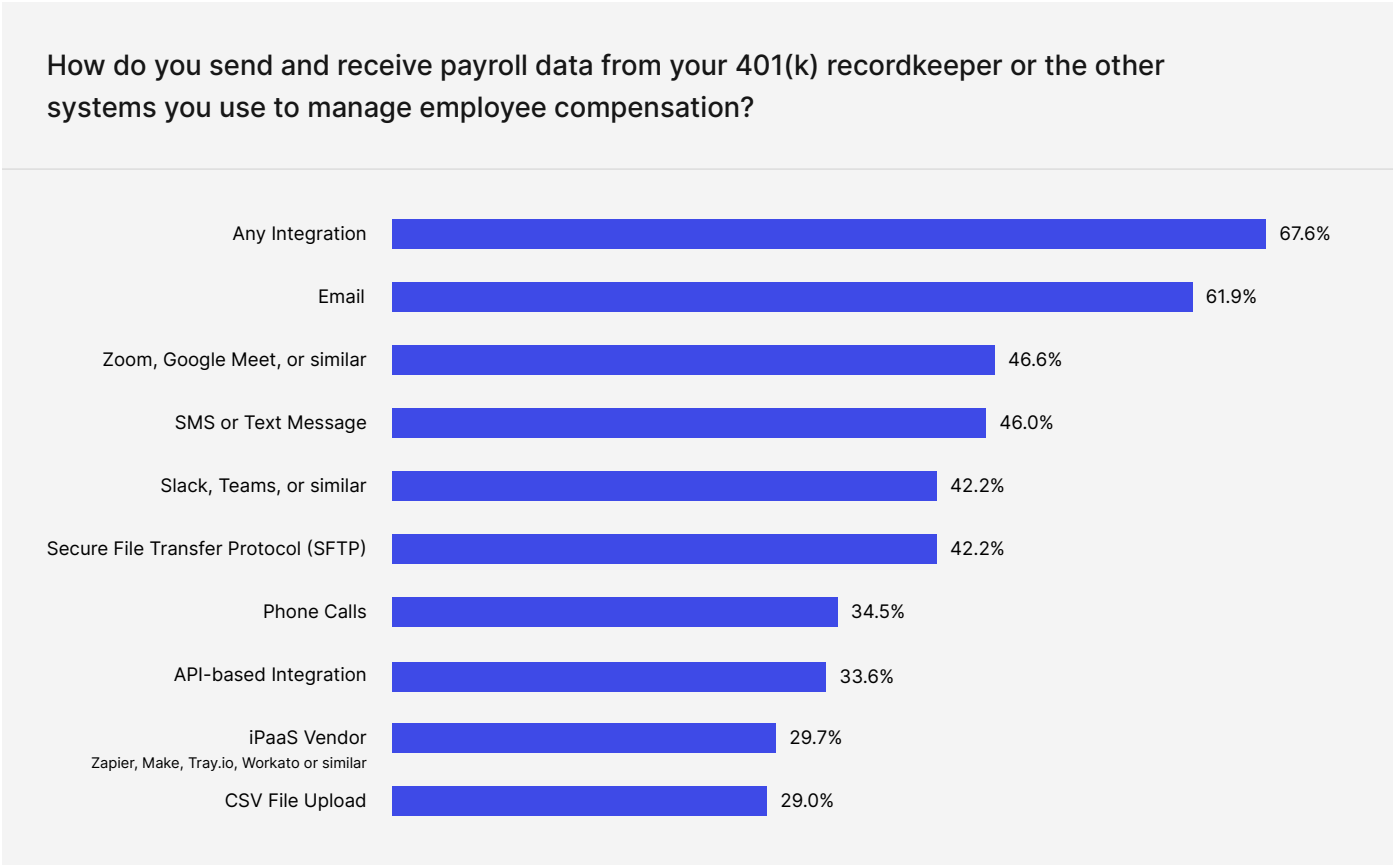
Which of the following tools or services are capable of integrating with your payroll system?

Tool or Service	Percentage
Retirement Plan / 401(k)	81.2%
Health Insurance	75.4%
HSA or FSA	66.1%
Commuter Benefits	64.6%
Education Savings or Financing Benefit 529 plan, student loan reimbursement, etc.	61.2%
Earned Wage Access	60.8%
Emergency Savings Account (ESA)	58.8%
Equity Management	58.5%
Emergency Financing Benefit	56.2%
ICHRA Individual Coverage Health Reimbursement Arrangement	50.0%
Financial Planning and Analysis	40.7%
Accounting	37.0%
Expense Management	36.0%
Tax Credits or Optimization	24.9%
None of the Above	0.7%

Status-quo integrations aren't meeting employers' needs

Nearly 7 in 10 employers **(68%)** report using some form of integration to share payroll data between systems. Secure File Transfer Protocol (SFTP) is most common, used by **42%** of employers, followed by API-based integrations at **34%** and Integration Platforms as a Service (iPaaS) at **30%**. When sharing payroll data with 401(k) recordkeepers specifically, **36%** of employers report using SFTP, **27%** use API integrations and **23%** use iPaaS.

> But even when some type of payroll integration is available, employers are often defaulting to manual methods of sharing information.

On average, employers use **three** different means of communication to send and receive sensitive payroll data between systems. That number is even higher (averaging **4+** methods) among employers that offer an ICHRA or equity.

More than **6 in 10** employers (**66%**) report using work messaging platforms, like Slack and Teams, or text messages to share payroll data with their benefits platforms/vendors or financial tools. **Sixty-two percent** use email.

How do you send and receive payroll data from your 401(k) recordkeeper or the other systems you use to manage employee compensation?

|	
Any Integration	67.6%
Email	61.9%
Zoom, Google Meet, or similar	46.6%
SMS or Text Message	46.0%
Slack, Teams, or similar	42.2%
Secure File Transfer Protocol (SFTP)	42.2%
Phone Calls	34.5%
API-based Integration	33.6%
iPaaS Vendor Zapier, Make, Tray.io, Workato or similar	29.7%
CSV File Upload	29.0%

Employers' use of supplemental data sharing methods suggests that even when integrations are available, they aren't living up to their promise of eliminating manual work for employers.

In some cases, it appears that employers aren't even using available integrations.

While **81%** of employers who offer retirement plans say their provider is capable of integrating with their payroll system, only **62%** report using SFTP, API integrations, or iPaaS to send and receive payroll data from their recordkeepers.

81%
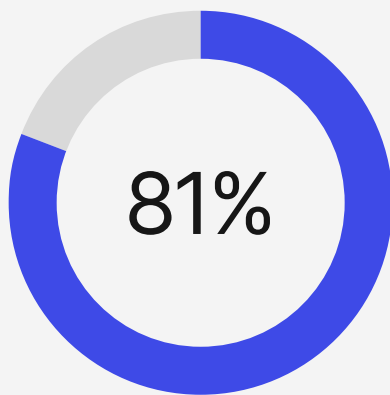
81% of employers who offer retirement plans report their 401(k) recordkeeping platform can integrate with their payroll system
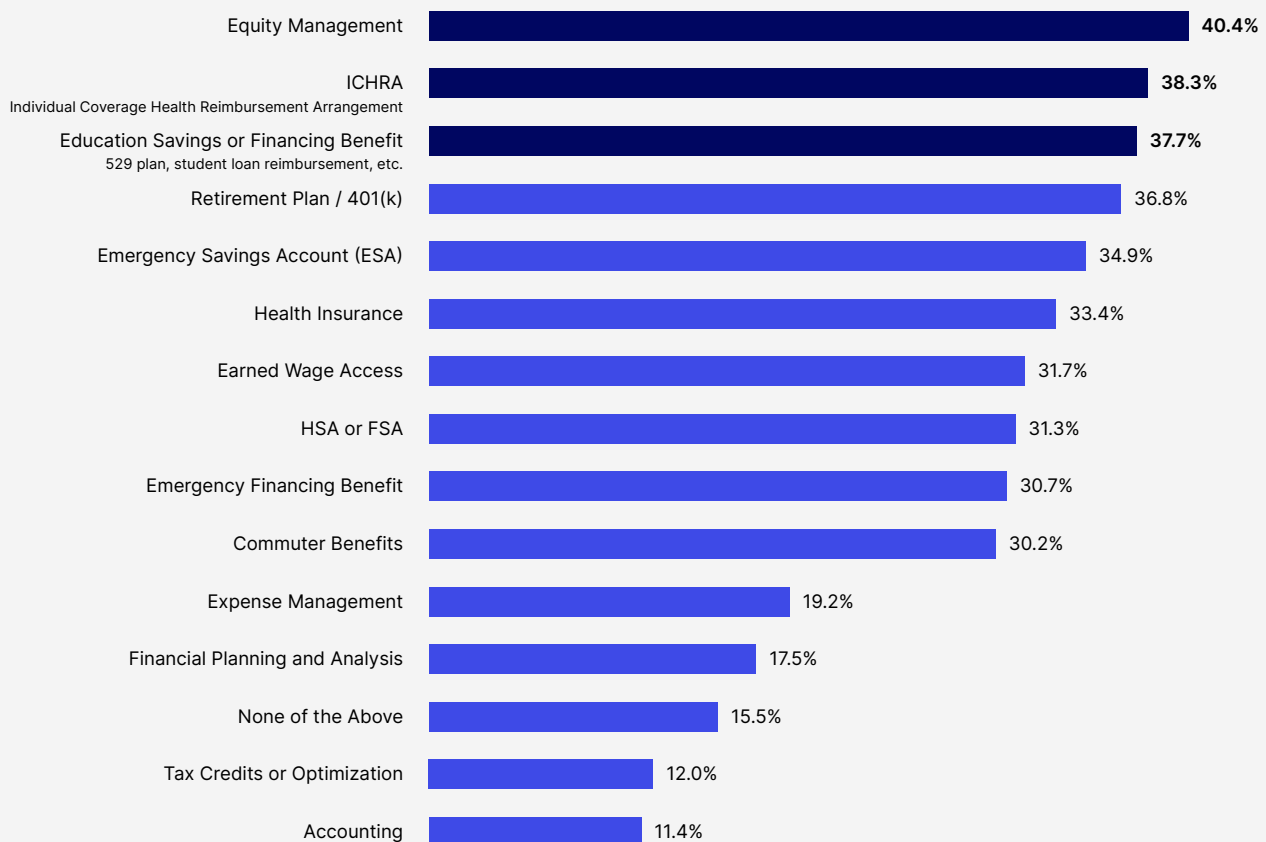
62%
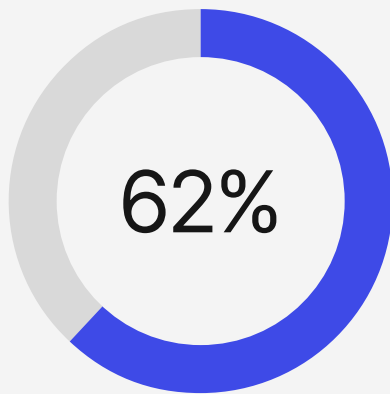
62% of employers who offer retirement plans report using some form of integration (SFTP, API, or iPaaS) to share pay data with their 401(k) recordkeeper

This could be because of the difficulties employers face in setting up and maintaining system integrations.

More than **8 in 10 (85%)** employers report some difficulty with payroll integrations, with **37%** citing retirement recordkeeping systems among the most difficult to integrate. Presenting even greater integration challenges were equity management tools **(40%)**, ICHRAs **(38%)** and education financing benefits **(38%)**.

Which of the tools you use are most difficult to integrate with your payroll system?

Tool	Percentage
Equity Management	**40.4%**
ICHRA — Individual Coverage Health Reimbursement Arrangement	**38.3%**
Education Savings or Financing Benefit — 529 plan, student loan reimbursement, etc.	**37.7%**
Retirement Plan / 401(k)	36.8%
Emergency Savings Account (ESA)	34.9%
Health Insurance	33.4%
Earned Wage Access	31.7%
HSA or FSA	31.3%
Emergency Financing Benefit	30.7%
Commuter Benefits	30.2%
Expense Management	19.2%
Financial Planning and Analysis	17.5%
None of the Above	15.5%
Tax Credits or Optimization	12.0%
Accounting	11.4%

How Benefits Platforms Can Improve Payroll Connectivity

It's clear that employers will continue to onboard new software tools and benefits in the coming years, but they'll choose their vendors based on integration capabilities, ease of onboarding, and pricing.

Employers' top three software demands are all enabled by better payroll connectivity.

Fortunately for benefits providers, meeting employers' #1 demand (better integrations) inherently leads to meeting their other demands as well. With payroll integrations, applications can easily sync with the employer's primary database to streamline onboarding. Integrations also power the automation of routine tasks like data validation, benefits enrollment, and deductions management, which makes operations more scalable and cost-effective. Those cost savings can then be passed on to the employers for more competitive pricing.

To improve the integration experience for employers, benefits providers and fintech applications alike should focus on three core initiatives:

1. Wide system coverage

2. Robust data sharing capabilities

3. Easy implementation

1 Wide system coverage

Payroll integrations are so important to employers that they have a greater impact on purchasing decisions than pricing; but on average, benefits and fintech applications are only capable of integrating with the employer's payroll system **45%** of the time.

The payroll market is deeply fragmented: the top five providers account for about **55%** of all U.S. employers, while the remaining platforms all hold less than **2%** market share. Applications will need to expand their system coverage to effectively integrate with all of their customers' chosen payroll systems.

Updated for 2025: Finch's Guide to the U.S. Payroll Landscape

We've updated our guide to reflect how the payroll market has changed over the last four years

Get the whitepaper →

2 Robust data sharing capabilities

Even with integrations in place, employers are still relying on supplemental methods of sharing payroll data, like email, workplace messaging platforms, and even text messages. Today's integrations are falling short of employers' expectations, forcing them to manually enter and share sensitive financial data.

Payroll integrations should effectively eliminate manual work on the employers' behalf with robust capabilities that allow data to be synced between systems automatically on a recurring basis. This should include data standardization, validation, and mapping capabilities to smooth the flow of data between systems and reduce errors.
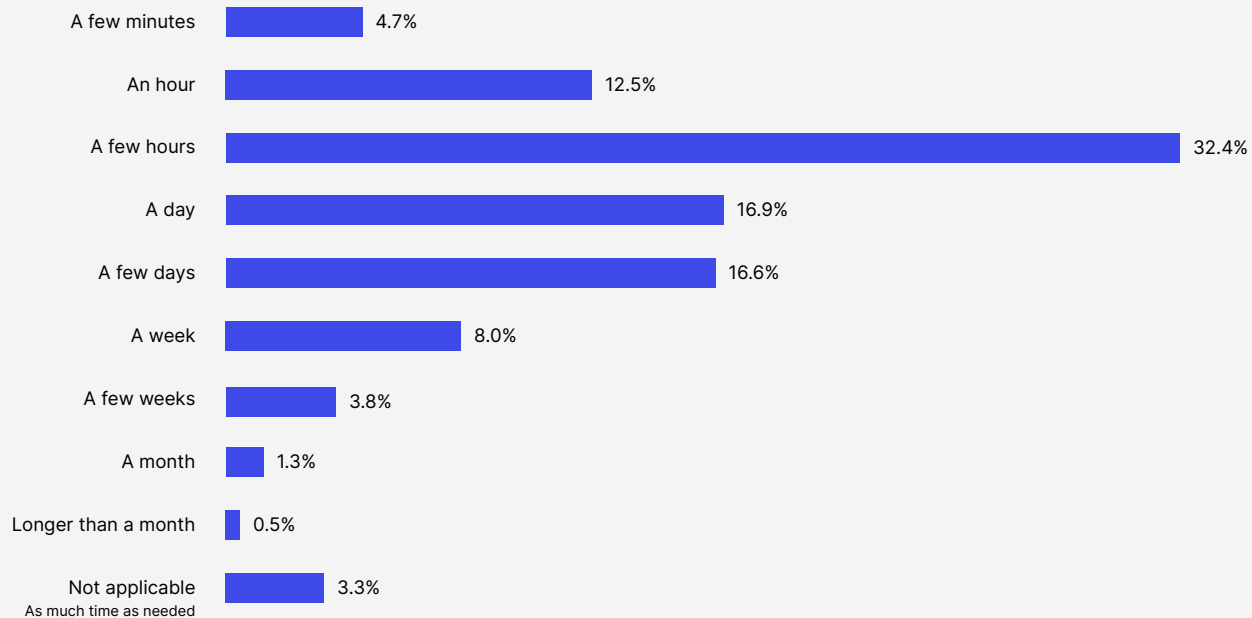
3 Easy implementation

Most employers **(85%)** face difficulties in integrating at least one of their benefits or financial tools. To win employers over, applications need to offer integrations that are both powerful and easy to set up.

Half of employers report their IT or technical support team would be reluctant to spend more than a few hours on the one-time setup of a new integration, and nearly **7 in 10** said they'd be reluctant to spend more than one day on the project. Nearly all employers **(96%)** expect a one-time integration setup to take under a month.

Integrations that are easy to implement serve as a competitive advantage for applications. This has been one of the driving forces behind the growing popularity of API-powered integrations, which can allow employers to onboard in as **little as a few minutes** — a stark contrast to traditional SFTP connections, which can **take weeks or even months** to set up.

Our IT/technical support team would be reluctant to spend more than [timeframe] on the one-time setup of an integration between our payroll system and another application.

Timeframe	%
A few minutes	4.7%
An hour	12.5%
A few hours	32.4%
A day	16.9%
A few days	16.6%
A week	8.0%
A few weeks	3.8%
A month	1.3%
Longer than a month	0.5%
Not applicable (As much time as needed)	3.3%

Support Payroll Connectivity for 80% of U.S. Employers With Finch

Powerful, easy-to-use integrations are key to winning employers' business. It's not enough to offer just any form of connectivity — employers are seeking payroll integrations that eliminate manual work, reduce errors, keep data secure, and can be implemented easily.

Finch's Unified Employment API makes dynamic payroll integrations more accessible. With a single integration to Finch, applications can unlock access to our leading network of systems of record, including coverage for **80%** of all U.S. employers.

Learn more about how Finch can help your application deliver innovative, connected solutions by **testing the API in our sandbox** or **contacting our Sales team**.

Top 5 Providers by Market Share

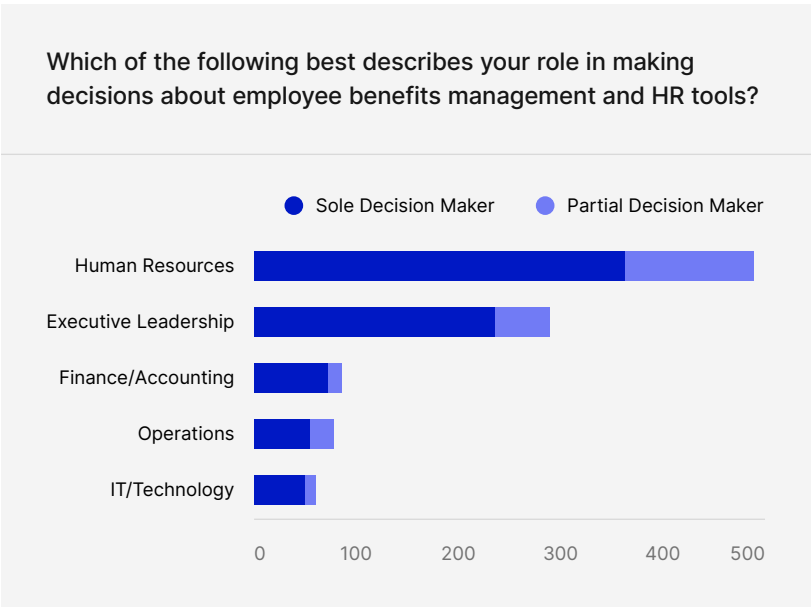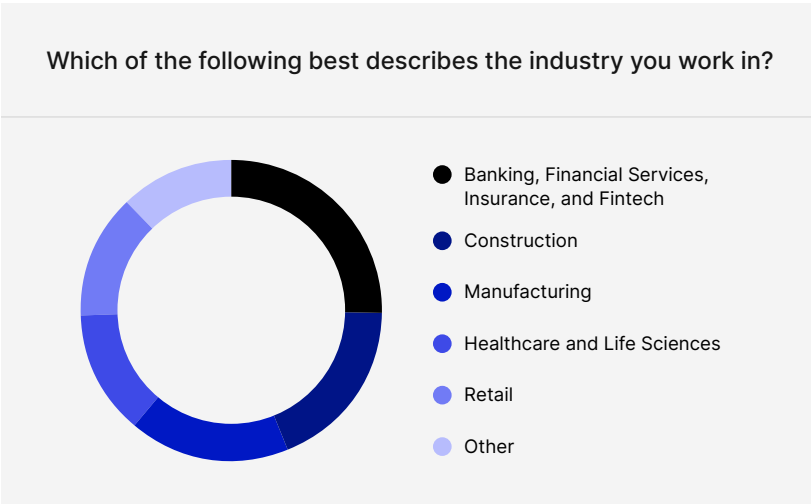| finch		Provider	Market Share
✓	qb	Inuit Quickbooks	22.3%
✓	run	ADP Run	14.2%
✓	P	Paychex Flex	9.9%
✓	g	Gusto	6.4%
✓	i	iSolved	2.3%

See the complete list of all 220+ integrations →

Methodology

In October 2024, Finch surveyed **1,000** executives and HR leaders from companies with **5–250** employees across a variety of industries. All were employed full-time and held decision-making roles in regard to their company's benefits management and HR tools.

In January 2025, Finch ran a supplemental survey of **1,000** executives and HR leaders matching the same criteria to delve deeper into the specific ways their companies share payroll data with benefits administrators and between the third-party applications they use to manage employee compensation, including benefits, financial planning and analysis, accounting, expense management, equity, and more.
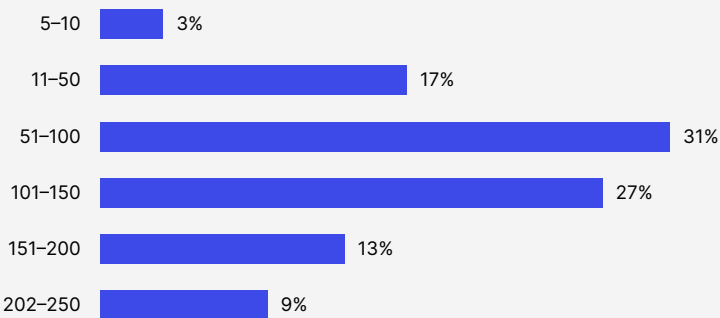
Note: The following industries accounted for 5% or less of the survey respondents: Hospitality, Real Estate, Transportation and Logistics, Automotive, Government or Public Sector, Architecture, Engineering, Energy/Oil/Gas, Utilities/Telecom/Power, Advertising/Marketing/Public Relations, and Aerospace.

Which of the following best describes the industry you work in?

- Banking, Financial Services, Insurance, and Fintech
- Construction
- Manufacturing
- Healthcare and Life Sciences
- Retail
- Other

Which of the following best describes your role in making decisions about employee benefits management and HR tools?

- Sole Decision Maker
- Partial Decision Maker

Human Resources
Executive Leadership
Finance/Accounting
Operations
IT/Technology

0   100   200   300   400   500

Methodology Continued

How many employees does your organization have?

Range	Percentage
5–10	3%
11–50	17%
51–100	31%
101–150	27%
151–200	13%
202–250	9%

How many employees are on your organization's IT/Technical Support team?

Team size	Percentage
1-2	13.9%
3-5	51.9%
5+	31.9%
Not applicable	2.3%
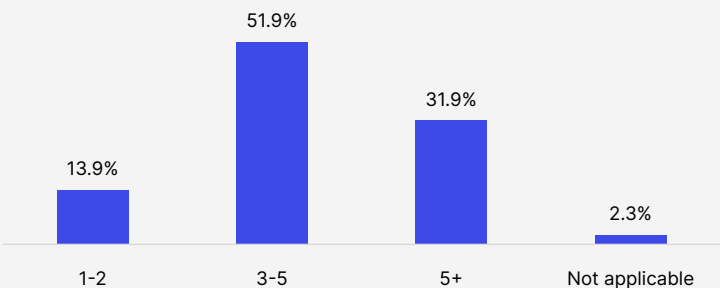
Which of the following best describes your employer's working environment?

- Fully in the office
- Hybrid/partially in the office
- Fully remote
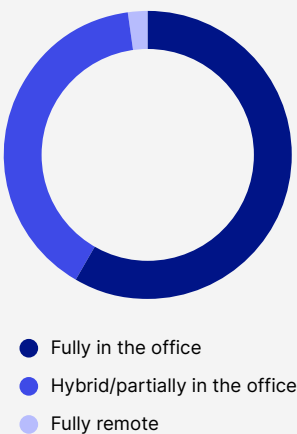
How are the majority of your employees paid?

- Salaried
- Hourly