



The evolution of the workforce, shaping new payroll horizons

Fueled by a decade of hyper growth and most recent by work-from-home mandates, talent in the Technology, Media, and Telecommunications (TMT) sector has suffered a recent hiccup with the announcement¹ of hiring freezes or layoffs sparked by geopolitical instability and rising inflation. Most people leaders in the industry are now faced with three main dilemmas: (1) ensuring scalable business growth supported by an agile workforce; (2) normalizing postpandemic new ways of working; and (3) pushing the boundaries of employee experience with the rise of remote or hybrid work. Amid the upcoming workforce-related challenges, payroll organizations must play a central role to support the business and workforce through driving positive employee experiences and driving compliance globally.

The race for talent adds payroll complexities to support business growth

Over the past two years, tech employees have been in high demand, translating into a never-ending struggle for talent—tech salaries for key roles have surged upwards of 20 percent; in some markets (e.g., Austin, Texas), salaries have jumped by 30 percent compared to averages from 2020—albeit with a clear slowdown in the second half of 2022.² This overall boost in employee headcount and wages has enabled payroll organizations to scale up (and down) their operations with an imperative to maintain high-process efficiency. This scalability is a result of a continuous redefinition of the payroll operating model while leveraging payroll technology and/or service provider(s) to drive continuous improvement and optimization across the entire payroll operating value-stream.

Unfortunately, there is no “one-size-fits-all” payroll operating model. TMT organizations have been among the first movers for global human resources, finance, and payroll technology and/or service providers and are now seeking the next generation of payroll organizations. Building on the lessons learned from global transformations, KPMG has seen the industry reaching a ceiling on accommodating complex compensation programs, high employee mobility, and race for payroll talents who know the intricacies of payroll while partnering with third-party service providers or tax experts.

The new workplace/work anywhere paradigm

In this postpandemic environment, TMT organizations have been ahead of the curve as it relates to their readiness to support varying amounts of in-person or virtual ways of working. This unprecedented event has marked a turning point for many organizations on whether employees need to come back to the office. This is even more relevant for the TMT industry, as most employees could work from home; the question remains around the efficiency of not being together in shared physical space. There is not common alignment by executives, as 51 percent of chief executive officers (CEOs) are investing in shared workspaces and 37 percent of CEOs are looking to have most employees working remotely at least two or more days a week.³

¹ “What you need to know about hiring freezes,” Forbes, July 13, 2022

² “Tech salaries are skyrocketing—here’s how smaller companies can still compete,” Inc., April 22, 2022

³ 2021 Global CEO Outlook Survey, KPMG LLP

This overall employee mobility, whether domestic or international, has pressured payroll organizations to assess their compliance and tax reporting obligations—49 percent of organizations surveyed have filed payroll tax returns in new states.⁴ While payroll organizations do not drive the talent and return-to-work discussion, it is imperative to have a compliance framework. KPMG has helped many organizations set up and run compliance utilizing this framework of defense:

1 Protective compliance: How do we monitor an employee’s home address/work location to ensure proper taxation?

2 Transformative compliance: How do we optimize our payroll/work-from-home technology and/or service provider to support business growth while increasing operational efficiency?

3 Proactive compliance: What are the financial tax ramifications of having employees working full time in a state where we don’t operate?

The evolution of payroll services

Payroll technology and service providers have evolved in response to the increased demand for add-on technologies/features to improve the employee experience, including on-demand pay (e.g., pay on demand, digital platform, mobile payment, digital currency), new payment methods (e.g., Apple Pay, Venmo, Bitcoin), and new local compliance services. These new services can be differentiators in the employee value proposition, although market traction on those services has

been surprisingly limited. TMT organizations have mainly focused their attention on compliance matters and transforming their payroll operating model but should increase their focus on the employee experience, especially as we are reaching saturation in what can be offered in salaries to promote talent retention and attraction.

Another key area of focus that KPMG sees in the TMT industry is the increasing focus on workforce management approaches (right person, right skill, right time, right place, right cost, right pay) that better utilize resources and inform the overall talent management efforts.

KPMG, a catalytic force for your payroll transformation

KPMG works with major players in the TMT industry to accelerate scalable business growth by:

- Defining and building a compliance framework to support workforce and business-related decisions
- Identifying suitable technology and service providers to help enhance payroll operating models
- Improving and transforming payroll operating models to reach next-level maturity for established operations
- Supporting organizations to navigate the optimal employee experience with leading practice payroll services
- Developing a real-time payroll data analytics environment that broadens the entire business’s view of insights to allow greater understanding of payroll service delivery and costs related to the delivery of payroll to your employee.

⁴ 2021 Remote and Multistate Payroll Reporting Survey Report, KPMG LLP

Contact us

Contact us to learn more about how we can help.



Brock Solano
Managing Director
Human Capital Advisory
KPMG LLP
T: 858-750-7063
E: bsolano@kpmg.com



Dimitris Papageorgiou
Principal
Human Capital Advisory
KPMG LLP
T: 704-335-5300
E: dimitrispapageorgiou@kpmg.com



Michele Blumreich
Director
Human Capital Advisory
KPMG LLP
T: 678-855-1504
E: mblumreich@kpmg.com

Special thanks to Alexandre Dong, Suzie Morgan, and Caroline Bulf for their contribution.

Some or all the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

[kpmg.com/socialmedia](https://www.kpmg.com/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. NDP375319-1A