

Adjusting to the Gig Economy and the Future of Pay

NY APA Presentation



June 13th , 2019 | 605 3rd Ave NYC

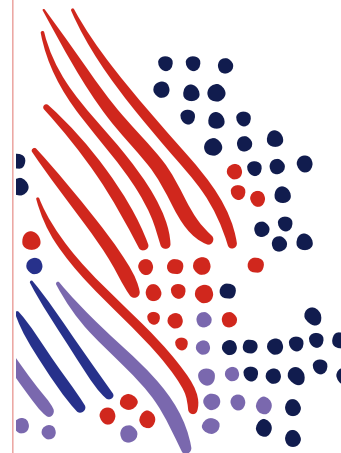


Always Designing
for People™

Agenda

Adjusting to The Gig Economy and The Future of Pay

- Introductions
- The Rise of the Gig Economy
- The Enterprise Adoption of Freelance Management Systems
- Compliance Considerations to Manage Misclassification Risk
- Millennials and Gen Z
- Early Access to Pay, Financial Wellness and Payment Apps
- Mobile Strategy

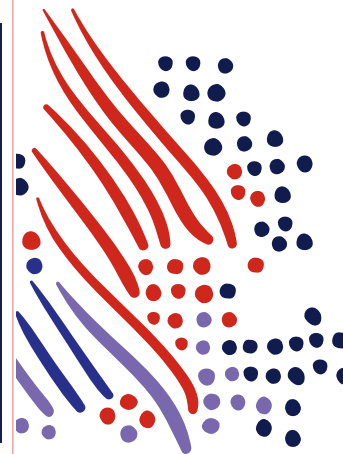
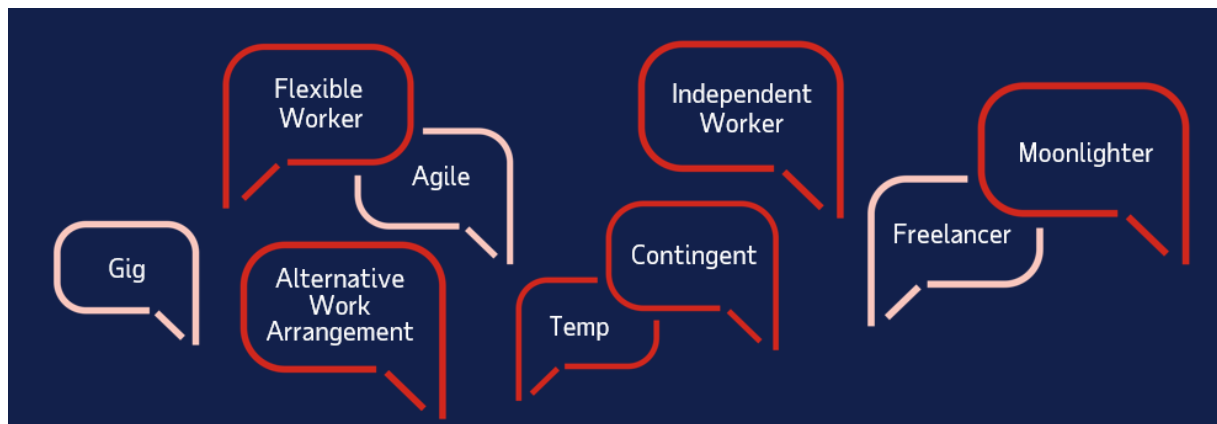


What is the GIG Economy?

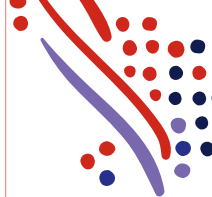
The Gig Economy is Reshaping Careers for the Next Generation *Forbes

Since the term “gig economy” was popularized around the height of the 2008-2009 financial crisis, task-based labor has evolved and has become a significant factor in the overall economy.

- Is it new or not?
- Are we already taking part?
- What is our trend?
- Is there opportunity?



Trends in Workforce Management: The Gig Economy



55M

The Bureau of Labor Statistics reported that 55 million people in the U.S. are “gig workers”

- That’s more than 35% of the U.S. workforce
- That number is projected to jump to 43% by 2020

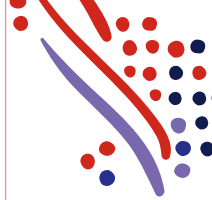
162M

McKinsey Global Institute

Up to 162 million people in Europe and the U.S. – or 20% to 30% of the working-age population – engage in some form of independent work

Source: McKinsey Global Institute, “Independent Work: Choice, Necessity, and the Gig Economy,” 2016

The people side.....why are more freelancing?



The average length
in job is
4.2 years

What was it in 1980?

Millennials
stay in job for 2 years

What was it for 16-25
year-olds in 1980?

25-30%
of labor force is
on-demand

What was it in 1980?

75%
of on-demand
workers are
happy

Uber

is less than **1%** of
on-demand labor force



May 2017

- 5.9 million contingent
- 10.6 million IC
- 4.9 million Other Agile

14%



57.3 million
did independent work in 2017

- 47% of those that freelanced are millennials
- 69% of freelancers prefer to traditional employment
- 6,000 respondents

37%

McKinsey & Company
MCKINSEY GLOBAL INSTITUTE

31-46 million
independent workers

- 30% Happy full time IW
- 14% Unhappy full time IW
- 40% Happy moonlighters
- 16% Unhappy moonlighters
- 8,000 respondents

20-30%

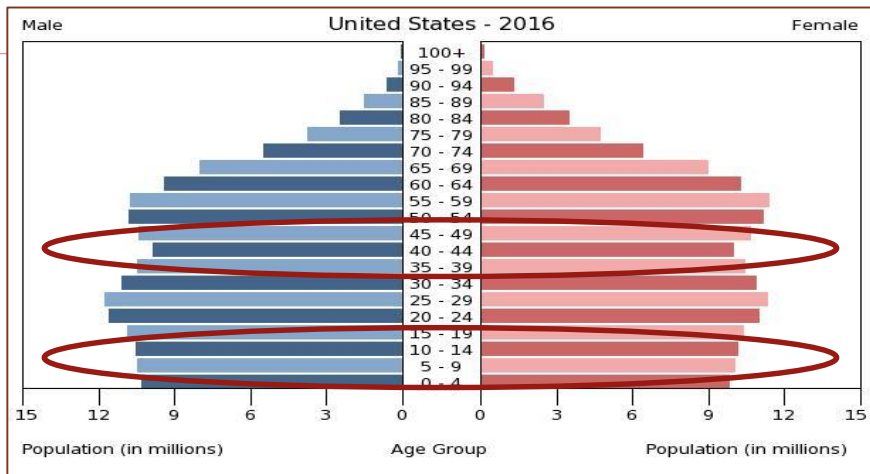
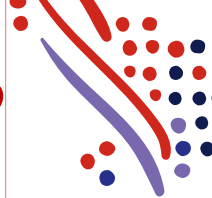


41 million
independent workers

- Full time: 40%
- Part time: 29%
- Occasional: 31%
- Satisfied with employment: 77%
- 16,000 respondents

27%

The Business side.... Why should employers care?



Source: CIA World Fact Book, October 2016

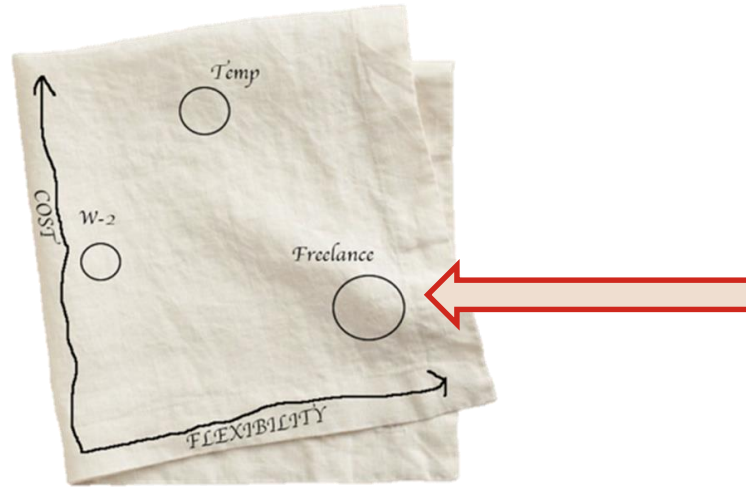
Looming challenge:

- *How do I transform my workforce?*
- *How do I scale in a more efficient way?*
- *How I remain compliant?*

- “Hour glass” workforce
 - Aging workforce
 - “Sandwich generation” – single employees with dependents
- Declining availability of 18 – 24 year olds and college graduates
- Diversity – requires flexibility
- Blending of Work-life and Personal-life
- Impact: 6.9* million unfilled job openings

Source: BLS JOLT Data through Nov. 30, 2019, released on Jan. 8, 2019

Why employers are increasing use



Meeting **talent** where they are

More **flexible** labor model

Expansion by Product/GEO/Skill in **low cost** way

Certain industries and work streams have already converted
...**Stay competitive**

Increase SLA and coverage

100% **utilization** of labor resources

C-Suite perspectives

“Shadow workforce”

From office of the **CHRO**

“Rogue spend”

From office of the **CFO**

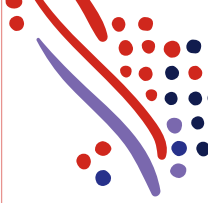
“Risk to our brand”

From office of the **CMO**

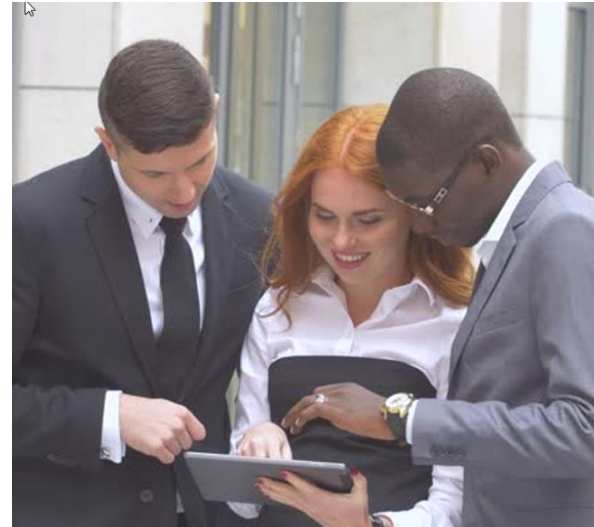
“Competitive weapon....”

From office of the **Dept. Leaders**

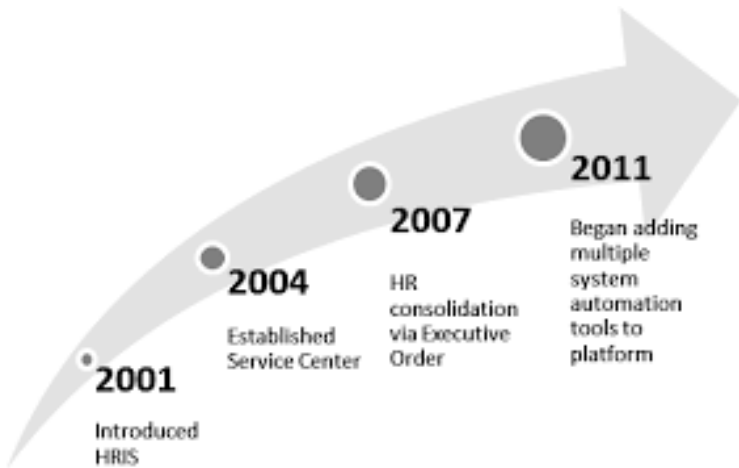
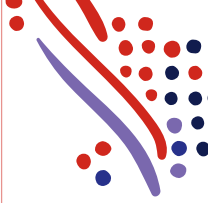
Process Challenges



- No visibility into Vendor processes
- No visibility into Vendor workers selected
- No visibility into process or status updates
- No communication with workers
- No vendor performance data
- Lengthy, disorganized vendor payment process
- Cost is hidden in Departmental budgets
- Decentralized enforcement of standards such as certifications/qualifications



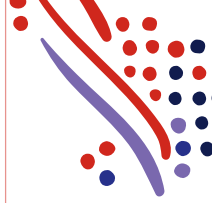
HR lessons from the past



The same reasons organizations centralized HR and PR translates to

- Rogue Spend
- Shadow Workforce
- Compliance consistency

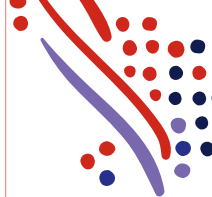
Key Questions



- Are you aware of your contingent labor spend?
- How does your current approach to managing contingent labor bring cost or risk to your organization?
- Is there a company policy on the use of freelancers? How do you enforce it?
- How do you enforce policies, such as requirements for certifications, NDA, background check, or skills assessment?
- How are freelancers paid? Are there checks and balances? Is there consistency? Is there traceability?



Employee or Independent Contractor?

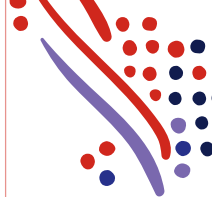


- **From a legal perspective**, it is irrelevant whether gig economy workers prefer the freedom and benefits of an independent contractor/consulting/freelancing relationship to a traditional employer-employee relationship
- **Worker classification is always a legal determination, not a matter of contract or a matter of private agreement**, yet agreements may be helpful
- **Determinations are extremely fact-sensitive**, and often are based on the totality of particular (and sometimes unique) circumstances



- Businesses in the gig economy (all businesses) need to consider their unique risk factors and all applicable laws
- Consult with experienced counsel

Employee or Independent Contractor?

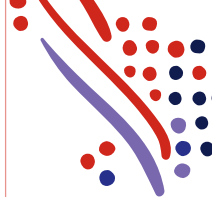


Depends on the nature of the work

- **Employee** -- When the work is considered integral to the business and the worker relies on the business for steady income, gives up elements of control and independence, is eligible for certain benefits and works within constraint of workplace
- **Independent Contractor** – when the work is temporary and non integral; and the worker does not rely on the business as the sole source of income, works at his or her pace (may be defined by an agreement), is ineligible for employer provided benefits and retains control and independence
- U.S. Federal and State **statutes and regulations apply** (also international laws)

Key Questions

- What is the degree of control over work and who exercises that control?
- What is each party's level of loss in the relationship?
- Who has paid for materials, supplies and/or equipment?
- What type of skill is required for work?
- Is there a degree of permanence?
- Is the worker an integral part of the business?



Different Legal Tests May Apply (not exhaustive list)

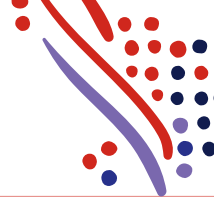
Federal

California

- Various tests may be used
- IRS 20-factor common law test
 - Behavioral control
 - Financial control
 - Type of relationship
- EEOC test
 - 15-factor test
 - <https://www.eeoc.gov/policy/docs/threshold.html>
- DOL test
 - No single rule or test
 - The “total activity or situation” controls

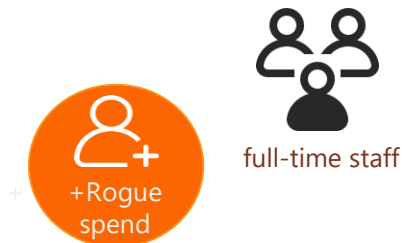
- *Dynamex Operations West, Inc. v. Superior Court* (April 30, 2018)
- Under the “**ABC**” test, a worker is an independent contractor only if the hiring entity establishes:
 - (A) That the worker is **free from the control and direction of the hirer** in connection with the performance of the work, both under the contract for the performance of such work and in fact;
 - (B) That the worker performs work that is **outside the usual course of the hiring entity’s business**; and
 - (C) That the worker is **customarily engaged in an independently established trade, occupation, or business** of the same nature as the work performed for the hiring entity

Workforce Transition



OLD WORKFORCE MODEL

High fixed cost +
Rogue freelancer spend



HYBRID WORKFORCE

More flexible + variable
but non-scale, non-managed



freelancers



small business
vendors

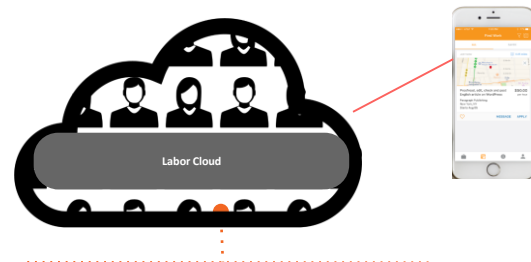
&



full-time staff

AGILE WORKFORCE

Automated + Scalable + On-Demand



*Employees + vendors + Agencies + Freelancers
+ Contractors + Alumni + Interns + IoT + etc*

Evolution of Work – FMS, Freelance Management Systems are available

STEP 1

Organize

Total Talent Ecosystem



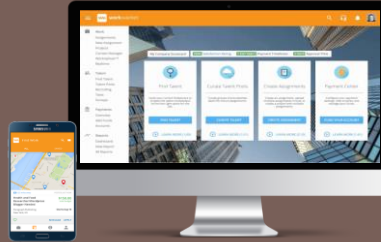
(Employees + Vendors + Contractors +
Freelancers + Alumni)

Intelligent and Compliant
Labor Clouds

STEP 2

Engage

Optimal labor Mix



Engage Qualified Freelancers through
Text, Email, or App to Market and Award
Work

STEP 3

Pay

Processes and Analytics



Workflow Automation
Tools and Analytics

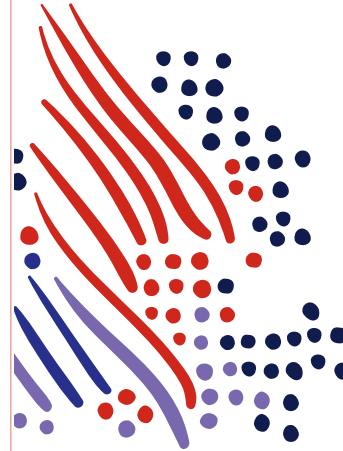
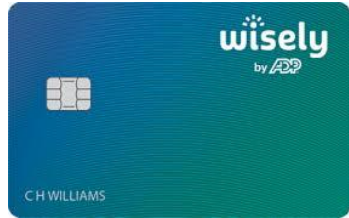
Bottom-line: The Future of Work

- Growth of Gig Economy
- Emergence of Agile Orgs
- Labor Shortage
- Need to source Independent Contractors / Freelancers from talent pool to fill talent gaps



Organizations will evolve to agile structures and demand support for a contingent workforce

The Evolution of Pay



Evolving | The Future of Pay

Contingent



**Effortless for employers
and their workers**

Employer Efficiency. Quickly and efficiently pay both direct employee & contingent workers (contractors, 1099, etc.)

Worker Experience. A similar pay experience for direct employees and contingent workers

Access



Multiple Methods for Pay

Immediacy. Access to pay as soon as it's earned; immediate spending power when pay is provided

Adaptability. Pay on cards, mobile devices

Accessibility. Cash access, sub-accounts, funds transfer

Portability. Multiple sources of funds (additional employers, pension, tax refund, etc.); use across jobs

Engagement



Financial Planning Tools

Worker financial wellness
and retention

Save. Ways to save or set aside pay for future needs or planned purchases

Budget. Assistance managing funds and spending

Guide. Insight and tools to manage money, plan a financial future

Evaluate. Visibility into spending, cash access, payments, and spending habits

The Way We Work & Pay Has Changed.....



Cashless Society



Understanding the Unbanked and Underbanked

How many are there?



Unbanked

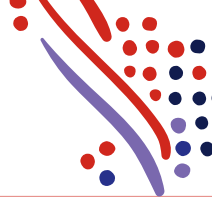
Households which don't have a checking or savings account.



Underbanked

Households have a banking account but also obtained financial services and products outside of the banking system.

Daily Pay



With 78% of all Americans living paycheck to paycheck, employers that offer a benefit that contributes to financial wellness and security will be more favorable to employees. That's why daily pay benefits are becoming mainstream, and employers are already seeing impressive results
HR Technologist.



Improves employee retention and engagement



Cost can be employee or employer paid, or combination



Does not require funding by the employer

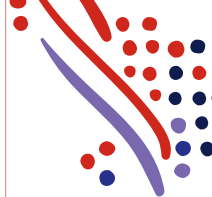


Employees utilize benefit, only if and when needed



Several structuring alternatives to fit what is best for your company and employees

What does this mean for employers?



Attracting talent is an increasing challenge

- Record employment rates
- Shifting priorities and values among workers
- **Dynamic** shift in workforce composition

The world of work and pay is changing

- Next Gen Workers have different demands
- The gig economy presents new challenges for employers and 1099 workers
- **Never before have so many generations been in the workforce**



Each Generation Created Their Own Dynamic in the Workforce

Common Generational Names in the U.S.



late 90s to 2010s
Gen Z, iGen, or Centennials



1980 to late 90s
Millennials or Generation Y



1965 to 1979
Thirteeners or Generation X



1900 to 1924
G.I. Generation



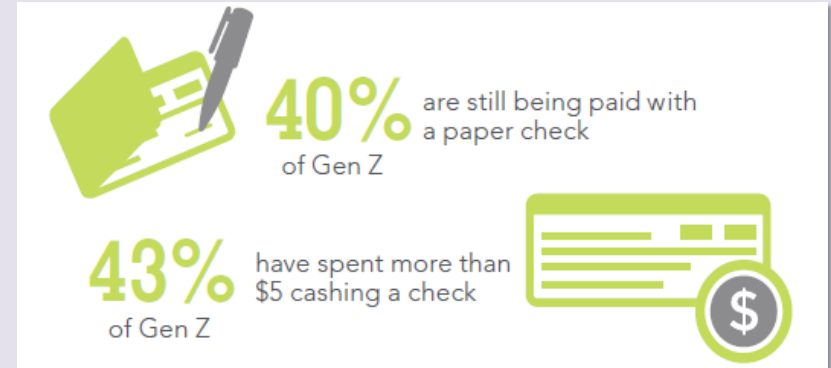
1925 to 1945
Traditionalists or
Silent Generation



1946 to 1964
Baby Boomers

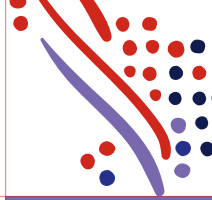
ThoughtCo.

Millennials are shaping the future of worker pay



This information is based on research results from a new national study by ADP. The study was based on research results from a new national study by Global Cash Card conducted in April 2017 with 1,025 U.S. citizens ages 16-65 who have been employed in the U.S. in the past 6 months and have an annual household income of less than \$75,000. The sample has a margin of error of +/- 3.1% against the U.S. Population.

The Virtual Bank



Financial Wellness

- Control over day-to-day, month-to-month finances;
- Capacity to absorb a financial shock;
- On track to meet your financial goals
- Financial freedom to make the choices that allow you to enjoy life

Source: CFPB https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf



Financial Wellness

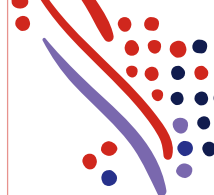
A person wearing blue overalls and black gloves is working on a red server rack. The person's hands are visible, one holding a white cloth and the other reaching into the rack. The rack contains various electronic components and cables. The background is slightly blurred, showing more of the server environment.

*An estimated 6.5 percent of U.S. households were “**unbanked**” in 2017, meaning that no one in the household had a checking or savings account. This represents approximately 8.4 million U.S. households composed of 15.1 million adults.*

*An additional 18.7 percent of U.S. households (24.2 million) were “**underbanked**” in 2017, These underbanked households were made up of 50.9 million adults and 15.4 million children*

FDIC 2017 Survey

The Unbanked and Underbanked



Unbanked ee's spend \$800 annually to access their pay

Underbanked ee's spend \$40 monthly to have a checking account (\$480 annually)

The infographic is divided into two columns. The left column is titled 'Unbanked' and describes households that do not have a checking or savings account. The right column is titled 'Underbanked' and describes households that have a banking account but also obtain financial services and products outside of the banking system. Both columns feature a bank icon with a dollar sign above it.

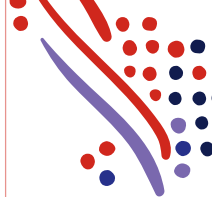
Understanding the
Unbanked and
Underbanked

How many are there?

Unbanked
Households which don't have a checking or savings account.

Underbanked
Households have a banking account but also obtained financial services and products outside of the banking system.

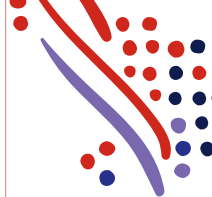
Pay as a Perk



Pay, in the form of compensation, has an obvious impact on talent recruitment and retention. **Nearly all employers recognize that this is more far-reaching than pay itself and extends to pay as a perk.**

ADP Research Institute

Pay as a Perk



When making a decision to accept a job offer, employees say ...

the ability to
select pay frequency
would make a
difference.



the ability to have
early access to
earned wages would
make a difference.



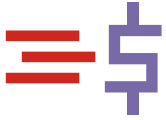
the ability to
receive same day
pay would make a
difference.



Security, Speed and Flexibility



- **Security** is key (60% of respondents)
 - 3rd party data security risks



- **Speed & Flexibility**
 - Off-cycle payments
 - Ability to choose frequency
 - Fee for early access to pay

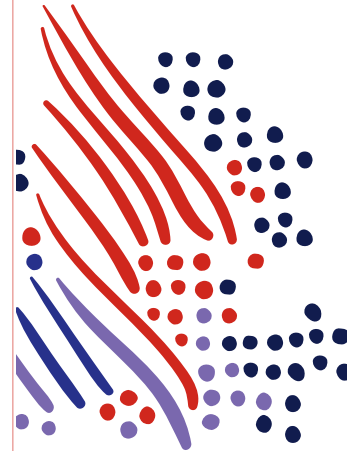


60% of employees said the ability to select pay frequency, same day pay, early access to pay, or paycards would make a difference in whether or not they accepted a job



Profiles & Perspectives

- Millennials and Next Gen Workers
- 1099 Workers
- High Income Workers
- Hourly Wage Employees
- Parents



Millennials & Next Gen

- Prioritize speed
- Mobile & Digital
 - Millennials - “Tech Dependent”
 - Gen Z - “Tech Savvy”
- Less likely than older workers to use bank accounts or credit cards
- Desire off-cycle pay
- Consider payroll and retirement plan providers equally trustworthy for financial advice
- Willing to share information with payroll provider to get money advice



1099 Workers

- Struggle to collect payments in a timely manner
- Prioritize reduced steps & cost to use/access pay
- Find same day pay and choice of pay frequency particularly appealing
- Financial wellness challenges: managing taxes & timely payment



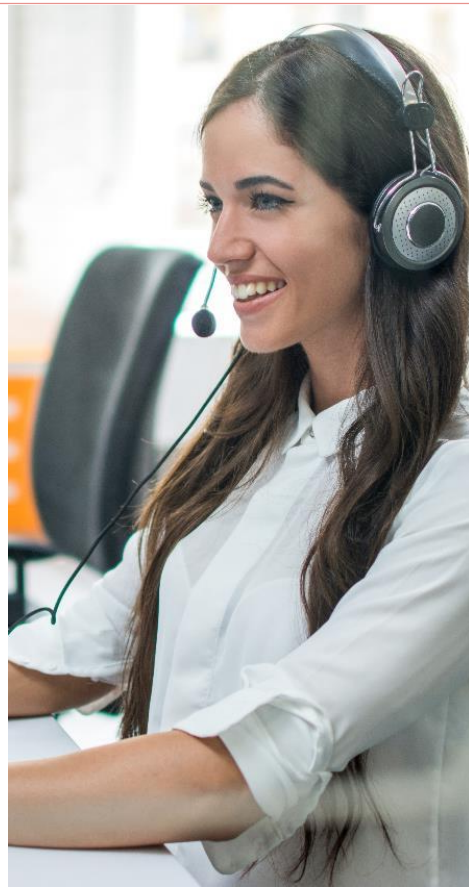
High Income Workers (\$75K+)

- Would pay a fee for early access to pay just as often as those earning less money
- Less likely to use early access for emergencies or unexpected situations
- Trust financial advisors and retirement planners most for financial wellness



Hourly Workers

- More stress on payday
- More likely to review paycheck details
- Place less trust in financial advisors, retirement plan providers, and their employer for financial wellness advice
- More likely to say same-day pay would impact their decision to accept a job

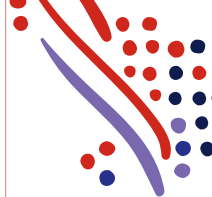


Parents

- More stress on payday
- Interested in early access to pay for emergency/ unexpected expenses
- Those with kids under 18 have a greater interest in alternate pay options and financial wellness support



Financial Wellness



Financial wellness is a top priority for employees, and they increasingly welcome the role of their employer in providing tools to help them better manage their finances.

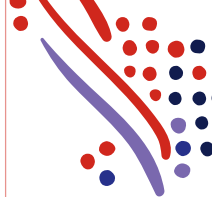
90% of younger workers say they would share personal information with a payroll provider in order to receive money management advice.



35% of millennials say budgeting and savings tools provided by an employer would make a difference when considering a job offer.



Employee Attitudes About Financial Wellness



85%

Indicated financial wellness was important to overall well-being

74%

Wanted to work for an employer who cares about their financial wellness

72%

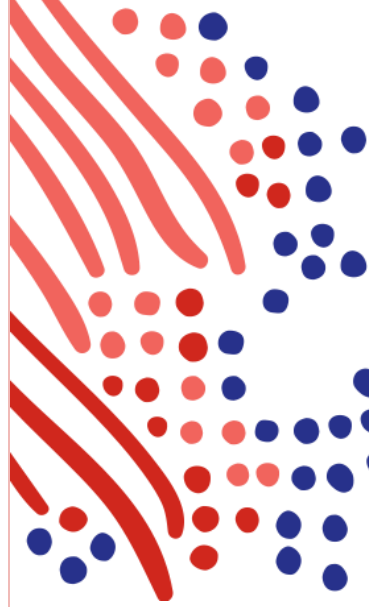
Say employers should take an interest in their financial well being

73%

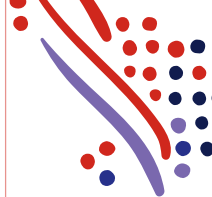
Of younger workers say they would share personal information with a payroll provider to receive money management tips/best practices



Research Conclusions



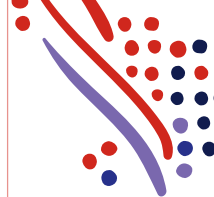
Pay has a deep influence & impact on workers



- Impacts recruiting, retention & performance
- Can help address the demands of evolving work models
- Needs to evolve to meet the needs of next gen workers



Secure, fast & flexible pay choices have a broad appeal



- Flexible options for pay and early access appeals to a diverse demographic
- Early pay access is attractive to hourly, 1099 and high wage earners
- Employers and employees both agree that promoting financial wellness can boost performance & attract talent



The Future of Pay

TODAY

81%

Of lower income Millennials feel incapable of managing their finances on their own

84%

Of workers say they'd do more gig work if they got paid faster

50%

of Lyft drivers took "instant" pay in the first 9 months of the offering

TOMORROW

92%

Employers will expand their financial well-being programs beyond retirement

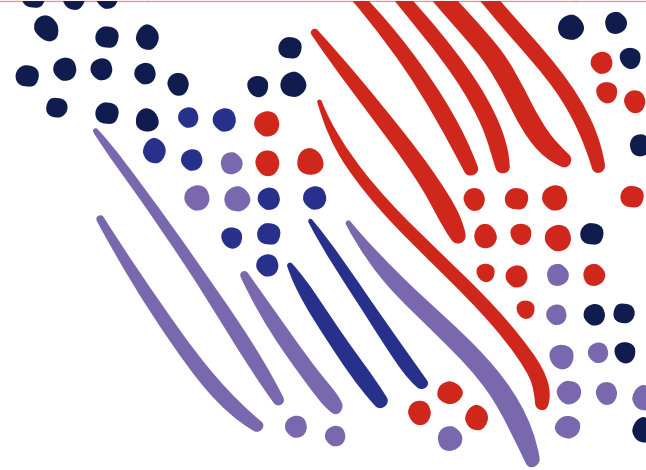
57%

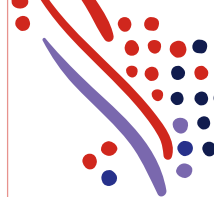
Believe employees will be paid in real-time based on their work contribution

50%

Gen Z would turn down a job if they were unable to choose their payment method

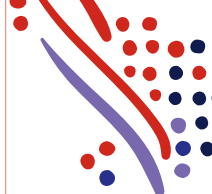
Mobile Strategy





- 5 Billion Smart Phone Users Globally
- 560 Million In The US

By 2020, Millennials (those born between about 1980 and 2000) are forecast to comprise half of the American workforce, and by 2025, 75 percent of the global workforce. Companies including Ernst & Young and Accenture have already reported that Millennials make up over two thirds of their entire employee base. Peter Economy, “The Leadership Guy”



INDUSTRIES ▾ SERVICES & SOLUTIONS ▾ RESOURCES ▾ ABOUT US ▾

23
AUG

Only One in Five Companies Has a Well-Defined Mobile Strategy in Place

📁 GENERAL



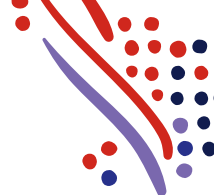
CONSUMER OMNICHANNEL EXPERIENCE, MOBILE MARKETING STATISTICS, MOBILE COMMERCE, MOBILE STRATEGY

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Asurion Study November 2018



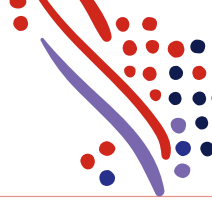
- **American check their phone on a average of 80 times a day.**
- **"Smartphones have become the remote control to our lives, not only storing our contacts, calendars and photos but also serving as the main operating hub for people. So, when your device is lost, stolen or broken or simply isn't connecting correctly, it can have an immense impact on your daily life," said Bettie Colombo, Asurion spokesperson.**
- **Asurion found that the average person struggles to go little more than 10 minutes without checking their phone. And of the 2,000 people surveyed, one in 10 check their phones on average once every four minutes**



- Flexible and Scalable
 - Secure
 - Easy To Use
 - Be Fully Mobile Not HTML5
-
- ***“Increased Accessibility to Mobile Applications to Drive HCM & Payroll Market” Research Market Report June 2018***

6 Human Capital Management (HCM) Trends That Will Dominate 2019

Technologist 1/2019



- AI and Machine Learning
- Blended Workforce
- Integration and Collaboration
- Increase Focus On Compliance (Pay Equity)
- Mobile First Approach

**<https://www.hrtechnologist.com/articles/performance-management-hcm/6-hcm-trends-that-will-dominate-2019/>



FREE WEBINAR

The Mobile and Texting Employer

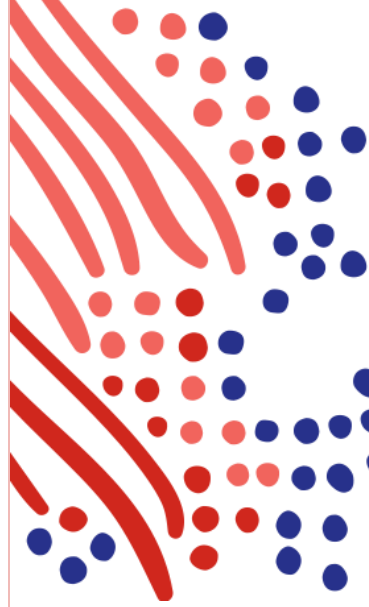
Learn how to increase candidate and employee engagement



Did you know that by texting candidates and employees you can get response rates 357% higher than email? Join us to learn:

- *Why mobile and text message are key for recruitment, HR, and employers*
- *Strategies for using text messaging to accelerate time-to-hire and achieve HR goals*

Questions and Answers



Thank you for attending!



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