



**Rewards for Contingent Talent**  
May 2017

# Agenda

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- Introductions
  - Contingent Workers: Background
  - Rewards Strategy Concepts & Alternatives
  - Global Tax Compliance Implications
  - Questions
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# Introductions

# Introductions

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**Global Contingent Talent**  
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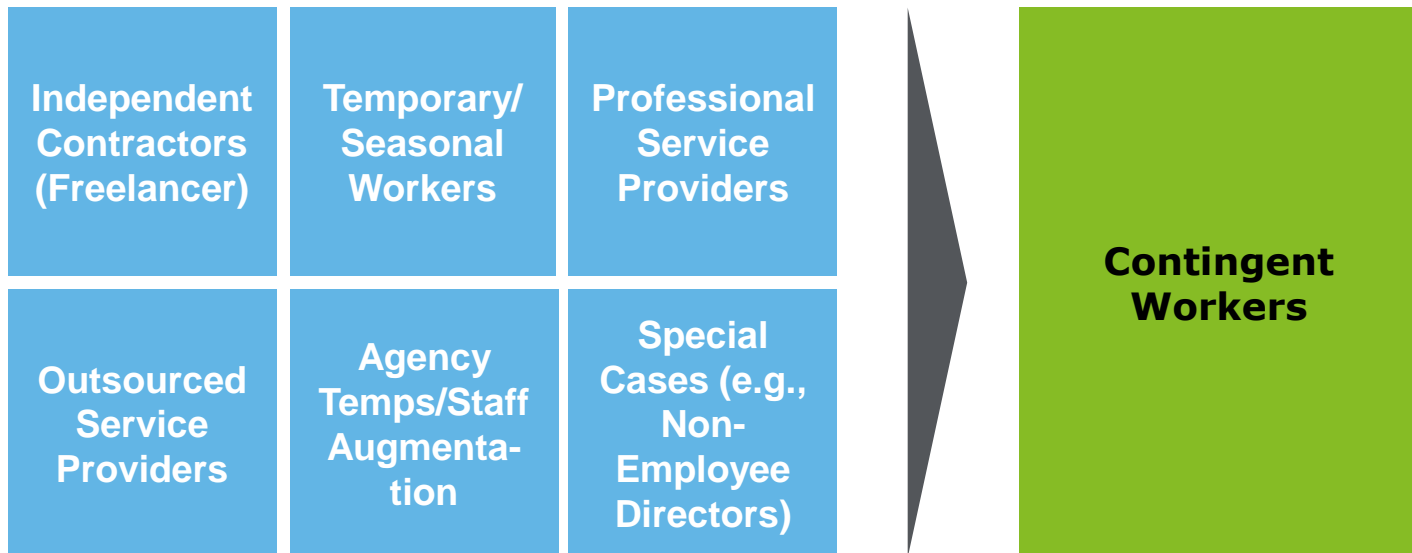
# Contingent Workers: Background

# What is a Contingent Worker (CW)?

Contingent workers are:

- Temporary workers, independent contractors or part-time workers<sup>1</sup>
- Engaged on a short-term basis; in a work arrangement that is not long-term or year round<sup>1</sup>
- Anyone engaged by the company that's not an employee

“Contingent worker” serves as an umbrella term for several types of workers, for instance:



1. General Accounting Office, 2007. Employee Misclassification: Improved Outreach Could Help Ensure Proper Worker Classification. GAO-07-859T. Washington, DC.

# Employee vs. Non-Employee: USA

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The **three key categories** to determine CW classification are:

- Behavioral
- Financial
- Relationship

## Employee



Individual's tax is withheld via payroll



Year-end wage statement (e.g., W-2)



Employee rights (e.g., protection from dismissal, right to parental leave, discrimination protection)

## Non-Employee



Individual is personally responsible for taxes

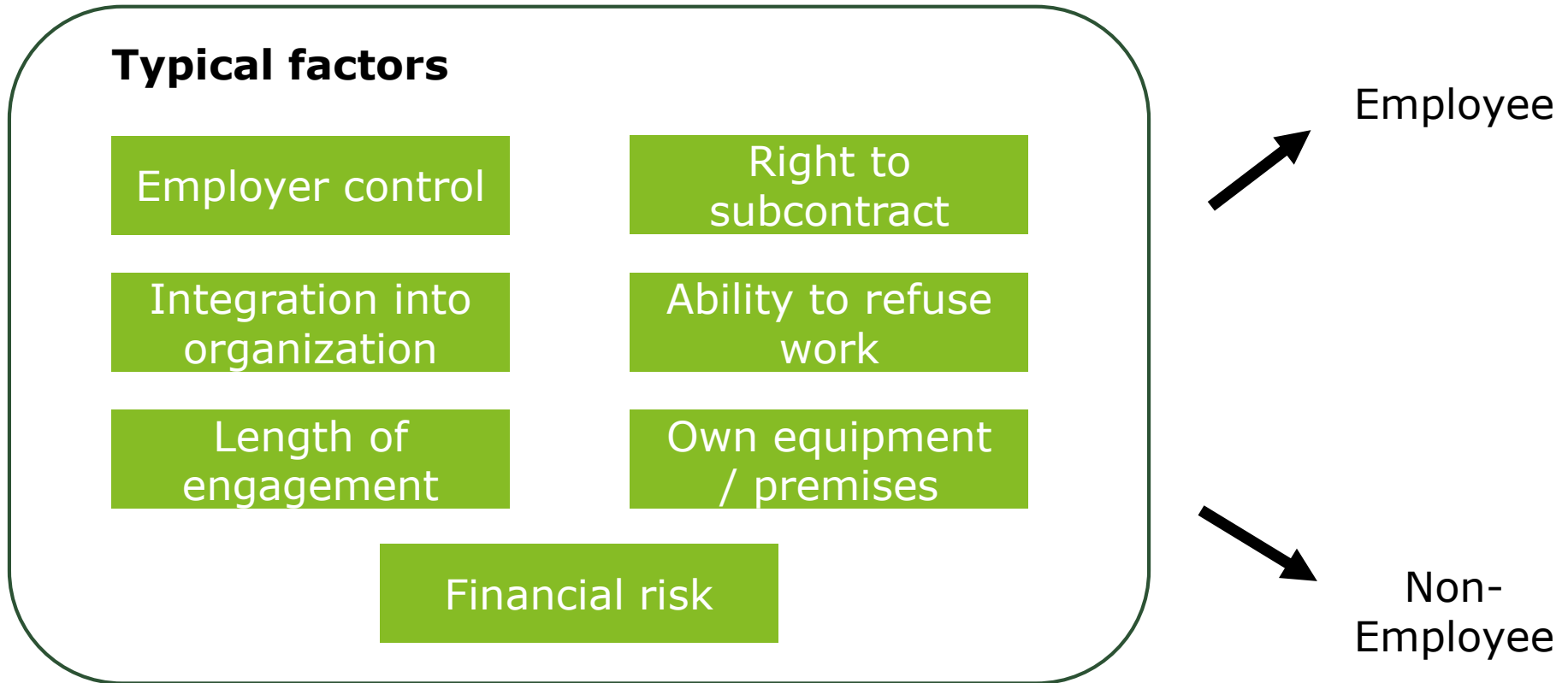


Year-end Form 1099 reporting in the United States



Limited worker rights

# Employee vs. Non-Employee: Global



Determined by...





# Rethinking Talent

Organizations are reframing the way they think about **talent** – workers are more than ever an asset, **not a commodity**, that helps to realize business objectives.

CLOSED



## OPEN TALENT ECONOMY CONTINUUM

OPEN

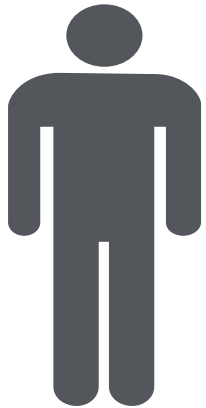


Balance Sheet Talent	Partnership Talent	Borrowed Talent	Freelance	Open Source
Full-time statutory employees of your organization. You bear all the carrying costs of these employees.	Employees that are part of a partnership or joint venture that are on a related balance sheet.	Employees who are part of your value chain or ecosystem but who reside on someone else's balance sheet, such as contractors who work in support roles.	Independent workers you hire for specific but temporary projects	People who provide services for you for free, either independently or part of a community – for example, those who answer questions about your products on the web in an open source help function.

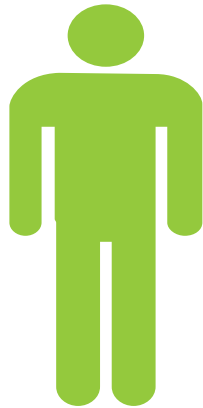
# Global Trends and Forecast

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The use of contingent workers continues growing rapidly in what has been deemed “the gig economy.”<sup>1</sup>



In **2010**, about **10%** of workers globally were contingent workers.



In **2013**, about **27%** of workers were contingent workers.

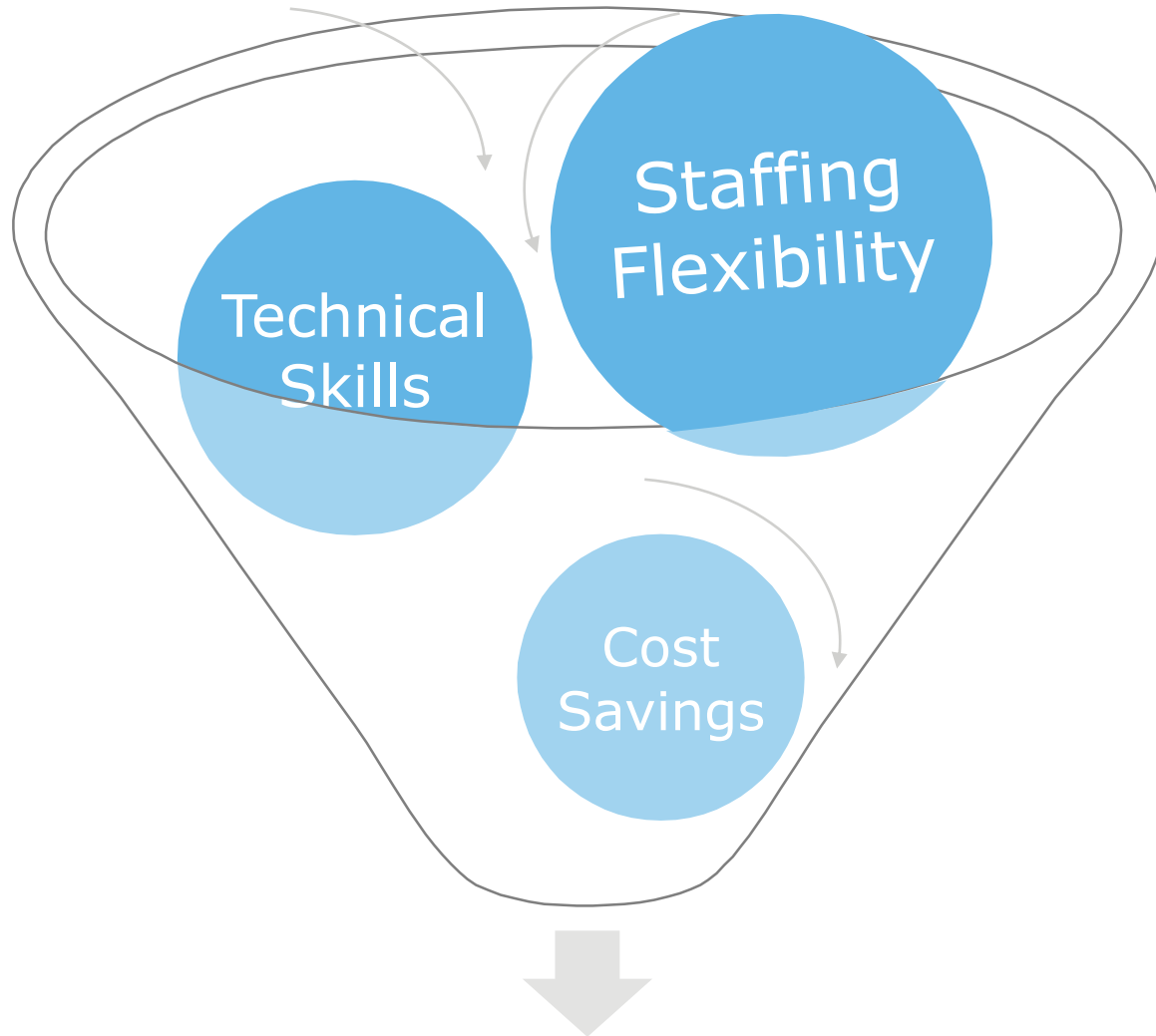


In **2018**, an estimated **40-50%** of workers will be contingent workers.

1. Williams, Eric S. "Mitigating and Managing Risk: Contingent Labor: What C-Level Executives Should Know."

# Why Engage Contingent Workers?

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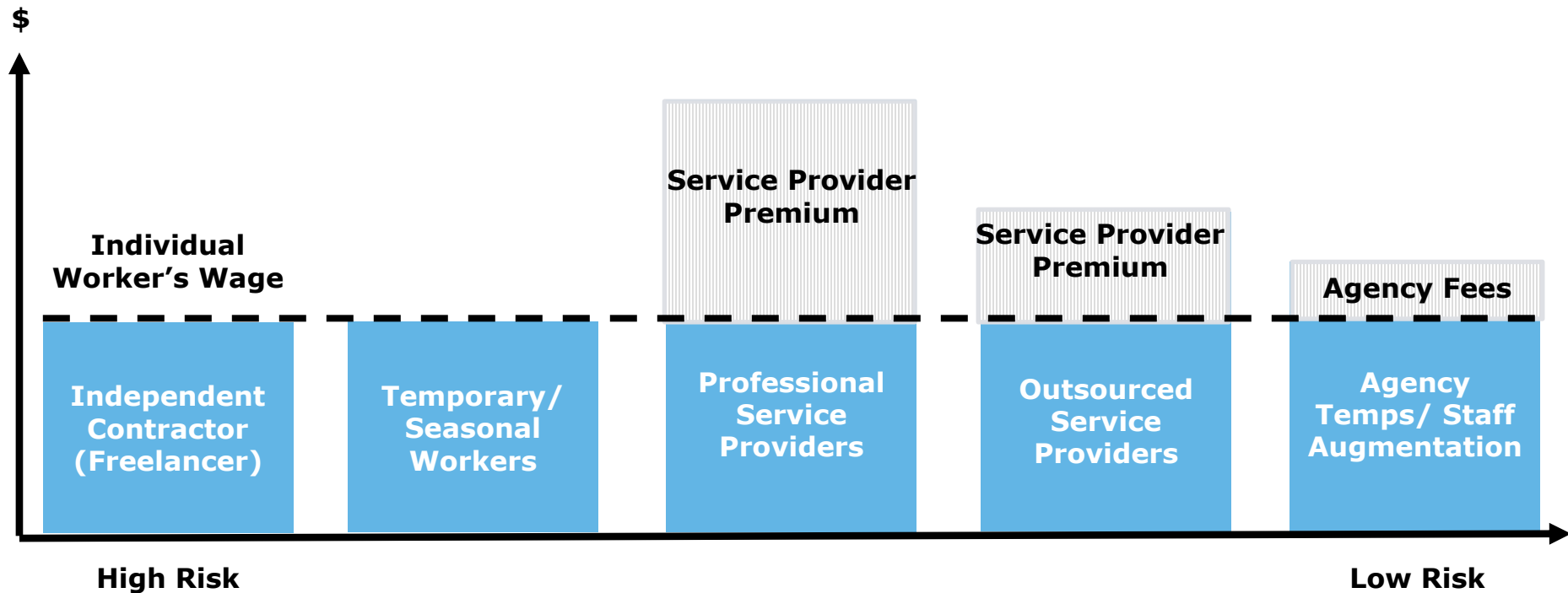


**Engagement of Contingent Workers<sup>1</sup>**

1. Emsight International, LLC. "Spot Survey of Contingent Talent." March 15, 2017.

# Risk vs. Cost

Businesses evaluate the trade offs between risk level and costs while making hiring decisions.



# Rewards Strategy Concepts & Alternatives

# Rewards Strategy Concepts and Alternatives

## Employee Base Salaries are Largely Similar<sup>2</sup>

Less than 20% of employers reported that the hourly wage cost of contingent workers is lower than that of regular workers.

## Agency and Service Provider Premiums Increase Employer Costs<sup>1</sup>

Majority of employers indicated that the hourly billed rate for agency temps is higher than the hourly wage rate for regular workers.

Contingent workers' total compensation is reduced due to fewer hours and lack of benefits, but are willing to trade compensation for...  
**Flexibility!**

## Millennial Work Habits Fuel the Drive Towards Greater Flexibility<sup>2</sup>

Millennials say that flexible working arrangements support productivity and employee engagement while enhancing their personal well-being, health, and happiness

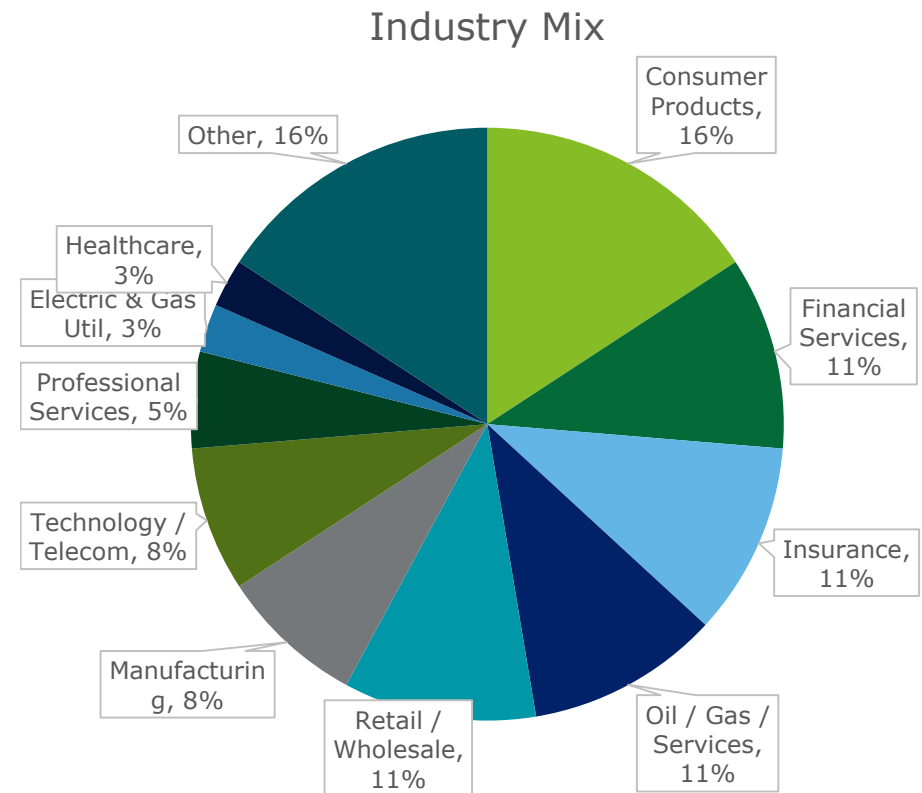
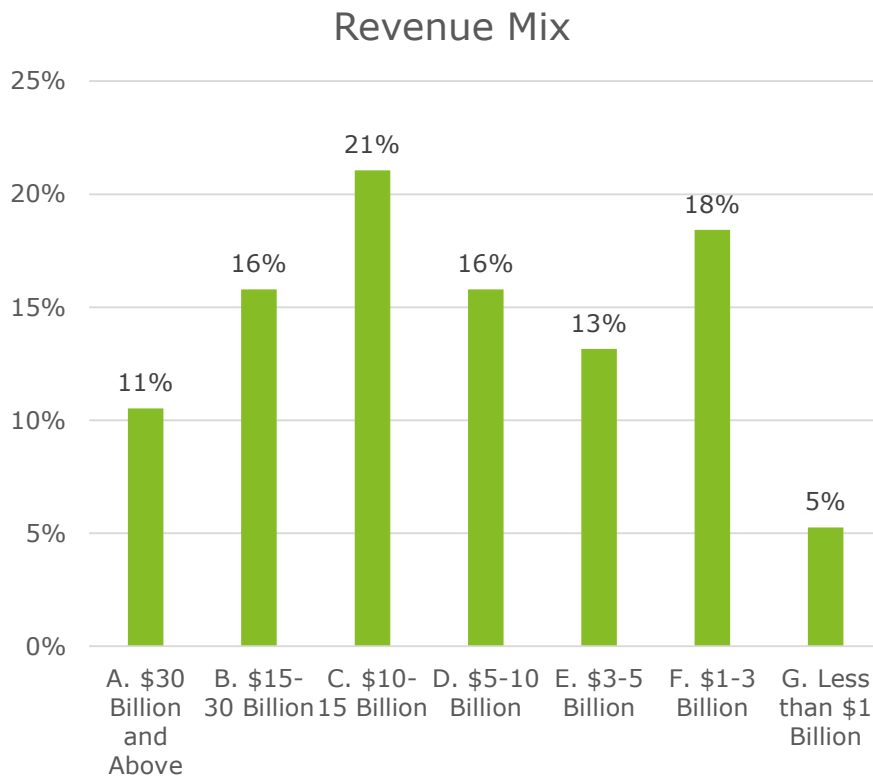
## Employers Lower Costs by Restricting Benefits<sup>1</sup>

Over 40% of contingent workers have no health insurance.

1. Ferber, Marianne A., and Jane Waldfogel. "The Long-Term Consequences of Nontraditional Employment." *Monthly Labor Review*, May 1, 1998.
2. Houseman, Susan N. "Temporary, Part-Time, and Contract Employment in the US: Report on Survey on Flexible Staffing Policies." <https://pdfs.semanticscholar.org/795e/f1242ee54c6e2a7816eb61655c2a825f2a7c.pdf>.

# Contingent Worker Spot Survey: Overview

The Spot Survey of Contingent Talent was administered by Empsight International and surveyed over 30 multinational firms regarding their contingent talent management practices.

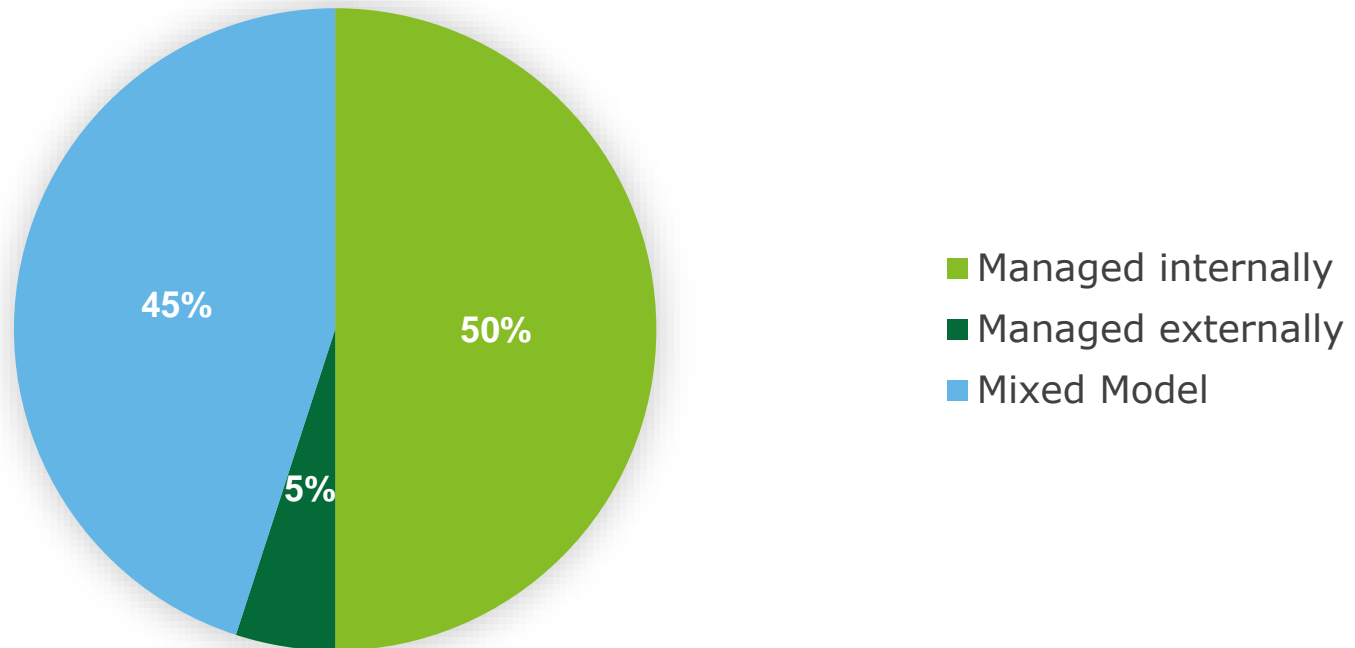


1. Empsight International, LLC. "Spot Survey of Contingent Talent." March 15, 2017.

# Companies Dedicate Resources Internally to Manage Contingent Talent

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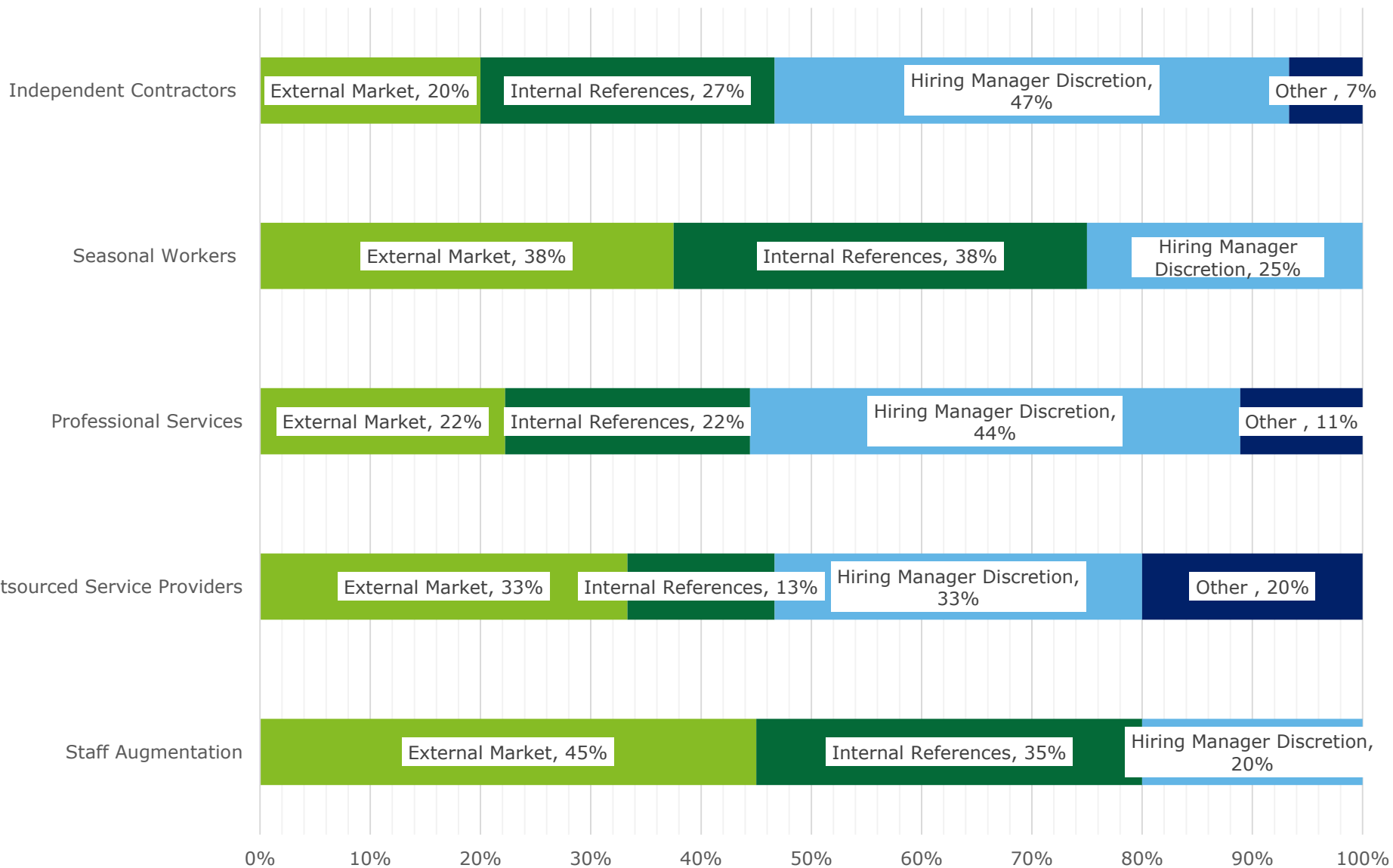
Is your contingent talent program managed internally, externally or a mixed model?



1. Emsight International, LLC. "Spot Survey of Contingent Talent." March 15, 2017.



# How is the Pay Rate for Contingent Workers Determined?



1. Emsight International, LLC. "Spot Survey of Contingent Talent." March 15, 2017.

# Use of Contingent Worker Category Varies Across Functions & Departments

Which are the top organizational functions or departments that make the most use of each category of contingent workers? (Ranked in order of most to least)



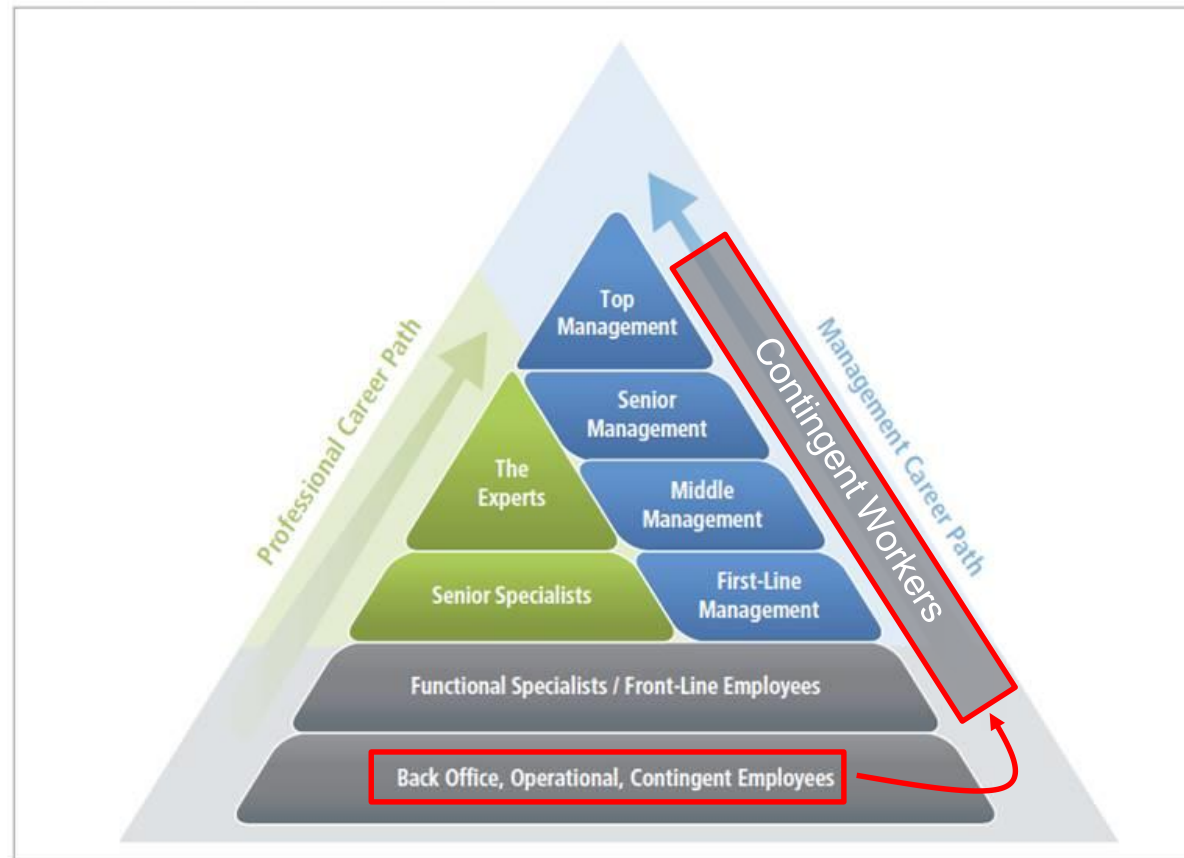
	Function	Temp / Seasonal	Staff Augmentation	Independent Contractors	Consultants / Professional Services	Outsourced Service Providers
1	IT			√	√	
2	Administrative Support	√	√			
3	Finance/Accounting	√	√		√	
4	Engineering		√		√	
5	Sales/Marketing	√	√			
6	Operations/Manufacturing	√	√			
7	HR	√	√		√	
8	Legal		√		√	
9	Supply Chain/Distribution	√	√			

1. Emsight International, LLC. "Spot Survey of Contingent Talent." March 15, 2017.

# Contingent Worker Talent Pyramid

Contingent workers were traditionally perceived as being located on the base of the talent pyramid.

Figure 1: The Bersin by Deloitte Career Pyramid



Source: Bersin by Deloitte, 2013.

# The Coca-Cola Perspective on Contingent Workers<sup>1</sup>

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1. <http://www.coca-colacompany.com/press-center/image-library/coca-cola-store-orlando-couple-toasting-on-rooftop-bar>  
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# Compliance Implications

# Impact of Misclassification

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## Tax

Payroll tax liability

Penalties

Interest

## Legal

Employment rights

Entitlement to  
benefits

Flexibility to hire,  
fire, and relocate

## Reputational

Relationship with  
individuals

Corporate public  
image

# Legal Landscape Surrounding Contingent Workers

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# CW Trends: Bridging the Compliance Gap

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## Regulatory environment

- IRS increased budget on investigating worker misclassification by 30% in 2015.<sup>1</sup>
- Employment status recommended as “high priority” for allocating UK tax enforcement resources.<sup>2</sup>



## Internal environment

- Legal & regulatory uncertainty is no.1 contingent worker challenge for employers.<sup>3</sup>
- Only 19% of HR leaders believe their businesses understand labor laws for contingent workers.<sup>3</sup>

1. “Contingent Labor Management: Strategies and Solutions for a Flexible Workforce”, Aberdeen Group, April 2015

2. Office of Tax Simplification Employment Status Report, 2015

3. Deloitte Global Human Capital Trends Report, 2016



# Questions?



## About Deloitte's Human Capital Practice

Deloitte helps organizations effectively manage their human capital to drive business growth. It does this leveraging advanced analytics to develop talent management and business-driven HR strategies to deliver results. Deloitte is a leader in human capital consulting, bringing a unique combination of business, industry and HR knowledge, supported by the breadth of services and capabilities of a multidisciplinary professional services organization and global network.

Website: <http://www.deloitte.com>



## About Empsight Compensation Surveys & Consulting

Empsight International, LLC compiles and publishes compensation surveys which provide users in Fortune 500 and large multi-national corporations with comprehensive analyses of selected functions or segments which are often under-served from a compensation data perspective. Founded in 2003, Empsight has earned a reputation for quality and innovation amongst its client base, as reflected in recurring participation in our surveys. Many clients participate in multiple surveys each year. Our Principals and staff have significant experience in consulting on compensation, organizational and human resource issues across multiple industry sectors.

Website: <http://www.empsight.com>

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