

EXPANDING PAYMENTS CHOICE PLAYBOOK

JUNE 2022



■ FEATURE STORY

10x Management on getting the best talent better payment terms

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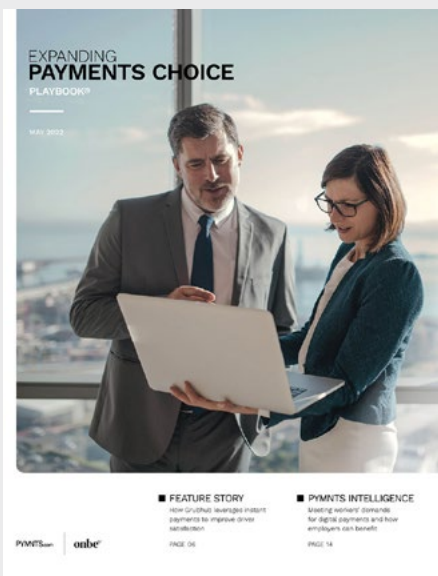
Offering in-demand workers on-demand payment options

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EXPANDING PAYMENTS CHOICE PLAYBOOK

Read the previous edition



■ MAY 2022
Expanding Payments Choice Playbook

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ACKNOWLEDGMENT

Expanding Payments Choice Playbook was produced in collaboration with Onbe, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

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EDITOR'S LETTER

EXPANDING PAYMENTS CHOICE

PLAYBOOK

Economic pressures play an increasingly significant role in how workers choose their jobs. Many consumers are facing rising costs for basic necessities such as food and fuel, **adding** stress to their daily lives that can be reflected in their work performance. Some employers are responding by offering faster payment options to help workers navigate tight budgets and unexpected expenditures. Meanwhile, gig work has **become** one method for cash-strapped consumers to add some cushion to their monthly budgets. Near the end of last year, 16% of all consumers surveyed said they had taken on gig work at some point.

The pandemic expanded the gig economy, increasing demand for services such as delivery aggregators and a rise in remote work. That growth in gig work opportunities **coincided** with increased consumer use of fast digital payment rails such as peer-to-peer (P2P) payment apps and mobile wallets. As those consumers came to expect such payment convenience in their regular purchases, it highlighted how traditional payroll payment rails such as paper checks and even automated clearing house (ACH) deposits could be slow, unpredictable and inconvenient.

At the same time, independent workers such as self-identified freelancers are less **willing** than ever to wait to be paid at the end of the month or after the completion of a multi-week or month project. Unlike traditional employees, independent workers have fewer ties that would add friction to changing employers, such as health or retirement benefits. Gig workers are also **likely** either to be doing that work as a secondary income source or to have multiple employers from which they receive gig work. As a result, unpredictable or unsatisfactory payment experiences **play** a significant role in gig worker decisions to end employment relationships.

The net result is that employers who can offer independent employees faster, more transparent and more reliable payroll options have a competitive advantage when seeking the most in-demand gig workers. This edition of the Expanding Payments Choice Playbook, a PYMNTS and Onbe collaboration, examines how digital payments simplify the payroll process for gig workers. It also explores how employers can utilize these payment options to foster healthier relationships with gig workers, thereby gaining their loyalty and directly impacting the quality of work they provide.

Thought Leadership Team

PYMNTS.com

10x Management On Getting The Best Talent Better Payment Terms

IN THE WORLD OF GIG WORK AND FREELANCING, FINDING JOBS AND GETTING PAID CAN ALMOST BE A JOB IN ITSELF.

This is where companies such as [10x Management](#) come in. Company co-founder Rishon Blumberg said he started out providing management services to music-industry performers in the 1990s and now provides a comparable service to technology talent.

“We represent senior tech freelancers, and we represent them over the long haul,” Blumberg told PYMNTS in a recent interview. “Much the same way that Tom Cruise or Bruce Springsteen has an agent, we act as the agent for the tech talent.”

The agency assists clients with everything from finding work to drafting contracts. It also handles such tasks as payroll, acting as an intermediary that makes certain its talent’s pay is consistent and timely. That requires maintaining several choices for disbursing payments, from digital options such as Zelle and Wise to more traditional methods such as automated clearing house (ACH) and wire transfers.

“For the talent, our clients, we’re really trying to take the business elements off their plates,” Blumberg said.

That encompasses a significant number of tasks, from sourcing work and sifting through opportunities appropriate to a client’s experience and abilities to making certain compensation fits the assignment and payment terms are reasonable. 10x also handles client invoicing.

“We help ensure that [clients] get paid what they should get paid,” Blumberg noted.

GETTING THE BEST TALENT

Blumberg explained that the talent 10x works with are all senior-level tech specialists who are pre-vetted. That provides a value proposition to the companies seeking freelancers through 10x, but it also means those freelancers are in high demand. If a company cannot provide reasonable terms for compensation, those freelancers will have no problem finding work elsewhere.

The companies that work with 10x appear to understand that. Blumberg estimated that only around 15% to 20% of payments are ever late, and it is extremely rare for them to be delayed beyond a couple of days. Additionally, the freelancing contracts specify payment terms that work for the talent.

“From a payments standpoint, we try to normalize those payment terms as best as possible, and we have fairly aggressive payment terms,” Blumberg said. “It’s really structured in a way to build the greatest certainty and frequency, so that our clients get their money as quickly as possible and as frequently as possible.”

Blumberg said that 10x invoices weekly, even if the payment terms are not quite that frequent, which helps to ensure that companies are staying on top of what they owe clients. It also keeps the invoiced amounts smaller, reducing the likelihood of a problem cropping up.

The contracts typically specify payment terms for either 10 or five business days, Blumberg said. The agency will not work with a company that wants to take longer than 10 business days to pay a freelancer.

“If a customer is like, ‘Well, we can only do 45-day payments,’ that’s great, you know, find another entity to work with. We’re not the right people for you to partner with on this,” he explained.

CREATING PREDICTABILITY

Blumberg said that having contracts with such strict payment terms helps prevent many of the common problems that can arise for contractors and freelancers.

“We found that this is the best method that works for our clients, and frankly, I think it’s a better method for the customers as well,” he said. “Those weekly invoices [are] another touch point of communication: how much somebody’s worked, what they’ve worked on in those hours. They’re getting that report weekly.”

10x rarely has significant problems getting companies on board with reasonable payment schedules and terms, Blumberg said, but there are plenty of companies in the marketplace with an outdated approach to engaging tech talent. When it comes to attracting and keeping the best and brightest talent, the same old way of doing things will not cut it anymore.

“With the frequency that we make payments, we’re aware of the challenges of processing invoices and making payments, but that is not an excuse to have egregious payment terms,” he said. “That’s really the message that we bring out into the marketplace.”

Occasionally, 10x still comes across a company that pays freelancers by check, but most of its companies make digital payments. Even with the added reliability and timeliness that comes from carefully crafted contracts and regular invoicing, Blumberg said there is a huge difference between digital and legacy payments in terms of processing, simplicity and speed.

There are steps companies must take if they wish to engage the most capable tech talent — enough of them that Blumberg wrote a book about the subject, he said. The most important move, however, is overhauling procurement processes, including how companies pay contract workers.



Q&A

TRACY MONSON
Chief product officer



What is the biggest payments-related challenge for employers adjusting to an economy that involves gig workers at all levels?

“The move to a gig workforce is forcing companies to rethink their approach to compensation. Freelancers aren’t typically paid in the same manner or frequency as employees, which means businesses need to process payments outside of their normal workflow — and the larger the freelancer pool, the more one-off payments [there are] to be issued. Without the right disbursements program in place, it can quickly become a costly and inefficient practice that places extra responsibilities on human resources and finance teams.”

How does offering gig workers more payment options affect their relationships with employers?

“There are currently more than 11 million open jobs in the United States, and, with more workers retiring, there are not enough qualified full-time employees to fill these roles. However, there are nearly 68 million freelance workers in the U.S. that can help fill the employment gap. According to the Onbe [Great Resignation survey](#), 44% of respondents believe hiring freelancers is essential to productivity and preventing burnout among remaining staff. Onbe’s survey of more than 650 workers showed that 70% of part-time, gig and freelance workers preferred to be paid weekly or biweekly. This data underscores the need for organizations to create modern, agile disbursement operations that cater to their diverse workforce needs. Companies offering payment choice and flexibility will have a significant advantage in hiring and retaining workers and adapting to shifts in workforce models. The survey also revealed that 82% of U.S. workers prioritize monetary pay over nonmonetary incentives, so establishing better pay frequency and more choice are key differentiators.”

How do on-demand and faster payments appeal to workers taking on gig work as an additional income source to make ends meet?

Traditional gig jobs in transportation and delivery offer instant payment, which benefits workers who need funds immediately: they can work a shift, then collect their pay. Any company competing for this part-time workforce needs to keep pace by offering flexible payment options for gig workers. Additionally, organizations that can offer secure, compliant payment options that do not require the freelancer’s personal bank account may be preferable, as they do not require the gig worker to reveal the sensitive information needed for ACH or check payments. Employers that can pay freelancers more frequently and offer payout choice and flexibility to appeal to gig workers’ preferences will have a significant advantage in today’s resource-tight world.

Why should employers consider a more unified and adaptable payroll scheme that pays gig workers in a regular, predictable and fast manner?

A gig workforce gives employers the ultimate flexibility to respond to changing market demands and staffing fluctuations while keeping hiring and processing costs down and employees happy. Unfortunately, traditional HR and payroll infrastructure, systems and resources aren’t set up to accommodate a more dynamic gig workforce model. This is where a managed disbursements solution comes into play. It helps employers stay competitive and attract top gig talent by offering them a choice of payment beyond traditional checks and the ability to issue payments outside of scheduled payroll or vendor-payment cycles. It’s a win for both the gig worker and the employer. Employers that deploy a full-service disbursement option deliver a flexible and fully compliant payday experience, and gig workers get their choice of payment method — plus the digital tools they need to manage their funds from anywhere.

Offering Gig Workers Competitive Payment Options

Among the shifts that have emerged in consumer behaviors in response to the pandemic, the growth of the gig economy and the accelerated adoption of digital payment options are coming together as companies seek better compensation solutions to meet gig workers' needs and expectations.

By August 2021, the Pew Research Center **found** that 16% of surveyed individuals in the U.S. had earned money through an online gig. Such employment opportunities often serve as a second source of income, with 68% of respondents who had taken app-based gig work in the past year doing so to supplement their incomes, compared to 31% who relied on app-based gig work as their primary income source.

In the face of high inflation and rising costs for basic needs such as fuel and food, supplemental income is likely to continue to be a popular reason for consumers to seek gig work. At the same time, that motivation makes it all the more important for those workers to have easier and faster access to their

pay, enabling a quick turnaround when individuals are picking up extra work to meet immediate financial shortfalls. Gig and contract workers who are supplementing a primary income and **encounter** problems with getting paid are also likely to look elsewhere for that supplemental income, and payroll problems can drive turnover.

This month, PYMNTS Intelligence examines the difficulties and challenges facing businesses in meeting the payout needs and expectations of gig workers. It also explores the opportunities such employers have to define themselves as worker-friendly to recruit the best talent.

PAYMENT CHOICE IS DRIVING GIG WORKER EMPLOYMENT DECISIONS

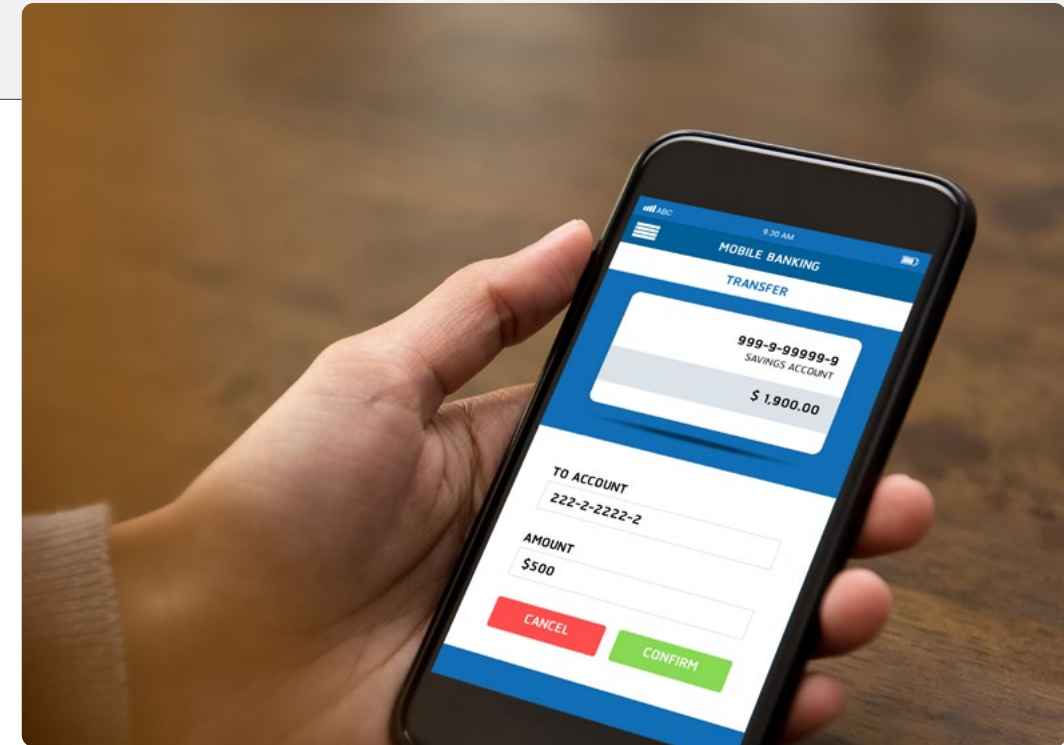
Independent workers **experience** a greater degree of unpredictability than traditional employees due to the nature of gig economy jobs, making predictability in areas such as payment frequency all the more important. Especially among in-demand contractors and consultants, the ability to be selective about the jobs they accept makes them unlikely to maintain relationships with employers that do not align with their needs for predictable and on-demand pay. In fact, unpredictable payments are one of the leading reasons independent workers switch employers.

Employers that take on independent workers may not always be prepared for the complexity of ensuring no delays or unexpected problems related to timely payment. Gig workers may not even be in the same country, let alone the same city as an employer. When geographic separation and even cross-border transactions are added to the payroll equation, legacy payment rails can introduce delays of days or even weeks. Even ACH payments can lack timeliness

when dealing with the intricacies of paying gig workers. Transaction fees and currency conversion can also whittle down pay for gig workers abroad.

Workers of all types in the U.S. are increasingly **interested** in on-demand payments or other digital payroll approaches that make wages more readily available, and gig workers are no exception. In one survey, 70% of freelancers **said** they would prefer to be paid weekly or biweekly, compared to being paid monthly or when a job is complete. Companies that offer more flexible payments will have a clear recruitment advantage when seeking independent workers in high-demand fields.

Employers can also improve their payroll workflows by adopting a more frequent or adaptable payroll program for gig workers. Many companies pay freelancers in a way that places them outside the employer's standard payroll workflow, adding inefficiencies to the process. As gig work becomes a more common employment solution, maintaining two payment systems can become increasingly unwieldy.



FINDING A COMMON SOLUTION IN DIGITAL PAYMENTS

The digital transformation accelerated by the pandemic has set the stage for a shift in how companies handle independent worker payroll. Gig workers now **expect** real-time payment options due to the increasing availability of accurate, transparent and expedited payment options. Among businesses, approximately 75% now **consider** faster payments as a critical service to offer, and roughly 90% believe they will be able to offer faster or instant digital payments within three years. Among companies that commonly employ gig workers, such as Uber, Lyft and Postmates, third-party offerings such as immediate transfers to bank accounts via a personal debit card can enable on-demand payments to gig workers.

Employers that can offer faster payment options and payment choices to meet gig workers' payment interests and satisfy their economic needs can set themselves apart from their competitors to gain the loyalty of the most in-demand gig workers.



NEWS & TRENDS

TAKING ON **EMPLOYEE FINANCIAL STRESS**

EMPLOYERS INVEST IN RELIEVING WORKERS' FINANCIAL STRESS

Recognizing the impact financial concerns can have on workers not only in their personal but also in their professional lives, some employers in the United Kingdom are **taking** steps to give workers greater flexibility regarding when and how they get paid as well as support when they face financial hardships. Approximately 10% of surveyed U.K. workers said they constantly struggle to pay their bills, and 27% said they would be unable to cope with a significant emergency expense. The stress from financial concerns

also impacts the work of approximately 25% of those surveyed workers.

To help employees address financial stress, 14% of surveyed employers said they are making workers' wages available before their regular paydays, and 5% said they permit workers to choose how often they are paid. In addition, 20% said they offer interest-free loans that workers can use to make ends meet in times of hardship or address housing moves unrelated to employment.



FIs OFFER EARLY-PAY OPTIONS TO CORPORATE CLIENTS

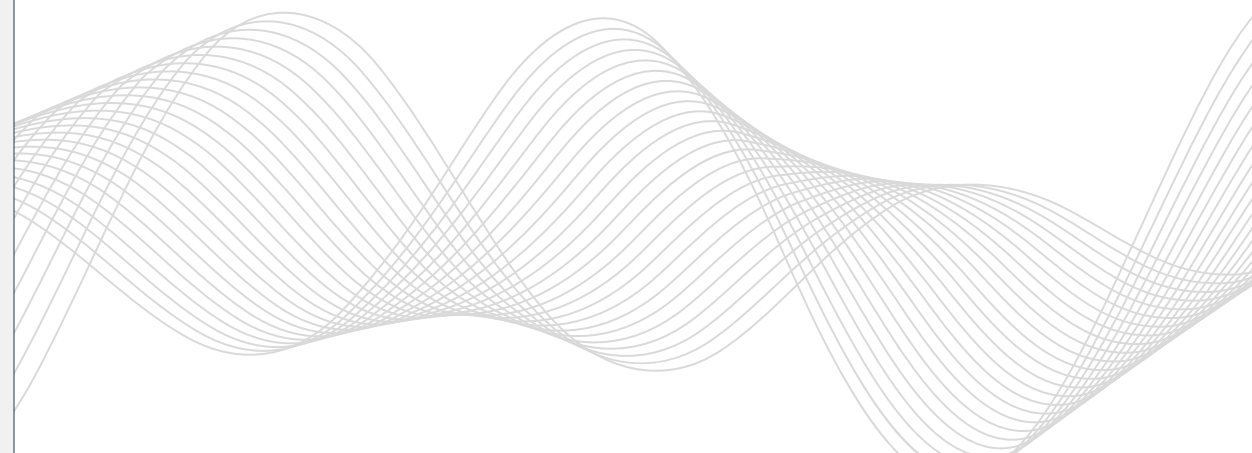
As workers become increasingly accustomed to faster transactions and payments that happen in minutes rather than days, the pressure is on for financial institutions (FIs) and businesses to develop better payment options. One approach is for FIs to **work** with clients to provide their employees with faster access to earned wages. Michael Cummins, head of treasury solutions at Citizens Financial Group, said that Citizens' recently launched program of making direct deposits available two days early can assist clients in securing and retaining talent. Cummins noted that faster access to wages is a valuable benefit for employees.

Cummins' view draws support from research indicating that 95% of surveyed workers are interested in working for an employer that offers early access to wages. Tim Spence, president of Fifth Third Bancorp, said that Fifth Third's Early Pay program helps ensure greater financial well-being by providing workers faster access to their pay after earning it.

CHALLENGE OF STAYING ON TOP OF DIGITAL PAYMENTS DEMONSTRATED BY CRYPTO VOLATILITY

A recent [survey](#) of U.S. human resources leaders and employees showed that 36% were interested in being paid wholly or partially in cryptocurrencies. In addition, 42% expressed interest in using nonfungible tokens (NFTs) as performance rewards. The survey, conducted in December 2021, may not be indicative of the current interest workers have in crypto and NFTs as part of their compensation, as several major cryptocurrency markets [saw](#) significant volatility in mid-May, with large-scale sell-offs rocking the crypto space. Accentuating this dive was stablecoin terraUSD's drop in price to \$0.40 per coin, even though a stablecoin's value is never supposed to fall below \$1 per coin.

The situation demonstrates some of the challenges companies face in ensuring that compensation packages provide options that will draw in the best talent. Potential employees' interest in a payment benefit may not be a clear indicator of its value, given the rapid speed at which the digital payments space evolves. Organizations will need to work hard to ensure that they balance pursuit of the latest payment trends with careful planning and strategy and partner with organizations that have the experience to guide them.



MEETING CONSUMER PAYMENT NEEDS

AUTOMOTIVE DIGITAL PAYMENTS GO BOTH WAYS TO RAISE CONSUMER INTEREST

As more consumers seek digital payment options, the trend [extends](#) well beyond ensuring their ability to make payments in the manner they choose. In the automotive industry, dealerships, service providers, banks and even automotive brands use digital payment solutions provided through Onbe to address everything from promotions and test-drive incentives to loyalty programs and payroll.

Millennials are not the youngest shoppers anymore, and many are now in their highest wage-earning years, making them a prime market for automotive sales. One Onbe study indicated that millennials are best reached with automotive marketing programs that speak to a desire for instant gratification and smooth digital experiences. Additionally, virtual disbursements help motivate millennials and other shoppers to return to automotive businesses for future needs.

DIGITAL PAYMENT OPTIONS POPULAR, BUT TRADITIONAL PAYMENTS STILL HOLD SIGNIFICANT SWAY

As online shopping and digital payments continue to grow, a recent [survey](#) indicated that more than half of consumers increased their online spending in the past three months, and nearly as many said they expect to increase that spending even more in the next three months. While 62% of respondents said they are digital wallet users, however, 63% said they are still engaging in transactions using more traditional payments. Buy now, pay later (BNPL) is one increasingly popular payment option, yet just 18% of respondents reported using BNPL to purchase in the previous six months.

Eighty-one percent of respondents said they are inclined to have a more favorable view of a brand with which they have had a positive digital experience, more so than a similar experience in a physical store. The portion of respondents who said their digital experience expectations had been "somewhat" or "not at all" met fell year over year from 30% to 23%, giving rise to the hope that newer digital experiences match consumers' expectations more and more.

EXPANDING PAYMENTS CHOICE

PLAYBOOK

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PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

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