

5 PROVEN STRATEGIES TO OPTIMIZE YOUR IC COMPLIANCE PROGRAM

Unlock Cost Savings, Drive Compliance, and Maximize Performance

October 29, 2025

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AGENDA

- 01 The Global Independent Contractor Landscape
- 02 Classification & Compliance
- 03 Change Management and Solution Design
- 04 Maximize Cost Savings in Your IC Program
- 05 Scaling Your Program - Globally
- 06 Q & A

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Meet the Team



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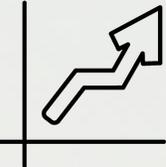


01 The Global Independent Contractor Landscape

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GLOBAL AOR/EOR MARKET

WHAT'S IMPORTANT TO YOUR BUSINESS?

The Talent Equation Has Shifted	Compliance	Cost Savings	Technology/AI (Program Visibility)	Global
<ul style="list-style-type: none">• By 2028 ICs expected to reach 80M in US alone.• Highest demand globally = IT, Engineering, Finance, Creatives, HealthCare <p>+74%</p>  <p>Gig Economy made up of payroll and IC workers</p>	<ul style="list-style-type: none">• 72% of CEOs are concerned with the US legislative/regulatory environment• For risk leaders, the top risk is regulatory/legislative changes• Compliance is growing more complex. Cities, counties, and countries expand legislation	<ul style="list-style-type: none">• 79% of CHROs say cost savings is critical to organizational success• 30% of CEOs want to drive cost savings	<ul style="list-style-type: none">• Technology and engaging independent resources (skills-based talent) is the new strategy• Top organizations are designing ways to attract and pool these workers• AI will be imperative to the compliance process, but not how you think	<ul style="list-style-type: none">• There are over 1.5B freelancers worldwide, meaning approximately 31.4% of the workforce are freelancers• 40M in spend with global nomads <p>1.5B</p> <p>Freelancers worldwide, 31.4% of the workforce are freelancers</p>

DISTRIBUTION OF THE CONTINGENT WORKFORCE BY REGION

Region	Workers Through Staffing Firms	Pre-ID Payroll Workers	Independent Contractors	SOW	Talent Platform Workers	Total
US	16%	45%	28%	10%	<1%	100%
EMEA	13%	27%	54%	7%	<1%	100%
APAC	22%	38%	30%	10%	<1%	100%

Total Global Value: **\$3.7T**

74% of the Total Revenue, or **\$2.7T** went to Payroll + ICs

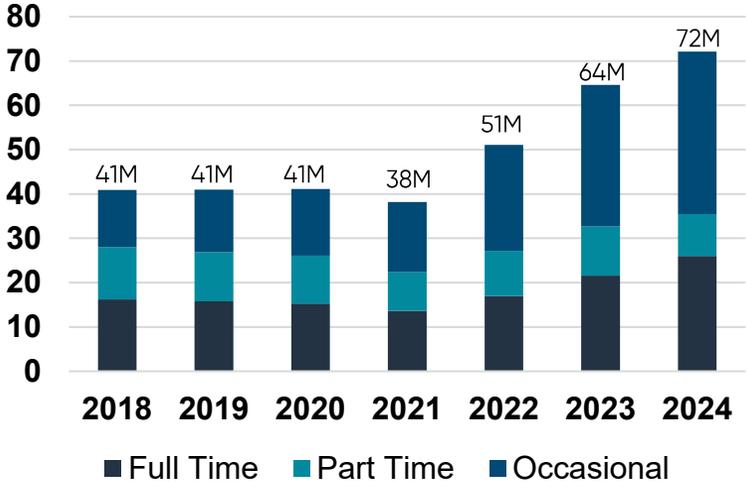


The US IC Market Landscape

The Talent Equation Has Shifted

Independent contractors in the US

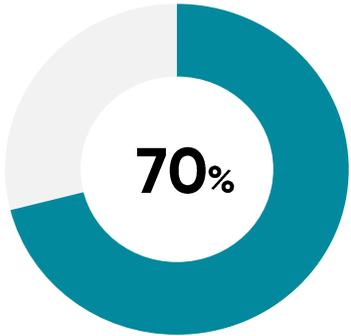
US Independent Contractor Growth Year Over Year



ICs will number 80M in the US by 2028
That will be 51% of the US workforce

Highest In-Demand Roles in the US

Demand for these roles grew by 70% between 2024 and 2025



- IT
- Engineering
- Finance
- Healthcare
- Creatives

This is also the highest used skill classifications of ICs in the US

Shift Your Talent Strategy

Emerging strategy to find talent

80%

of big corps plan to use more freelancers and fewer traditional employees in the future

Forbes:2023

There is now a structural gap in the labor supply because there simply aren't enough traditional employees to fill all the openings.

McKinsey: 2022. The Great Resignation Now Becomes The Great Re-Negotiation

Independent Contractor Roles by Industry Vertical

Highest Demand (2024–2025)

Tech / Software		Healthcare / Life Sciences		Financial Services / Fintech		Creative / Marketing & Media		Industrial / Energy / Engineering		Business Services / Operations	
AI / Engineering	+500%	Telehealth Software Developer / Integrator	+210%	Finance Consultant	+250%	Video Content Creator / Editor	+300%	Sustainability Engineer	+220%	Virtual Assistant	+130%
Designer	+420%	Data Analyst / Biostatistician	+190%	Compliance Consultant	+220%	Growth Marketing Strategist	+200%	Renewable Energy Project Consultant	+200%	TA Consultant	+125%
Cloud Architect	+260%	Clinical Research Consultant	+160%	Data Modeler	+180%	Copywriter / AI – Enhanced Content Writer	+160%	Automation / Robotics Engineer	+180%	Project Manager	+110%
Cybersecurity	+230%	Medical Writer / Regulatory Specialist	+140%	Designer	+160%	Graphic / Brand Designer	+160%	Civil & Infrastructure Design	+140%	Learning & Development	+100%
Developer	+180%	Health Marketing Specialist	+120%	Cyber-Risk Auditor	+150%	Social Media Manager / Specialist	+150%	Compliance Manager (Global Supply-Chain)	+130%	Customer Success	+90%



02 Classification & Compliance

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Discovering ICs in Your Organization

ASSESS EXISTING IC RISK WITHIN YOUR ORGANIZATION

PURPOSE	Compliance <i>Are ICs appropriately classified?</i>
	Governance <i>Appropriate controls for mitigating IC risk?</i>
	Regulations <i>Compliance with federal and state requirements for ICs?</i>
PROCESS	Calculate <i>Size of estimated IC population</i>
	Determine <i>Scope of IC program across the enterprise</i>
	Determine <i>If government notifications were issued appropriately</i>
	Calculate <i>Probable IC program dollar risk</i>
	Review <i>Company policies on IC use, and federal/state reporting</i>

Identify specific risks such as:

- Areas of IC spend not currently under management
- ICs in supply chain outside contingent labor
- Entities that would be in scope for an audit
- Individuals being paid on a 1099
- Incomplete contracts and onboarding requirements for contingent workforce
- Microfirms who may pose business or other risks
- Unnecessary 1099s
 - Vendors under spend threshold
 - Vendor company types not required by IRS

IC Program Assessment

Use assessment results as priorities for addressing risk, build the launch timeline, improve existing processes and policies and establish "gates" to prevent future gaps.

Begin with prior year AP data

Step 1: Meet with prior sponsor or SMEs to answer questions, clarify data collection

Step 2: Filter for out-of-scope suppliers (less than \$600/year spend; corporate structures)

Step 3: Identify sole proprietors

Step 4: Use third-party databases to filter for services provided and company size

Step 5: Identify at-risk suppliers and their risk to your organization



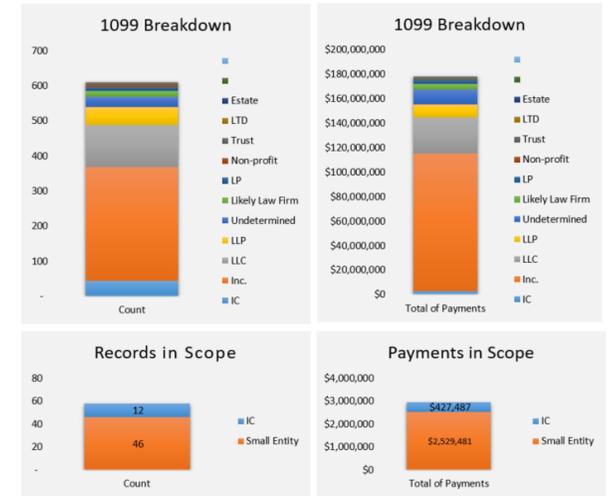
Health Check: 1099 Dashboard

Total Records	608
Tax Year	2017

Entity Type	Count	Value of Box 3	Value of Box 7	Total of Payments
IC	45	\$ -	\$ 2,559,747	\$ 2,559,747
Inc.	323	\$ -	\$ 112,494,597	\$ 112,494,597
LLC	120	\$ -	\$ 29,750,990	\$ 29,750,990
LLP	51	\$ -	\$ 10,681,262	\$ 10,681,262
Undetermined	29	\$ -	\$ 11,982,758	\$ 11,982,758
Likely Law Firm	18	\$ -	\$ 4,663,520	\$ 4,663,520
LP	11	\$ -	\$ 2,677,121	\$ 2,677,121
Non-profit	4	\$ -	\$ 56,040	\$ 56,040
Trust	4	\$ -	\$ 2,220,710	\$ 2,220,710
LTD	2	\$ -	\$ 572,656	\$ 572,656
Estate	1	\$ -	\$ 10,110	\$ 10,110
-	-	\$ -	\$ -	\$ -
-	-	\$ -	\$ -	\$ -
Total	608	-	177,669,510	177,669,510

Records in Scope	58
Employee Limit	6

Entity Type	Count	Value of Box 3	Value of Box 7	Total of Payments
IC	12	\$ -	\$ 427,487	\$ 427,487
Small Entity	46	\$ -	\$ 2,529,481	\$ 2,529,481
-	-	\$ -	\$ -	\$ -
Total	58	-	2,956,968	2,956,968

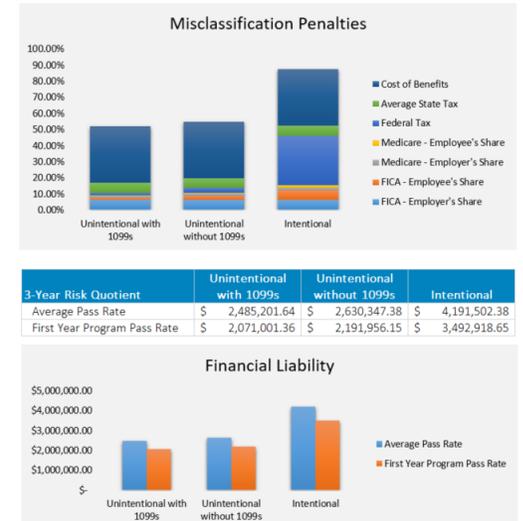


Health Check: IC & Small Entity Risk Dashboard

Program Information and Assumptions			
Average Pass Rate			46%
First Year Program Pass Rate			55%
Cost of Client Benefits			35%
Total of Payments	\$	2,956,968	

Statutories	Unintentional with 1099s	Unintentional without 1099s	Intentional
FICA - Employer's Share	6.20%	6.20%	6.20%
FICA - Employee's Share	1.24%	2.48%	6.20%
Medicare - Employer's Share	1.45%	1.45%	1.45%
Medicare - Employee's Share	0.29%	0.58%	1.45%
Federal Tax	1.50%	3.00%	31.00%
Average State Tax	6.20%	6.20%	6.20%
Cost of Benefits	35.00%	35.00%	35.00%
Total Liability Percentage	51.88%	54.91%	87.50%

1-Year Risk Quotient	Unintentional with 1099s	Unintentional without 1099s	Intentional
Average Pass Rate	\$ 828,400.55	\$ 876,782.46	\$ 1,397,167.46
First Year Program Pass Rate	\$ 690,333.79	\$ 730,652.05	\$ 1,164,306.22



100% Compliance and Optimal IC Pass Rates

Compliant IC Evaluations

- Key engagement level details captured from manager and worker
- Critical IC level details captured
- Technology to support the need for speed!
- Ensure your program is reviewing cases that do not pass for additional human review.
- Ensure supporting documents are collected and stored confidentially
- Indemnification and audit support

30%

Approximately 30% of evaluations go through the restructure process

Restructure

- Analyze engagement details
- Research and collect additional detail from the potential IC
- Validate key engagement details with the management
- Attorney/compliance team then reviews all new information
- Successfully "restructure" the IC so they are engaged compliantly, or recommend to engage as a W-2

50%

Approximately 50% of restructures result in an IC status

\$16M

In fee savings through restructure in last three years

Ongoing IC Compliance

- Re-evaluating each IC ensures ongoing compliance
- Re-evaluate every six months (at a minimum) or at key points of change
- Updated IC supporting documents
- Apply proactive rigor for all changing classification regulations
- Ensure compliance throughout the life of each engagement
- Builds stronger, more transparent relationships with ICs

0 IC Classifications Overturned
100% Audit Support

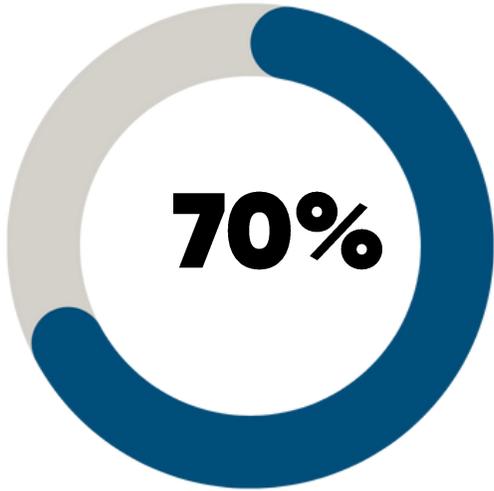
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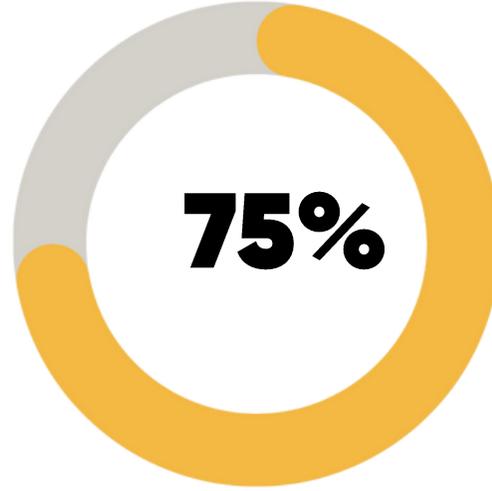
03 Change Management & Solution Design

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Enterprise adoption is more challenging than ever



Fail to meet objectives



Fail to meet Objectives



Fail to meet objectives



Prosci's 3 Keys to Successful Adoption



Design Thinking Based Solutions Design

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Steps	Description	
1. Discover Empathize, Define	<ul style="list-style-type: none">- Engage key user groups to uncover needs, challenges- Align to all core business requirements and measurable results- Identify improvements to deliver business results, experience	
2. Design Ideate, Prototype, Test	<ul style="list-style-type: none">- Co-create future state workflows and SOPs with users- Simplify and build in efficiency while preserving flexibility- Validate designs through rapid feedback loops and testing	
3. Deploy	<ul style="list-style-type: none">- Use an omnichannel comms approach with clear results- Launch with clear playbooks, training, and change champions- Deploy with hyper-care and measure SLAs in real time	

Sample Recommendations & Outcomes



Customize at the key user group level – standardize at the enterprise level.



Determine core business requirements for each key user group, and design accordingly



Track and deliver tangible business results. Does it make the customer better at their core business?



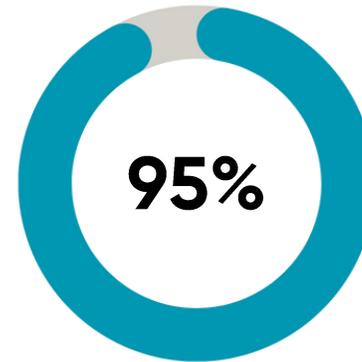
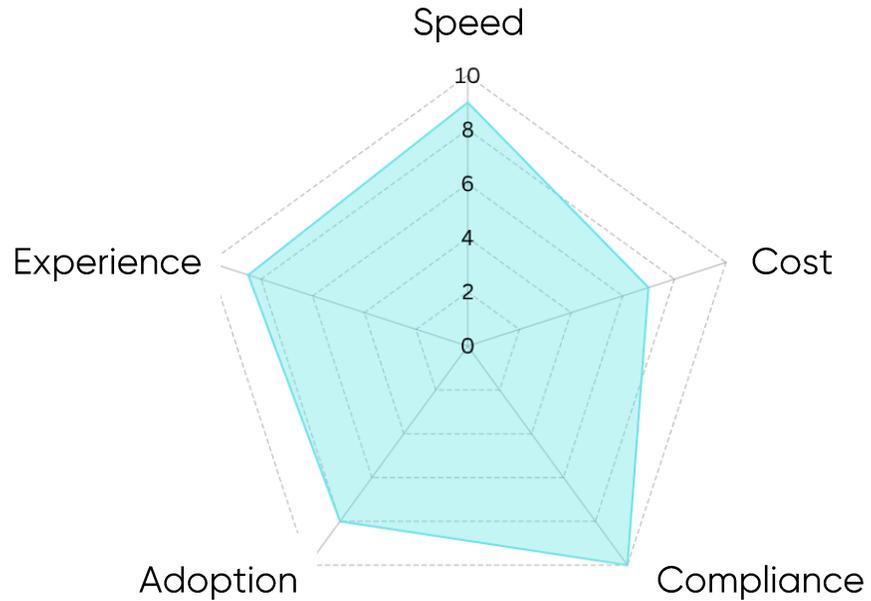
Deploy a communications strategy that truly engages the enterprise (Tik-Tok style training videos, microsites, 1:1 communication, community forums, etc.).



Innovate faster than the external process for program results and health

Benchmarking Performance Begins with CM

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Adoption



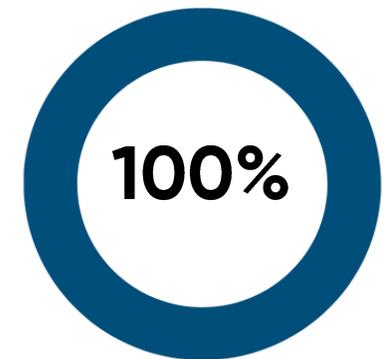
Worker Experience



Client NPS



Speed



Compliance



04 Maximize Cost Savings in Your IC Program

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How to Optimize the Cost of your IC Program

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Cost of Misclassification

- IRS fines and penalties
 - 10-80% of labor cost
- IRS/DOL sharing information with state agencies
- Medical/dental, stock plans, 401k match and other employee benefits
- Class-action lawsuits
- Wage and hour violations, ACA
- Criminal charges, debarment
- Brand reputation damage
- Business model risk
- Legal defense costs
- Management team distraction

Reduce In-House Administration

- Oversee onboarding and project oversight
- IC Indemnification
- Audit defense file
- Manage IC contracts
- IC restructuring initiatives
- Deliver audit support
- Handle invoicing, payments, and tax documentation
- Ensure compliance with state reporting
- Onboarding and offboarding processes

Analyze IC Pass Rates

- Use ICs for specific, project-based roles to significantly reduce overhead costs
- ICs are typically 15-20% less expensive than their W2 counterparts. In global markets, this gap often widens even further.
- Low IC pass rates could mean proper review is not taken; resulting in ICs who may be able to qualify ending up in a payroll program with markups 20-45% higher.

Risk Methodology

THREE LEVELS OF RISK

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Statutories	Unintentional with 1099s Issued		Unintentional with 1099s		Intentional	
FICA- Employers Share	%	\$6,200	6.20%	\$6,200	6.20%	\$6,200
FICA- Employees Share	1.24%	\$1,240	2.48%	\$2,480	6.20%	\$6,200
Medicare- Employers Share	1.45%	\$1,450	1.45%	\$1,450	1.456.20%	\$1,450
Medicare- Employees Share	0.29%	\$290	0.58%	\$580	1.45%	\$1,450
Federal Tax	1.50%	\$1,500	3.00%	\$3,000	31.00%	\$31,000
Total Financial Risk	10.68%	\$10,680	13.71%	\$13,710	46.30%	\$46,300

These totals do not include medical/dental, stock plans, and other employee benefits to which re-classified employees would become entitled, which can add up to 35% additional penalty.

Case Study

WHAT ARE IC PASS RATES AND WHY THEY MATTER

Challenge

No centralised IC program globally
Slow, inefficient processes
Decreasing rate of adoption
Low IC pass rate (47%)

Company

Fortune 100 Global Brand

Solution

Customized design by group/country
Automated the eval process globally
Hypercare per user group
Design thinking processes
Rapid IC deployment solutions

Implemented

February 2024

Performance Results

PERFORMANCE CATEGORY	PREVIOUS RESULTS	PEOPLE2.0 RESULTS
IC Pass Rate	47%	95%
IC Evaluation Time	23 days	3 Days
Adoption - Population Capacity	96 (Max # of ICs)	400+ Within 3 Mos.
Cost Savings	\$0	\$450,000 in first 4 months
Same Day Deployment Capability	No	Yes
Global Reach	2 countries	15 countries, 40+ in scope 1st year



05 Scaling Your Program Globally

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Global IC Explosion

20%

Actively looking for a new job in **Indonesia, Hong Kong, Malaysia, the Philippines, Singapore and Thailand**

#1

Asia's **freelance earnings grew the fastest of all regions** including the US

“**By 2030** in Europe only **60%** of the jobs can be filled with existing population, inflow of work migrants and remote workers are inevitable.”
– McKinsey

84%

Of hiring managers in the Asia Pacific **outsource to freelancers**

“**By 2030** there will be a **global talent shortage** of more than **85 million people- 15 million in Europe.**”
– Korn Ferry

48%

YOY Freelancer earnings up in Brazil

15M

Freelancers in India

27.6M

Freelancers in Europe

66M+

Workers in Japan Freelancing less popular due to the work culture. This is changing – **estimated 3.4M freelancers**

86%

In 2023, **freelancers in Australia** experienced YOY revenue growth

138%

Freelance earnings up across Pakistan, the Philippines, India, and Bangladesh

46.5%

Of the **workforce in China** are self-employed – due to lack of full-time employment opportunities

1.38M

Freelancers in the Netherlands

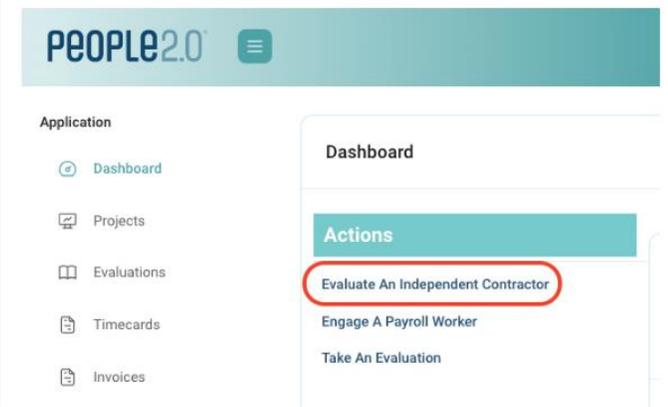
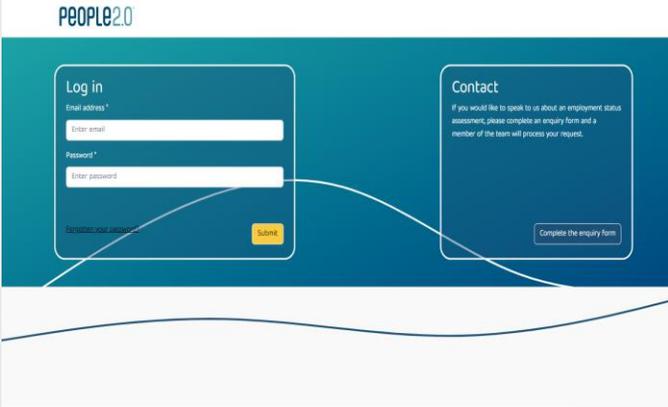
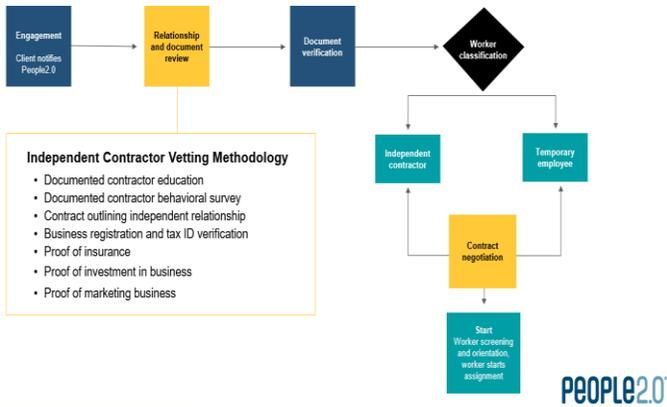
Mexico is the **6th** fastest-growing freelancing country

46%

Of **Indian freelancers** look for work online

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Global Contractor Validation Tools

North America	EMEA	Rest Of World
iConnect®	iCVerify®	Country Specific Rigor
		
<ul style="list-style-type: none"> ✓ 23 + years, vetted more than 77k ICs ✓ Supported our clients through 19 state and federal audits – never had a classification overturned ✓ Clients have never received even \$1 in fines 	<ul style="list-style-type: none"> ✓ People2.0 UK is a Solicitor Regulation Authority regulated law firm specializing in IR35 ✓ The final determination (the SDS) will either be Inside or Outside IR35 	<ul style="list-style-type: none"> ✓ People2.0's in-region compliance team reviews each IC classification file for each worker, to apply regional and case law rigor. <p style="text-align: right;">PEOPLE2.0</p>

Our Employment Law, Compliance, and Legal Expertise

- Dedicated team of 23 legal and compliance professionals with significant local and regional experience
- Well-developed global network of legal and tax compliance advisors who continuously advise on regulatory changes
- Proactive design and delivery of required legislative and regulatory adjustments to process and support
- Semi-annual compliance reviews with external advisors; more frequent as needed
- Proprietary compliance databases which are updated and shared with employees regularly
- Local service delivery from in-country or regional operating hubs helps ensure timely and compliant resolution of issues as they arise
- We manage insurance requirements according to client demand

Areas with More Stringent Legislation

LATAM	Germany	Italy	Netherlands	UK	Belgium	France	Mexico
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Alien Laws

- Establish entitlement to work in the foreign country
- Cross border workers remain insured in-home country if they continue to work at least 25% there (turnover, income and/or working time)
- If more than 75% of work is carried out abroad, an insurance obligation in work country may arise.

Social Security + Pension

- International tax treaty agreements
- Work country entitled to levy tax on generated income
- Salary split
- Permanent establishment

Taxes

Compliance Expertise Matters

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Businesses must stay compliant to attract top talent while navigating the evolving legal landscape



Illinois Freelance Worker Protection Act Effective: July 1, 2024

- Mandatory contracts for projects over \$600
- Must pay in 30 days unless stated in contract
- Freelancers protected from retaliation for asserting their rights

New York Freelance Isn't Free Act Effective: August 28, 2024

- Mandatory contracts for freelancers earning \$800 within a 120-day period from a single hiring

California Freelance Worker Protection Act (SB 988) Effective: August 28, 2024

- Mandatory contracts for projects over \$250
- Ensuring timely payments in 30 days if no due date is specified

Compliance Expertise Matters - Cont'd

Businesses must stay compliant to attract top talent while navigating the evolving legal landscape



Non-Labour Leasing, Labour Leasing, Independent Contractors
According to the Dutch Civil Code

- A labor leasing license is not applicable when you are a company with operations in the Netherlands
- Labor Leasing either must:
 - Have the WAADI registration
 - It applies to ABU or the NBBU labor leasing agreement when it has also recruited the employees.
- **Probation periods** are determined by the type of contract the employee is engaged in.
- Employers must contribute to social security (national and employee social security)
- Dutch labor law does not recognize employment at will.
- Typically, dismissal only with cause and a **statutory notice period of 1-4 months**.
- **Severance/Termination Pay** - Typically, employees are entitled to a statutory transitional allowance of 1/3 monthly gross salary, including bonuses and holiday pay, per year of employment



2 Categories of Employee Workmen and Non-Workmen
Statutory may vary from state-to-state

- The statutory limit is about 9 hrs./day and 48 hrs./week.
- **Rest periods** vary by state. Employee must have a rest interval of 30 min. to 1 hr. for every 5 hrs. of continuous work.
- Overtime calculations also vary from state to state.
- There are **3 national holidays** when a business must be closed. In addition, each region has their own 4-10 public holidays that are observed.
- Employers usually provide for other allowances to reduce the tax burden. (e.g., house rent allowance, car/fuel allowance, medical reimbursement allowance).
- **Annual leave and other leave entitlements** vary from state to state.
- Female employees are entitled to paid maternity leave for a period of 26 weeks for the birth of the first 2 children.
- Indian labor law does not recognize at will employment. Termination only for reasonable cause or because of misconduct.

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GLOBAL COVERAGE

Your Interactive Guide
to Compliant Global Hiring

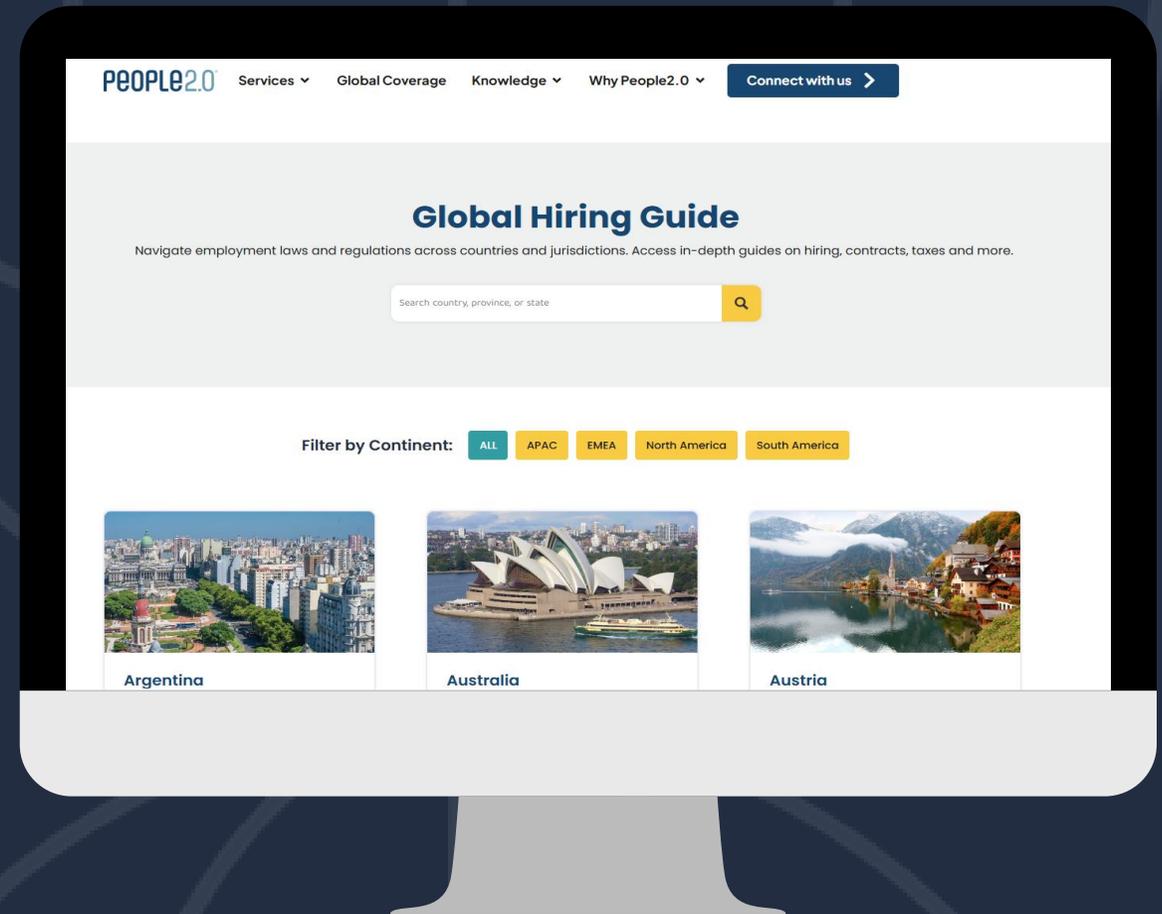
WHAT IT IS

A comprehensive online resource providing detailed employment law, tax, and compliance insights across our entire service network

KEY BENEFITS

- **Mitigate Risk:** Access up-to-date compliance requirements by location
- **Save Time:** Find essential information in one centralized location
- **Expand Confidently:** Compare requirements across multiple jurisdictions

EXPLORE GLOBAL COVERAGE



Available to all People2.0 partners at no additional cost

QUESTIONS?

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THANK YOU

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