

4 WAYS THAT STABLECOINS CAN PROVIDE GIG ECONOMY BUSINESSES WITH A COMPETITIVE ADVANTAGE IN THE WORKPLACE

Insights

Oct 6, 2022

Cryptocurrency and the gig economy are a natural fit, and as companies grow faster and expand both nationally and globally, there is a crypto option that is becoming increasingly attractive to both gig economy businesses and workers: **stablecoins**. The gig economy is designed to attract workers who want – and may need – to earn money today and not weeks from now. As a result, it's no surprise that more of them are diving headfirst into the crypto frontier and deciding to be paid, partially or fully, in cryptocurrencies. And it's no surprise, then, that gig companies that set up systems to pay workers in crypto are gaining a valuable competitive advantage. For those businesses that haven't yet set up such a system, or for those which have but want another option, stablecoins are starting to provide a valuable option. What are the four ways in which this option can play to your advantage?

Quick Primer: What is a Stablecoin?

Although cryptocurrencies are known for their volatility and parabolic price swings, stablecoins are designed to have significantly less volatility because they are supposed to be tightly pegged to a traditional fiat currency such as the U.S. Dollar. Most stablecoins are backed by real-world collateral such as dollars or an asset with equivalent value, although there are also more risky options such as algorithmic stablecoins which have caused a bunch of [headaches in the crypto world this year](#).

Like other cryptocurrencies, stablecoins facilitate transactions that are inexpensive, irreversible, and enjoy

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near-instant settlement. One of the most trusted stablecoins is Circle's USDC. This is because this specific cryptocurrency is backed 100% by an audited reserve of U.S. Dollars and short-term treasuries. Given USDC's historical stability, it is being used by a growing number of payment processors, crypto banks, and financial institutions. For more information on stablecoins, check out our [Cryptocurrency and Blockchain FAQs](#).

4 Benefits of Stablecoins in the Gig Economy

As noted above, stablecoins are designed to avoid the volatility risk of cryptos like bitcoin and ether. In addition, many people look at them as a sort of crypto bank account. They can offer a way for owners to capture large increases in value if sold at opportune times, store the value of those gains in stablecoins, and jump back into the crypto market when it is more subdued. Arguably, this avoids the need for workers to move their money out of the crypto ecosystem when not holding non-stablecoin assets.

There are also four critical benefits that specifically apply to workers in the gig economy – and the businesses that deploy them for work.

1. They Provide Speed of Payment

The gig economy involves frequently accepting payments for services. It is expected to reach a global market size of nearly 500 billion by 2023. The most common complaint among workers is the amount of time it takes for them to get paid for a job they did that same day – and this complaint will only get louder.

One of the distinct advantages of using a cryptocurrency like USDC or another stablecoin is the ability to eliminate the final settlement time for remittance of payment almost entirely. Take the international gig worker, for example. If a worker lives in another country, does work for U.S. companies, and is paid in dollars, that worker and the business may need to pay for wire transfers and currency conversions. On top of this, many freelancers in other countries face challenges because of sparse local banking options. By completing some or all of the pay in cryptocurrency, this can allow workers and businesses to save money and time.

2. They Reduce Fees

Reducing the costs associated with remitting and

receiving payment for services is another hot issue in the gig economy that can be addressed by using stablecoins. Many freelancers and businesses around the world face this issue when it comes time to pay the worker or receive the funds from the business.

Billions of dollars in fees for debited transactions are accumulated by payment processors from merchants within the gig economy. Moving the payments infrastructure onto stablecoins and other blockchain based technologies can save substantial sums of money by removing the intermediary merchants and directly linking the business and the worker.

3. They Have Global Reach

Attracting more diverse talent is a goal of most businesses, particularly in the post-pandemic era of remote work. As we've said multiple times, "employees want more flexibility, and they want autonomy in all aspects of their work life. Being paid in cryptocurrency is an extension of this shift." This desire is cranked up exponentially in the gig economy.

The attraction for American businesses is that overseas freelance work is often cheaper than recruiting at home. However, absent the use of cryptocurrency, the difference in the cost of labor would invariably be eaten up by wire fees and currency conversions.

Adding a stablecoin as a payment option, particularly for international freelance workers, gives them the ability to receive payment in real time. The only fees associated are small network fees, commonly referred to in the crypto industry as "gas." In turn, businesses can save money by directly remitting payment on the blockchain and the worker can avoid wire fees and large bank currency conversion fees.

This ability to tap into millions of unreached and potentially exceptional talented individuals around the world is more than enough for some businesses to deeply consider a stablecoin option.

4. They Involve Low(er) Tech

Finally, the technological entry level for gig economy workers accepting payments in stablecoins is much lower than many would expect. All they need is a smart phone

and digital wallet. In addition, there are multiple companies emerging to assist businesses in onboarding a crypto payment infrastructure into their operations.

There are Potential Risks

While stablecoins and the gig economy are a natural fit, there are still various considerations for you to evaluate from a risk management perspective. Here are two:

- **Misclassification:** Claims of misclassification are huge in the gig economy. The risk of misclassifying employees as independent contractors is significant and has consistently been a hotly contested issues for litigation in both individual and class action lawsuits. Businesses evaluating whether to pay independent contractors in stablecoins should consider the following: ***It is the law in the state in which you operate that defines whether someone is truly an independent contractor, not the contract that they signed.***

Depending on where you operate, the elements of the legal test determining contractor status may look slightly different. However, a misclassification finding will expose you to a variety of problems, which could include claims of unpaid wages, meal and rest breaks violations, unpaid overtime, and related penalties. In certain cases, these problems can also turn into complicated class actions.

- **Wage and Hour Laws:** If a court or government agency determines that your gig economy workers are actually employees, you could face another set of issues resulting from the Fair Labor Standards Act (and potentially applicable state wage and hour laws). As a reminder, the FLSA requires that minimum and overtime wages be paid “in cash or negotiable instruments payable at par.” Stablecoins, although not as volatile as other cryptocurrencies, are still neither.

In addition, there are some state laws which require employee compensation to be made in U.S. currency. Failure to comply with federal, state, and local requirements for minimum wage, overtime, or salary-based exemptions to avoid compliance issues could result in other legal challenges for a business.

Conclusion

The gig economy is growing at a rapid pace, both nationally and globally. Stablecoins provide another option to attract talent while also saving more money and time for all involved parties.

That being said, the technology for both crypto payments and the gig economy continues to develop, often times faster than the law can keep up. This results in many questions for both businesses and workers that will need to be managed. Nonetheless, as crypto adoption pushes forward, we expect more gig workers will want the option of accepting some or all of their payments in crypto – will your business be ready?

Fisher Phillips will continue to monitor the rapidly developing area. Should you have questions about compliance matters in this area, you should contact your Fisher Phillips attorney, a member of Fisher Phillips' [Cryptocurrency and Blockchain Practice Group](#), or the authors of this article. To ensure you stay up to speed with the latest developments, make sure you are [subscribed to Fisher Phillips' Insight System](#) to get the most up-to-date information.