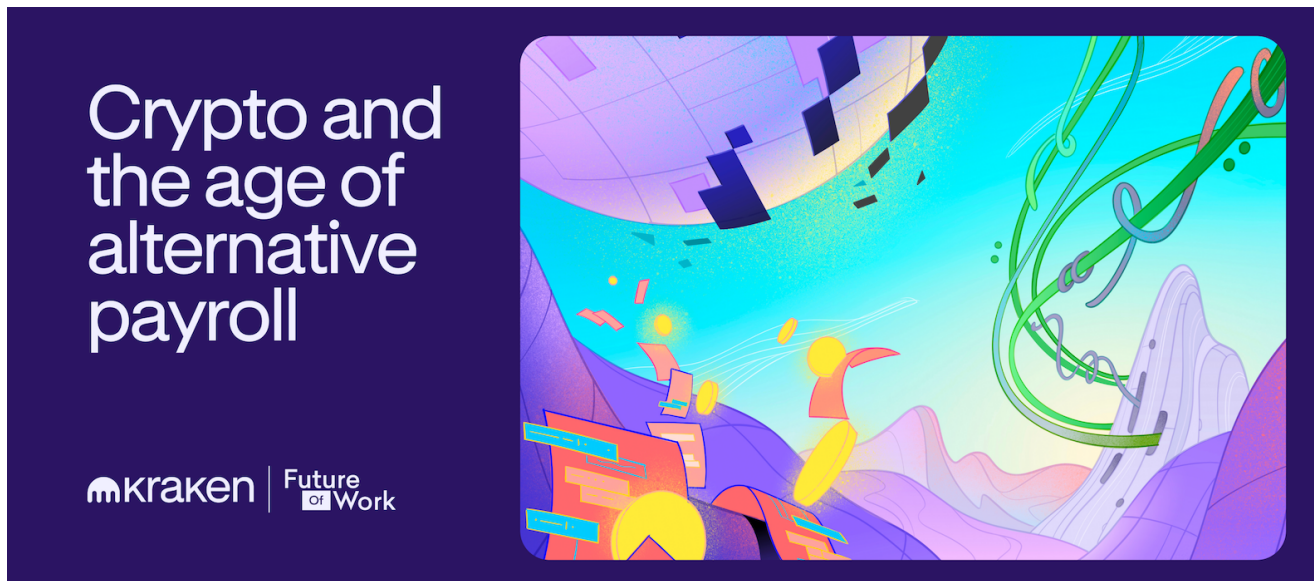


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Crypto and the age of alternative payroll

The digital revolution brings a new age of alternative payroll options, giving employees more freedom and autonomy than ever before. The future of work is one where global employees have more of a say in not only when, but how they get paid.



Crypto and the age of alternative payroll

 **Future of Work**

By Pranesh Anthapur, Kraken Chief People Officer

Payroll capabilities are expanding alongside vast improvements to blockchain technology. With these innovations, global employees may want a wider range of digital asset options, such as NFTs (<https://www.kraken.com/learn/what-are-non-fungible-tokens-nft>), cryptocurrencies (<https://www.kraken.com/learn/types-of-cryptocurrency>), and bitcoin IRAs.

Let's explore why and how to empower employees with unprecedented control over their financial future.

The global case for crypto payroll

At Kraken, we are proud to offer Krakenites an automated way to receive their pay in crypto if they choose to. Many Krakenites are able to purchase crypto through net payroll deductions every pay period, creating an easy way to dollar-cost average (<https://www.kraken.com/learn/finance/dollar-cost-averaging>) into a cryptocurrency of their choice. More than one-third of our Krakenites choose to receive at least a partial paycheck in crypto. In fact, many of them choose to receive their entire salary in crypto.

Crypto payroll options are not just for those working in the crypto industry. In some companies, U.S.-based 401(k) retirement plan contributors can invest in bitcoin alongside stocks and mutual funds. The enthusiasm for cryptocurrency extends to the wider public.

- Research conducted by NYDIG (<https://nydig.com/research/bitcoin-benefits-2022-survey>) reveals 36% of employees under 30 expressed interest in having part of their wages paid in bitcoin. In addition, about one-third of these employees – if given the opportunity to choose between two comparable positions at different companies – would prefer the one that offered to pay them in bitcoin.
- A recent Aquent survey (<https://brand.aquent.com/reimagining-compensation?>) revealed younger generations are more open to the idea of crypto as an alternative payroll option. Those aged 18-40 are most receptive: Millennials (55%) and Generation Z (56%). Baby Boomers (33%) are the least receptive.

Bitcoin and Ethereum's ether, the two most traded cryptocurrencies, are leading the way in popularity and investment enthusiasm. People of all ages tend to favor bitcoin (62.7%) and ether (26.5%) compared to USDC (8.7%) and Tether (1.4%). This suggests that investors have confidence in the potential profit-making potential for these digital assets.

- An Investopedia survey (<https://www.investopedia.com/younger-generations-bullish-on-cryptocurrencies-5223563>) found Millennials are the most invested, with 38% already owning cryptocurrency.

Cryptocurrency is well established as an investable asset and a global payment method. But its long-term value proposition to businesses goes far beyond with more benefits worldwide.

Five reasons to offer crypto as a payroll option

There are many advantages to integrating blockchain payments into your organization:

Recruit top global talent

Crypto, by nature, is globally inclusive (<https://www.kraken.com/learn/what-makes-crypto-inclusive>). You can leverage crypto benefits to recruit and retain top talent who may not prefer to be paid in their local currency. Employers can send money globally without incurring the costs of traditional bank transfers or wires.

Crypto also gives employees the option to customize their benefits package. Employees can allocate part of their net earnings to a choice of cryptocurrencies, such as bitcoin (<https://www.kraken.com/prices/bitcoin>), ether (<https://www.kraken.com/prices/ethereum>) and other stablecoins (<https://www.kraken.com/learn/what-are-stablecoins>).

Secure payments at little cost

Employers can now bypass establishing subsidiaries and creating bank accounts for their staff in different locations. With little cost, employees can establish their own crypto wallet, also known as a hardware wallet (<https://www.youtube.com/watch?v=WaxzDfJhZvM>). This is a type of wallet used to store and secure cryptocurrency. It is a physical device that stores users' private keys and public addresses in an offline environment, providing an extra layer of security against online threats.

Consider giving out a "hardware wallet bonus" on a new hire's first day. You could also include a hardware wallet as part of new-hire onboarding. Wallets are typically a few hundred dollars and can be a thoughtful perk to help your employees secure their digital assets.

Dollar-cost averaging

Every payment period, employees have the opportunity to receive crypto, gradually accruing cryptoassets through dollar-cost averaging. This strategy involves investing a consistent amount of money in an asset at regular intervals. By adopting this approach, employees' fixed payment amounts will automatically purchase more crypto when prices are lower, and less when prices are higher.

Financial sovereignty

In certain countries, employees can face high-inflation environments with their native currencies. Crypto and stablecoins can offer an alternative to hyperinflationary local currencies, empowering employees to make their own financial decisions. Offering employees their payroll in cryptocurrency is a great way to show that your company cares about their financial freedom and sovereignty.

Future-proof your employer brand

By the year 2025, three-quarters of the world's workforce (<https://teamstage.io/millennials-in-the-workplace-statistics/#:~:text=7.%,Millennials%20will%20represent%2075%25%20of%20the%20global%20workforce%20by%202025,t>) will be composed of millennials who will hold substantial influence over the future of work. Employees entering the workforce now look for forward-looking perks and benefits to support their lifestyles and values. If employers embrace the future digital economy, they'll modernize an employer brand fit for the future of work.

Things to consider about crypto payroll

Even for a crypto-native company like Kraken, it is crucial to remain vigilant about the constantly evolving landscape associated with crypto payroll. Consider the following:

Ensuring regulatory compliance

Different countries have a variety of crypto regulations, and these laws can change quickly. Make sure to consult legal counsel and confirm that any crypto payroll platform you select has a built-in compliance layer.

Understanding tax implications

Employers must understand tax regulations related to crypto payroll in their jurisdictions. Different tax authorities may classify crypto payments differently, impacting tax obligations. Proper recordkeeping and reporting, including documenting fair market value, are crucial for compliance.

Withholding taxes from crypto payments, like traditional payroll, is important to avoid penalties. Seeking professional advice from cryptocurrency tax specialists is advisable due to the complexity of crypto payroll taxation.

Managing security

Using a crypto exchange for payroll can be risky as some exchanges are more vulnerable to hacking. Therefore, it is essential for companies to take extra security precautions (<https://www.kraken.com/learn/videos/crypto-security-guide>) when using crypto exchanges for payroll. Do your own research and find trusted and secure crypto solutions.

Build financial freedom with crypto

In light of existing and potential economic challenges, it is essential for employers to recognize the impact that employee compensation has on engagement and retention, as well as the growing demand for diverse payment options.

By providing crypto as an alternative payroll choice and leveraging the potential of blockchain-based compensation, employers can demonstrate innovation, foster global inclusivity and take proactive measures for the future well-being of their employees.

Are you or your company new to crypto? We believe crypto shouldn't be cryptic. Learn more about blockchain, crypto, and NFTs here:

Visit the Learn Center (<https://www.kraken.com/learn>)

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