

Benefits of Hiring Independent Contractors versus Employees

“Hiring the best is your most important task.” Steve Jobs

We believe there are many benefits to hiring Independent Contractors in comparison to Employees. The ultimate decision always rests with the purpose of the hire and the long-term goals of the business.

Financial Benefits

In most instances, a business owner will always pay less hiring an Independent Contractor (IC) than an Employee because the IC is normally hired for a specific purpose for an agreed upon period of time in advance.

Payroll costs including payroll taxes as well as vacation, retirement, and insurance benefits are not required to be paid to Independent Contractors. These types of costs can increase your total payroll and benefit expense amounts by twenty to fifty percent or more per year.

Staffing Flexibility

Hiring an IC allows you to hire people when you need them the most. You can increase workers when it is very busy and not hire them when you do not need them. Independent Contractors work with a large amount of autonomy. They can decide how the work will be done as long as it satisfies the owner's requirements.

The general rule according to the Internal Revenue Service is “an individual is an Independent Contractor if the payer has the right to control or direct only the result of the work and not what work will be done.”

Higher Levels of Efficiency Quickly

Independent Contractors normally yield profits faster because they are highly skilled in certain areas. They are required to have their own permits and licenses so they do not need to be trained like most employees. In this way, ICs can be very efficient and effective in their work right from the beginning.

Below is a quick summary of the different employee and Independent Contractor attributes:

EMPLOYEE	INDEPENDENT CONTRACTOR
Usually works for only one employer.	Generally provides consulting services to

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Works the hours set by the employer.	more than one company.
Usually works at the employer's place of business.	Sets his or her own hours.
Often receives employment benefits, such as health and disability insurance.	Works out of his or her own office or home.
Works under the control and direction of the employer.	Does not receive employment benefits from the employer.
Accomplishes tasks in the manner the employer has requested.	Works relatively independently.
Tends not to incur costs or make investments in the work.	Has the authority to decide how to go about accomplishing tasks, and does so without the employer's input.
Has a general education and experience background, and receives special training from the employer in order to do the job better.	Incurs the costs associated with performing the job.
Receives net salary after the employer has withheld income tax, Social Security and Medicare tax under the Federal Insurance Contributions Act (FICA).	Has acquired very specialized skills and comes to the work relationship with a particularized education and experience background.
Will likely be eligible to receive unemployment compensation after layoff or termination.	Is not subject to tax or FICA withholding, but pays his or her own self-employment tax.
Will receive worker's compensation benefits for any workplace injury.	Is not eligible for unemployment compensation benefits.
Generally (unless employment is "at will") can be terminated by the employer only for good cause and with notice.	Is not eligible for worker's compensation benefits.
Is covered by federal and state wage and hour laws such as minimum wage and overtime rules.	Generally (unless the consulting contract is for a specified term) can be let go by the employer for any reason, at any time.
Has the protection of workplace safety and employment anti-discrimination laws.	Is paid according to the terms of the contract, and does not receive additional compensation for overtime hours worked.
May be entitled to join or form a union.	Usually is not protected by employment anti-discrimination and workplace safety laws.
	Is not entitled to join or form a union.

Source: Findlaw.com

How We Can Help You

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[Pacific Crest Group \(PCG\)](#) provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward-looking perspective, we provide the outsourced solutions your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all of your business opportunities.