

Article – Alternate Types of Employees in Today’s Workforce

The composition of the American workforce has been changing and will continue to evolve. Whereas regular employment used to be almost the only classification of worker, now more and more in the “gig economy” people are hired as temporary employees or independent contractors.

According to the [latest job report](#) from the Bureau of Labor Statistics, almost 157 million employees were participating in the workforce. This includes 27 million part-time employees (those who work less than 35 hours per week), 4.7 million who are “involuntary part-time” as they would like to but cannot find full-time employment. Unemployment rose slightly to 3.9% with about 6 million people actively looking for employment while there were 6.9 million job openings.

Shifting job trends, employment costs, and employee availability have required companies to look for alternative ways to fill open positions and meet work demands. Two of the more popular options are hiring temporary employees or independent contractors. Both have pros and cons to consider.

Temporary employees (“Temps”):

Temporary employees fill a need in the workforce that regular employees cannot. Companies use temporary employees for several reasons including:

- to fill a short-term need (i.e., sudden or occasional increased client demands),
- to assist regular employees who are under work stress,
- to complete a specific project (i.e., to scan hard-copy records into electronic storage),
- to “try out” a person before hiring full-time,
- to meet seasonal demands (i.e., sales people just for Christmas shopping season),
- to cover a regular employee out on extended leave,
- to reduce employment commitments in an uncertain economy, or
- to avoid the costs associated with regular employees (i.e., benefits, insurance).

According to a [report](#) by the American Staffing Association, 3 million temporary / contract employees are placed by staffing companies each week and over 15 million temporary / contract employees are hired by staffing companies each year. Workers may choose to be placed as temps to give them flexibility, may believe it is a good way to find a regular job (which it can be), or may sign up as temps out of necessity.

Cautions:

- Do not keep a temp for too long – Retaining a temp for a long time with no intention to terminate their services or bring them on as a regular employee may be seen as avoiding mandated employment obligations. While extending a temp beyond the initial project deadline is fine, do not infinitely employ a temp without converting to regular employment at some point. If they are good, hire them so they won’t leave to temp for someone else who can provide them stability.
- Do not blindly trust the staffing agency you use – Implement practices such as doing reference checks on a new staffing agency and viewing all paystubs the agency issues to your temps to make sure everything is handled correctly. If the agency is not processing payroll correctly, you could be found liable for back wages and taxes.

Independent Contractors:

Companies may choose to hire independent contractors for several of the same reasons they would a temp: staffing flexibility, reduced employment costs, or to meet a temporary need. Independent contractors can also fill a specific, more regular role that the company may not need full-time, such as marketing, IT support, HR, or bookkeeping.

The [CPA Practice Advisor](#) explains that small businesses hire independent contractors more than regular employees. Since small companies must be more streamlined in their operations and are more impacted by client demand and budget fluctuations, independent contractors give them a way to fill part-time or occasional workforce needs without the expense of hiring a regular employee.

Many people are choosing to leave the regular workforce and work for themselves as an independent contractor. The [trend of self-employment](#) is increasing with expectations of 42 million people working as self-employed independent contractors by 2020 as compared to 126 million regularly-employed workers. That means 1/3 of the workforce will be classified as independent contractors in the next year or two.

Cautions:

- Do not misclassify true “employees” as “independent contractors” – Various federal and state agencies (including the [IRS](#) and [DOL](#)) have different standards and “tests” for independent contractors. A few areas of consideration to demonstrate the true “independence” of a contractor include (list not all-inclusive):
 - Does the person control his /her work hours, methods, tools, etc.?
 - Can the person work independently without oversight or supervision from company management?
 - Can the person work for other companies / clients doing similar work?
 - Is the person given expectations and can meet them however they wish or does the company dictate every procedure?
 - Is the person expected to follow company policies such as attendance and progressive discipline?
 - Can the person gain a profit or suffer a loss from the work arrangement?
- Do not be surprised by an audit of the relationship – Utilizing independent contractors can create increased exposure to federal and state government audits. These agencies focus on companies with independent contractors to make sure they are not misclassifying workers in order to avoid paying taxes, minimum wage, and overtime, as well as not providing required benefits such as health and workers’ comp insurance.

Regardless of the makeup of your workforce, it is important to remember there are regulations to follow for all types of workers, and the penalties for employee misclassification or failing to follow those regulations can be very costly. Of course, if you have any questions, don’t hesitate to contact us at Affinity HR Group – your HR partner and resource.

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