

## **REBUILDING YOUR STAFF - EMPLOYEES OR CONTRACTORS**

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Recently there has been talk about the economy improving. Hopefully you have been seeing signs of increased business and interest in your services as well. After last year's financial concerns and staff cuts, you may now need to consider adding staff to match the demand for your services.

As we enter yet another stage of the economic transition building back up your business, you will most likely have to address the question of adding staff. Obviously expense containment will be on the forefront of your mind; delivering your services while maintaining reasonable labor expenses. Generally speaking, labor expenses account for up to 50% of budgeted expenses, so how this question is answered can have significant impact to your bottom line.

As an advocate for being fully informed, it doesn't hurt to explore all your options to determine the best approach. Should you hire employees, independent contractors, temporary staff, full time or part time might be some of your considerations.

Hiring an employee may be your first inclination. An employee becomes a part of your team, someone you can train and count on to do what they are directed to do and be a real asset to the business. In addition to base salary, you incur additional costs in the form of payroll, unemployment insurance and other taxes plus benefits as well as providing work space and supplies to get the job done. Even if full time is not the answer and you opt for part time staff, many of these indirect expenses will be present.

You may find some flexibility in using staff from a temporary employment agency that specializes in employees with the skills you need. When using these temporary employees, you pay an hourly rate and all payroll and most other indirect costs are incurred by the agency. Building a relationship with a temporary agency can be a benefit as you evaluate the speed of your business growth.

Depending on your business service, utilizing independent contractors may be beneficial. In this case, the person you contract with to provide the agreed upon services brings the expertise and experience needed and is not your employee. This option looks attractive as you pay a set rate for a specific outcome. You issue a 1099 at year end and the contractor takes responsibility for taxes, insurance, benefits, etc. Although this seems pretty straightforward, a word of caution: make sure to evaluate if the person you are paying qualifies as an independent contract under IRS rules. Utilize the "Independent Contractor Assessment" tool available as a resource through the Corporate Cranium web site. This tool, as a first step, will help you determine whether going the 1099 route is the best way to proceed. I also strongly encourage you to consult with your accountant and legal advisor. Recent reports indicate increased government enforcement in this area. To minimize risks consider using independent contractors who operate under their own or an established business.

Let's all continue to be hopeful that all economic indicators are correct and the recession is coming to an end. Heaven knows we all need some relief.

As your business grows and you add staff, give me a call at 763-370-4280 and I will help you through the process of evaluating which of the many options may work for you. Human Resource Consulting, LLC is an independent contractor who is your business partner.