



# GUIDE TO EMPLOYEE TYPES *and when to use them!*



**The right employees at the right time** can help you maximize your organization's effectiveness. With a mix of permanent and temporary employees you'll always have the right person with the right expertise on your team. You'll achieve better results, faster, and more happily. There's a lot at stake.

As if choosing the right person wasn't high pressure enough, to create a maximally effective and scalable workforce you'll need to figure out the right mix of employee types.



Learn the secret  
to navigating  
contractor hiring.

Team members can be classified in one of two ways: 1099 or W-2. Choose the wrong type and you could face unexpected costs, tax penalties, and worse.

This guide will help you choose the right employee types for your organization and goals. Plus, you'll learn the secret to navigating contractor hiring.



## Why are employee types such a big deal?

**How you hire** directly impacts your department's ability to stay agile and control costs. In digital learning, our roadmaps are often cyclical in nature – ramping up in the design and development phase and down in monitor and refresh stages. In addition, you probably have at least one new, large project on the horizon that requires additional support.

**What if you could get work done faster and better?**

What if you could get work done faster and better by augmenting your team with expert contractors? Or make better hiring decisions by contracting with professionals before offering them a position?

How you hire people impacts your ability to flex your workforce up and down, which has a direct impact on your budget. Let's explore hiring options so you can make the most of your time and money.

## Hiring options: employee types



### ● Permanent Employees

Professionals hired directly by your organization. They are on payroll and are eligible for benefits such as health insurance and PTO. This type of employee usually works full-time and may stay with your organization for years.

Having a solid base of permanent employees can anchor the organization. They know the in's and outs of the culture, people, processes, and mission-aligned initiatives. Permanent employees are ideal for leadership and management positions, as well as operational roles that are consistent and ongoing.

**Benefits:** Committed to the team and the organization. Know the organization. Can lead projects and contractors.

**Drawbacks:** On the payroll even during slow times. Skills may not always match needs. Difficult to let go. Benefits cost roughly 30% above salary.



## ● Temp-to-Perm

Professionals hired for a short contract with the potential to move to permanent employee status. May be full-time or part-time.

Have you ever made a hiring decision you later regretted? Temp-to-perm hiring is an excellent solution for “trying out” a new hire before making a long-term commitment. It’s also helpful when you need to hire quickly and don’t have time to go through a lengthy vetting process.

**Benefits:** Can see how they work with your team before you commit. Hire more quickly with less risk.

**Drawbacks:** Experienced experts may reject these roles in favor of a permanent employee hire arrangement.

## ● Contractors

Professionals who commit to a specific time-frame or project. These may be <sup>1099</sup> Independent Contractors or Temp Employees.

Hiring contractors provides your organization with an enormous amount of flexibility and potential cost savings. You bring on professionals, sometimes those with specialized skills, for the just-right amount of time.

**Benefits:** Flexible. Can quickly scale. Minimizes fixed overhead costs. Highly skilled talent. New ideas and perspective.

**Drawbacks:** Can choose to leave at the end of the contract. May work for others while working for you. Do not know the organization's processes, goals, and culture.



## A Closer look at Independent Contractors (1099S)

It can cost about 30% less to hire an independent contractor versus an employee. This is because the employer is not responsible for providing benefits or paying half of the person's social security and medicare contributions or unemployment tax.

However, many thoughtful organizations choose to pay Independent Contractors a higher hourly rate in consideration of the taxes independently paid.



## Contractor Classification: Independent Contractor or Employee?

Despite the many benefits of hiring contractors, the process can be challenging. Worker classification laws can be hard to unravel and misclassifying someone can lead to negative legal and financial implications.

To avoid legal pitfalls, it's important to understand the basics of how to classify workers. Workers can be classified in one of two ways, as an Independent Contractor, a 1099, or as a W-2 Employee. Keep in mind, if the designation is Employee (W-2) and you want to hire them on a temporary basis, you'll need a hiring solution (more on that later).

Use the statements on the next page to consider if the person you are hiring should be classified as an Independent Contractor or Employee.

# Independent Contractor or Employee?

## Independent Contractor

(1099)

- Sets own hours; determines own sequence of work
- Can work for multiple employers
- Is self-employed
- A contract governs how the relationship can be served
- Works by the job or project
- Permitted to employ assistants
- Performs services under the worker's business name
- Payment by the job (opportunity for profit and loss)
- Furnishes own tools, equipment and training
- Controls the sales process and terms

## Employee

(W-2)

- Required to comply with employer's instructions about when, where, and how to work
- Works exclusively for the employers
- Hired by the employer
- Subject to dismissal and can quit without liability
- Has a continuing relationship with the employer
- Work is done personally
- Performs services under the organizations' name
- Paid a salary, reimbursed for expenses,
- Participates in company fringe benefits
- Furnished tools, equipment materials, and training

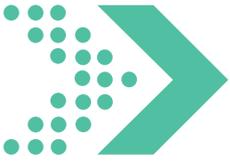
While worker classification is not a clear-cut process (you may have checked boxes in both areas) it can also be helpful to think about classification in terms of behavior control, financial control, and relationship. Who has control and what is the perception of the type of relationship?

See the [IRS guidelines](#) for more information on classifying workers.



### Pro Tip!

If you tell the person when, where or how to work, they are probably a W-2 employee. If they're directing their own work and then providing you with a deliverable, they are probably a 1099 contractor.



## The Secret to Hiring Contractors

So, what do you do when you want to hire someone for just a short time or you need help with hiring contractors in general?

The secret to contractor hiring is staffing agencies or temp firms. These employee solution companies hire professionals on your behalf. They help all types of organizations—both big and small—easily and legally engage an agile contractor workforce. This form of support is known as **Employer of Record** services. An Employer of Record hires temporary workers, handles a variety of administrative tasks, and mitigates worker classification risk.



### Employer of Record Services

- Help determine the correct worker classification
- Hire the contractor on your behalf as either a W-2 or 1099
- Complete all legal onboarding paperwork
- Provide a timekeeping system
- Manage payroll
- Withhold taxes and provide benefits for W2 Temporary Employees

Staffing and Temp agencies are a valuable partner in enabling organizations to easily and effectively scale their workforce with contractors. If you're seeking guidance in this process or the right partner for your learning organization, **Teamed can help**.



**Teamed** staffing specializes in connecting organizations with digital learning professionals. We provide flexible hiring solutions as an Employer of Record. Our network of over 10,000 professionals includes highly qualified and vetted experts such as digital learning strategists, educational technologists, instructional designers, trainers, LMS administrators, and more. Whether you need to quickly assemble a team to migrate learning online, develop a comprehensive digital learning plan, or train staff in digital learning best practices, we can help. Easily hire exceptional new employees, contractors, or contract teams to accomplish your digital learning goals.

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