

Employee vs. independent contractor essay sample

[Business](#), [Employment](#)



People generally know if they are an employee or an independent contractor, but with some jobs or businesses knowing for sure can be difficult.

Understanding what the laws to know the difference between the two is important. According to the “ U. s. Small Business Administration” (n. d.), “ Knowing this distinction will help you determine what your first hiring move will be and affect how you withhold a variety of taxes and avoid costly legal consequences.” (Hire a Contractor or an Employee?)

Employee

Common names are used by people to describe what employees are called such as paper pusher, drone, number pusher or gopher. In the eyes of the law the definition of employee is important and needs to be taken seriously. The laws defining an employee have been put into place to help protect both the employer and the employee if a problem comes about between the employer/employee relationships. According to IRS-Employee. (2013), “ Under common-law rules, anyone who performs services for you is your employee if you can control what will be done and how it will be done.” (para. 1).

Independent Contractor

According to “ Hiring Independent Contractors” (2013), “ Independent contractors (ICs) are workers who are considered to be in business for themselves. They may use a number of different terms to describe their employment situation, such as freelancers, consultants, self-employed workers or entrepreneurs.” (para. 1) Carrying the status of Independent Contractor is not for everyone. Some people like that fact they can work their own hours or be their own boss. With the growing world, big companies are

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expanding and doing business around the globe over and the expense of hiring employees and having to fly them all over to complete jobs can be expense. Expanding and using Independent Contractor is a way for some companies to save a significant amount of money. According to “ Mitchell, L. S., & Sprohge, H.” (2004), “ Some service providers prefer independent contractor status because of the tax benefits not available to employees; including being able to contribute significant dollars to their own qualified retirement plan and deducting legitimate business expenses (Independent contractor or not?).

AMW-K9

The owner of AMW-K9 is the employee of a large company who has hired him to provide Explosive Detection Dogs and Handlers for various jobs in Southern California. Each job is worth a certain amount of money. One contract in particular needs the owner of AMW-K9 to provide seven dogs and seven handlers on a job site Sunday from 7: 00 a. m. to 3: 30 p. m. As an Independent Contractor the owner of AMW-K9 works the shift and in addition he has six employees who are paid directly from AMW-K9. The company in which AMW-K9 is employed by uses independent contractors so they can maintain their home base in one state and generate business in other states. Instead of hiring all of the people needed to fulfill the contracts they find it is easier to have one employee in each state who is an independent contractor. An independent contractor will work out the details and hire the people needed to fulfill the job requirements under his business name.

The Difference

Employees and independent contractors share some common terminology. The difference is, an independent contractor works at his own pace, sets his own hours, and owns his tools. Whereas, an employee would work a scheduled shift determined by an employer, uses company supplies, and the company usually provides the training. Both an employee and independent contractor are required to pay taxes and follow laws and regulations provided by the state. The IRS uses a 20 factor test to determine the difference between an employee and independent contractor. Bennett & Hartman, 2007 stated, “ The IRS compiled this list from the results of judgments of the courts relating to this issue (see, Table 1.).”

(IRS 20 Questions, 2005).

Temporary Employees

How might temporary employees be characterized in the organization or industry you select? For AMW-K9 a temporary employee comes into play when one of the regular Bomb Dog Handlers is unavailable to work a required shift. The owner of AMW-K9 will find a replacement person for the day needed. When he finds someone an agreement is written up that provides the details of the job duty, the pay rate, the beginning, and ending date in which the person will work. The top of the agreement will be titled TEMPORARY POSITION. According to “ U. S. Dept. of Labor Temporary Employees” (2013), “ temporary appointment is an appointment lasting one year or less, with a specific expiration date. It is appropriate when an agency expects there will be no permanent need for the employee.” (para. 1).

Conclusion

Understanding the difference between employee and independent contractor is important. The consequences of not knowing the difference between the two categories can be a costly mistake for all parties involved. The owner of AMW-K9 is a good example of how the different titles are being used. The IRS provides information so an employer, employee or independent contractor will know and understand what title needs to be used.

References

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