

# MarketWise



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## Employee or Independent Contractor?

With the shakeup in staffing around the country, agencies are trying to convert their fixed expenses to variable expenses, and the biggest of these is payroll. In a well run agency, payroll and benefits total about 55% to 60% of the adjusted gross income.

When business takes a severe downturn, payroll is the first place companies have to look to cut expenses. It's their biggest expense category and the effect is almost immediate. Unfortunately, too many companies hang on to the hope that business is going to return and they will need the people. The company coffers get sucked dry as the company continues to pay employees that have no work to do. Every penny paid out comes from those hard earned net profit dollars from the prior months and years.

The companies that have learned their lesson in prior pull backs, or are just too smart to pour more payroll money down the rat hole start turning their fixed expense (payroll, payroll taxes, benefits, etc.) into variable costs by hiring freelance professionals to do the work when the work is available.

Here's the rub. Too many companies are exposed to state and federal fines for not paying taxes on what they pay to freelancers. I've had too many owners tell me, "Well, we just put them on contract and they become a contract employee."

Just calling an employee a contract employee doesn't make him/her an independent contractor in the eyes of state and federal bureaus.

If you want to read what the taxing authorities have to say about it, review the [docs](#) on the subject.

Just make sure you are safe and not subjecting yourself to more problems by unknowingly exposing yourself to large fines. Read these "rules" to help determine whether the freelance and contract employees are truly independent contractors.

A "Yes" answer for just ONE of the following questions indicates that the worker is an employee:

1. Does the business provide instructions to the worker about when, where and how he or she is to perform the work?
2. Does the business provide training to the worker?
3. Are the services provided by the worker integrated into the business' operations?
4. Must the services be rendered personally by the worker?
5. Does the business hire, supervise and pay assistants to the worker?
6. Is there a continuing relationship between the business and the worker?
7. Does the business set the work hours and schedule?
8. Does the worker devote substantially full time to the work of the business?
9. Is the work performed on the business' premises?
10. Is the worker required to perform the services in an order or sequence set by the business?
11. Is the worker required to submit oral or written reports to the business?
12. Is the worker paid by the hour, week or month?

13. Does the business have the right to discharge the worker at will?
14. Can the worker terminate his or her relationship with the business any time he or she wishes without incurring liability to the business?
15. Does the business pay the traveling expenses of the worker?

"Yes" answer for just ONE of the following questions indicates that the worker is an Independent Contractor:

1. Does the worker furnish significant tools, materials and equipment?
2. Does the worker have a significant investment in the facilities?
3. Can the worker realize a profit or loss as a result of his or her services?

4. Does the worker provide services for more than one firm at a time?
5. Does the worker make his or her services available to the general public?

The determination of whether or not the worker is an employee or independent contractor is the responsibility of the business. If the Internal Revenue Service challenges the classification made by the business, the burden of proof is on the taxpayer (business).

If requested, the IRS will make a determination of whether a worker is an employee or independent contractor.

Check with your accounting firm and have them approve your process to be sure you are in compliance.

## 10 Critical Questions You Should Ask About Social Media

By Barbara Weaver-Smith  
The Whale Hunters



We've been doing a sort of crash course in social media, testing how we can extend more whale hunting services to more customers by increasing the variety of delivery methods. We've increased the number of ways we offer information for free—a [Twitter](#) account and a more active [blog](#) as well as this *Whale Hunters Wisdom* newsletter. And we're increasing the number of packaged products and services—like the new [RFP eBook](#) and a social network site for whale hunters that will launch this summer.

In the process, I'm trying to find the right mix of social media and other ways of spending time on my

business. It's not easy because the "social" part of these media is defined by time and presence—an entrepreneurs most valuable resources. For a small-business leader, a core decision is whether you will personally get involved or whether you will outsource your company's online presence to employees or outsourced services. For example, "blog writer" is a new job—try a [Google search](#) on that term and you'll see what I mean! Instead of writing your own blog, you can hire a ghost writer to represent your company online.

In the next series of newsletters I am going to share some questions about social media, reflect on our recent experiments, and offer some recommendations, in the hopes that our experience may help you analyze the role of social media in your company's sales, marketing, branding and thought leadership.

Here goes with ten questions:

1. Why? What is the purpose of your blog? Why would you spend time on Twitter? Do you need a [Facebook](#) presence? You need to be very deliberate about your business purpose—ultimately

- about the revenue growth—that you intend to achieve.
2. How? What process will you follow? Whale Hunters are process-driven and role-driven. Once you know the outcomes you want, decide very specifically how you will go about achieving them, what roles are required, and who should fulfill those roles. Here's an example of a whale getting personal—a real person (Bob Blass) fulfills the role of RCA TV on Twitter—his handle is [RCA Bob](#).
  3. Do you know what it costs? Free tools are expensive to operate. Put on your CFO hat, figure out your opportunity cost, and calculate whether you can get the return you're looking for.
  4. Can you stay focused? The Twitter feed, the [blog feeds](#), the Facebook wall—these environments consist of incessant random bites of information vying for your attention. Friends, family, and customers, employees, and business associates may all overlap in the same “social space.” That's why it's important to know your purpose, have a plan, and understand your costs.
  5. How will you manage “personal”? The social media invite you and your employees to put a face on your company. Will it be one face or many faces? Will you exercise any control? For example, [Compendium Blogware](#) provides an interface that allows many employees to write blog posts, but all posts and comments undergo an administrative review before they go live. The personality of your company can be reflected in the personalities and interests of the employees who blog. Perhaps you are the brand of your company—you'll need to decide if that's the case.
  6. What's the alternative? If you weren't investing in social media, what would you be doing instead? Are there better ways to spend your time or the time of your employees or consultants? Only you can answer that question.
  7. What policies will you need? Social media require that you and your team exercise judgment, on everything from how much time to spend to how to handle problems—like spam on your blog or customer complaints in public.
  8. Are you compelled to keep score? It's important to have solid ways to measure your ROI, especially if you engage a professional firm to help you. But the social media have lots of clever ways to challenge you to increase your time online, such as “[twitalyzer](#),” which purports to measure your influence on Twitter. Keeping score is one thing; competing for audience or influence may not be in the best interests of your company.
  9. Who is interacting with you on line? Social media offer opportunities to get to know your customers better, to find others with mutual business interests, to locate promising new employees, to identify trends, and to invent new products and services. Pay attention to who is visiting or “following” you and find out why.
  10. How will you manage feedback and new knowledge? Social media can help you become a “learning organization” if you have a process for internal sharing. Make it easy for your team to share new links, articles, and blogs etc. that are relevant to your business development.
- I had the opportunity last week to have lunch with eight Indianapolis business women whom I had never met before, just because of a presence on Twitter. It was an easy and fruitful networking event because of the shared understandings established online.
- Your social media presence and participation may be or become critically important to your growth strategies, but you will need to manage them deliberately and efficiently.
- Barbara Weaver-Smith  
[The Whale Hunters](#)