



Aligning Costs With Professional Contractors: 1099 vs. W2

A white paper explaining the true difference between 1099 and W2 contractors

Is your business really aligning costs with contractors? As corporations do more with less, 1099 contractors are often the path of least resistance for many businesses. While convenient, misaligning 1099 contractors can lead to extra costs, inefficiencies and liabilities.

Utilizing contract professionals is an excellent way for corporations to temporarily expand their workforce on an as-needed basis. Valued for flexibility and specialized skill sets, hiring contract/freelance talent is a cost-effective strategy to bolster human capital. However, despite its convenience, talent acquisition via 1099 contract professionals exposes businesses to significant risks—such as higher hourly rates and co-employment liabilities, including back taxes, interest and penalties to the IRS—**that can be easily avoided by hiring W2 contract professionals** through specialized staffing agencies.

For example, a corporation is in need of a web development contract professional for a microsite. The project requires advanced web development skills, including HTML5 and JavaScript. Management hires a 1099 contract professional specializing in advanced web development at the rate of \$125/hour. After project completion, the firm requires assistance with a corporate Wordpress blog. Because it's convenient for the organization, the contract web developer moves to another department within the corporation to develop this blog. Although this project does not require the same advanced programming skills as the microsite, the corporation has locked in the rate of \$125/hour with the 1099 contract professional.

By using a staffing agency, this corporation could have not only saved money, but avoided risks associated with 1099 contractors. Staffing agencies identify, screen and hire W2 contract professionals for corporations, saving companies, on average, 30-40% on hourly rates^[1] by determining project difficulty and aligning pricing hourly rates accordingly. All co-employment risks are eliminated, and contract professionals often work with the added security of benefit packages and career growth, meeting both deadlines and expectations. An additional benefit of hiring W2 contractors through staffing agencies is the option to convert W2 contractors into full-time associates, saving corporations time and recruiting costs associated with hiring and training new employees.

If your corporation is hiring 1099 contractors, step back and consider the costs: higher hourly compensation, co-employment risks, as well as the time needed to recruit contractors and, when budget allows, full-time employees. Professional Staffing Agencies align costs, helping corporations steer clear of not only extra spending, but liabilities as well.

About Profiles

Founded in 1998, Profiles is a staffing and employment agency dedicated exclusively to the professional Marketing, Creative, Web and Interactive Technology niche. Profiles provides a full suite of recruitment and staffing services for many of the Mid-Atlantic's Fortune 500 companies and leading brands. Profiles offers more industry expertise, greater cost efficiencies, and a proven ability to match the best candidates with the right positions and companies.

We are headquartered in Baltimore, Maryland with offices in downtown Baltimore, Maryland, Philadelphia, Pennsylvania, Richmond, Virginia and Washington, DC.

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^[1] Based on Profiles Placement Services averages