



Empower Independent Contractors



What is an independent contractor?

Independent contractors, also known as freelance workers or independent entrepreneurs, are self-employed individuals that typically have more job flexibility than traditional employees. Contractors can choose when and where they work, who they work for, and how much they charge for their work. They are able to freelance (or contract) with multiple clients rather than being tied down in a traditional employer-employee contractual relationship.



What kind of jobs do independent contractors do?

Contractors offer services as doctors, graphic designers, construction workers, home health care providers, and childcare workers, among others. Contractors are rural and urban workers, disabled and able-bodied workers, single and stay-at-home parents, seniors, and even retirees. Today, one in five jobs in America is held by a worker under contract, and within a decade, freelance workers could make up half of the U.S. workforce.¹



What is the IRS common law factor test?

The Internal Revenue Service (IRS) common law factor test is an analytical tool that helps employers determine whether a worker is considered an employee or an independent contractor.² It is the chief federal independent contractor standard and is used in 19 states. This 20-factor test makes it easier for businesses to engage with independent workers, and in turn, makes it easier for freelancers to work for themselves. No single factor in the test determines an employee-employer relationship. Instead, factors including behavior, financial, and business-relation questions focus on who controls what work is done and how it is completed.



What are AB or ABC factor tests?

Unlike the common law test, every factor of an AB or ABC test must be met for a worker to be classified as an independent contractor. If a business fails to prove any part of an AB or ABC test, the worker must be classified as an employee. While most laws governing work-relationships come from the federal government, 31 states use these overly-strict and burdensome worker-classification tests which make it harder for businesses to contract with workers who wish to work for themselves.



What benefits are there for an employer to hire an independent contractor versus a traditional employee?

Hiring independent contractors can benefit both employers and contractors alike. Contractors provide access to alternative skillsets, possible financial savings, and increased business flexibility. Both large and small businesses are embracing the freelancing economy because it allows them to find outside perspectives and expertise, not just those in nearby communities.



What are the benefits of working as an independent contractor instead of a traditional employee?

Technology is increasingly making it easier for people of all education, skill, and income levels to work as independent contractors—changing the workforce as we know it.³ Contract work provides a highly-flexible work arrangement that allows workers to work for themselves no matter their location or other physical limitations. Freelancing also allows workers to have diverse sources of income, which protects them from fluctuations in the economy. Contracting provides millions of workers with a steady income, keeping them from government dependency. Moreover, freelancing helps individuals with disabilities, welfare enrollees, rural workers, seniors, and retirees find work that works best for them, which means healthier people, families, and communities.⁴

1. "NPR/Marist poll results: Picture of work," Marist Poll (January 2018), <http://maristpoll.marist.edu/nprmarist-poll-results-january-2018-picture-of-work/>.
2. Internal Revenue Service, "Independent Contractor (Self-Employed) or Employee?" U.S. Treasury Department (2018), <https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>.
3. Martin Strutz, "Freelancers and technology are leading the workforce revolution," Forbes (2016), <https://www.forbes.com/sites/berlinschoolofcreativeleadership/2016/11/10/free-lancers-and-technology-are-leading-the-workforce-revolution/#1d86b2f35d21>.
4. Gordon Waddell and A Kim Burton, "Is work good for your health and well-being?", The Stationery Office (2006), <https://cardinal-management.co.uk/wp-content/uploads/2016/04/Burton-Waddell-is-work-good-for-you.pdf>.