

INDUSTRY INSIGHTS

Finding the ideal labor mix in any economy



SUMMARY

The modern workforce looks far different than it did just ten years ago. Between 2014 and late 2018, [freelancing in the United States grew by seven percent](#), compared with two percent growth for non-freelancers.

But the recent COVID-19 pandemic has accelerated this trend. As the U.S. economy ground to a near standstill, the crisis quickly replaced business as usual with the new normal. Overnight, the focus shifted to remote work and social distancing. New deals stalled in the fog of unprecedented uncertainty and a steep drop in demand forced many field service businesses to lay off staff.

Yet these companies will need those same skilled workers in order to fill demand once our economy begins to recover. And while the work will certainly return, it will likely come back in waves. The companies that will continue to thrive are those that can flex on a daily basis, ensure worker safety, increase visibility, and minimize restaffing costs.

Finding the right balance between traditional full-time workers and on-demand contingent talent will be key to weathering the storm. To help you find the right labor mix for your unique needs, we'll explore:

- The key differences between contingent workers and traditional W2 employees
- Types of workers (1099 contractors, temps, subcontractors, and W2 employees)
- The pros and cons of each category
- How to determine which options may be the best fit
- The advantages of online marketplaces for finding top talent





Worker classifications

1099 contractors

The most in-demand technicians may not even be actively looking for a new job. Luckily, you can engage many of these high-value experts through social media sites like Facebook or LinkedIn.

Temporary employment agencies

Temporary staffing firms recruit technicians on your behalf. Workers are employees of the agency and are contracted out to client companies. Like with 1099 contractors, you're responsible for managing and dispatching the work.

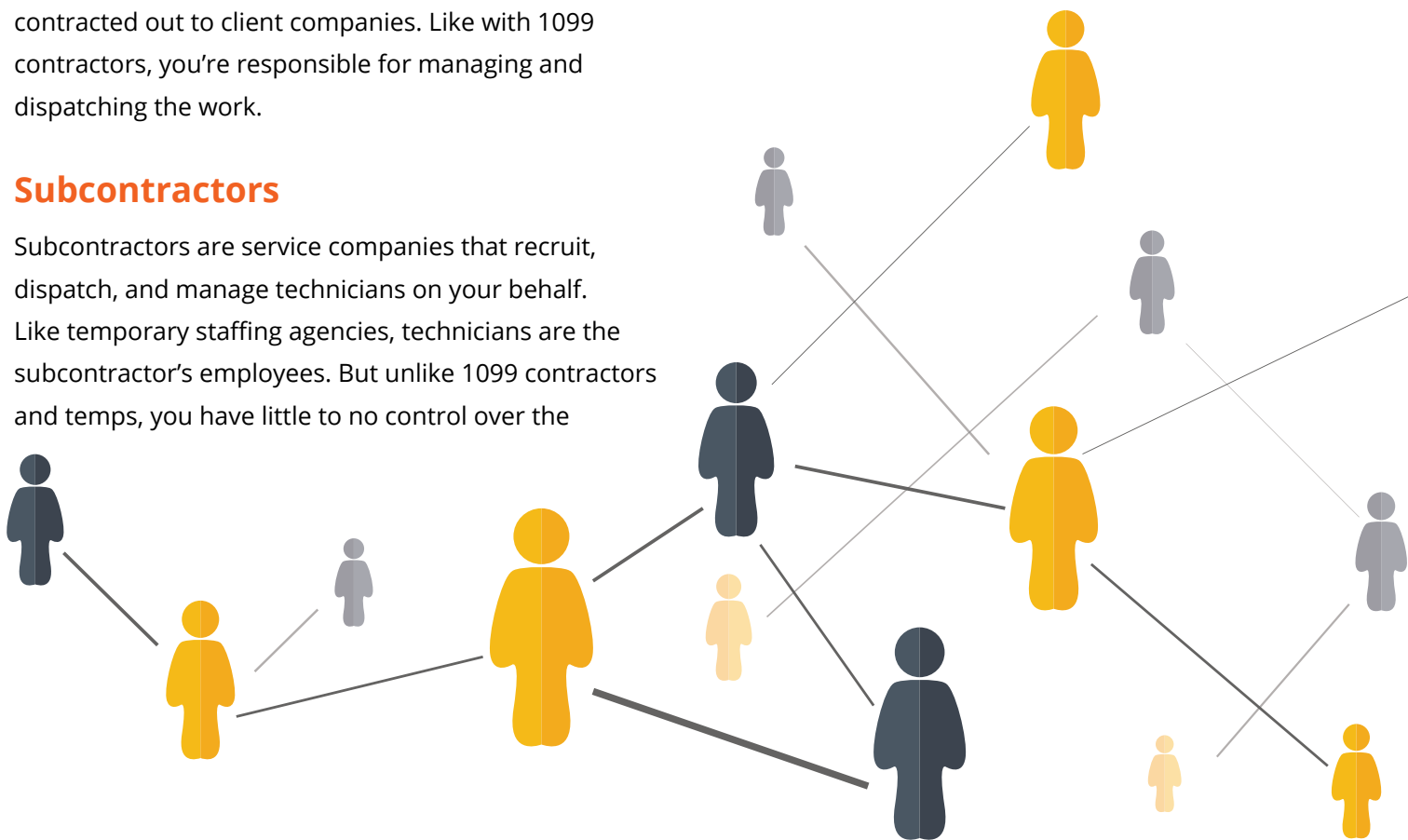
Subcontractors

Subcontractors are service companies that recruit, dispatch, and manage technicians on your behalf. Like temporary staffing agencies, technicians are the subcontractor's employees. But unlike 1099 contractors and temps, you have little to no control over the

workers chosen for a project, and little to no direct supervision over a subcontractor's technicians. There will also be a training curve to get each subcontractor up to speed with your business processes.

W2 employees

W2 workers are traditional full- or part-time employees. They may get benefits, workers' compensation, and unemployment protection. They also work according to your business's needs and schedule.





Pros and cons of a contingent workforce: 1099 contractors, temps, and subcontractors

Pros

Flexibility

1099 contractors, temps, and subcontractors can help you fill skill gaps and expand your service offerings without a long-term commitment.

This offers the flexibility to scale up or down based on:

- Sudden shifts in demand due to changing economic conditions.
- Increased need for specialized services related to facility, employee, and customer safety.
- Fluctuating workloads, seasonal demands, and employee shortages.
- Expansion to new service offerings and geographic areas.
- Opportunities to take on one-off and short-term projects.

Temp agencies can also help you avoid costly long-term W2 employee hiring mistakes. You can observe a temp's performance, qualifications, and work habits. If they're a good fit, you can offer them a permanent role. If not, you can choose to end the contract without any long-term obligations.

Lower cost

Despite higher hourly rates, contingent labor can be cheaper than traditional employees.

- Contingent workers don't get benefits like vacation and sick leave, retirement, workers' comp, unemployment, and health coverage.
- 1099 contractors pay their own taxes. Temp agencies and subcontractors handle their employees' payroll taxes, Social Security, and Medicare.
- Expert talent is available around the world. This lets you service clients in almost any area without the costs of extra office space or travel.
- Many contract technicians own their own equipment, vehicles, tools, laptops, and smartphones.
- Labor costs can be adjusted up or down based on market demand, reducing your fixed costs, and making it easier to adapt to sudden economic shifts.

Efficiency

Recruiting W2 employees can be a major time drain for smaller companies without an HR staff. Advertising openings, reviewing applications and resumes, interviewing, checking references, running background checks—these all pull focus away from serving customers.



Engaging with contingent workers requires a fraction of the effort compared to W2 employees. Temp agencies and subcontractors are in the business of quickly filling vacancies with experienced, reliable workers. And online marketplaces make it easy to connect with thousands of qualified 1099 contract technicians.

Cons

Misclassification and liability risks

Misclassifying employees as independent contractors can lead to big fines and penalties. In the past, the classification of “independent contractor” was largely based on the employer’s level of control over the work. But regulations like California’s [Assembly Bill 5](#) have tightened the rules, evolving how field service companies engage independent talent.

Companies may also be liable for 1099 contractor job-related injuries. While contractors aren’t eligible for workers’ compensation, Occupational Accident Insurance offers coverage designed specifically for the independent workforce.

Temp agency and subcontractor workers are W2 employees. This means their company handles all employment documentation, regulatory compliance, and insurance coverage.

Documentation

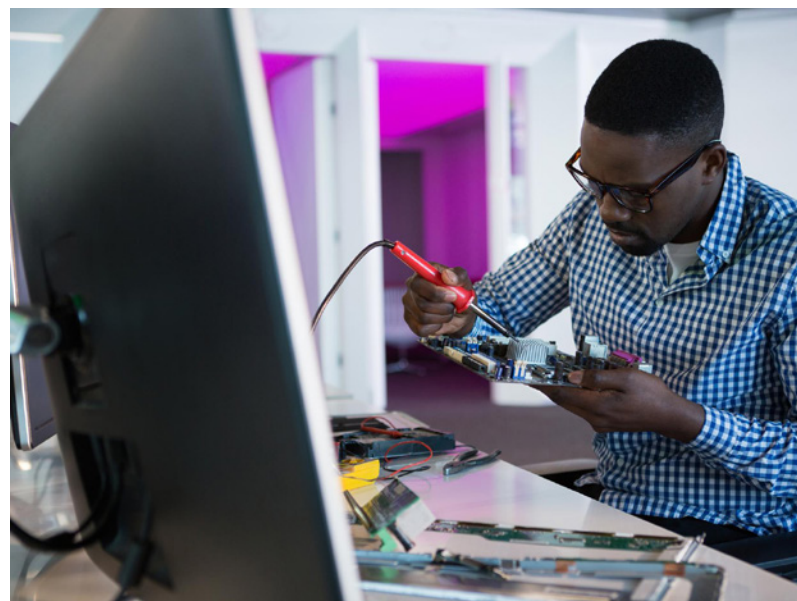
Many 1099 contractors are used to working with little or no supervision. They choose their own hours, the

companies they work with, and the types of projects they take on.

Leveraging this autonomous workforce requires clear communication. Everyone needs to be on the same page about your objectives. You can set deadlines for deliverables and provide project guidelines. But the more you want to micromanage every detail, the more you should consider hiring a traditional W2 employee.

Engagement

Greater autonomy also means less direct interaction with your core staff. It can be hard for contingent workers to build strong working relationships with full-timers. W2 employees may view contingent workers as outsiders. Or even as potential threats to their own job security.





Online marketplaces

Finding 1099 contractors with the right skills using job sites, Craigslist, LinkedIn, and vendor lists can be stressful. Especially when trying to meet complex job requirements under intense deadline pressure.

Rather than get bogged down with endless searches, online marketplaces provide instant access to high-quality talent around the globe. Candidates can be filtered by quality score, experience, location, skill set, ratings, certifications, and even recent background checks and drug tests.

Online marketplaces like Field Nation also include platform filters to help ensure compliance. These include selection rules to identify technicians who:

- Have verified that they meet regulatory guidelines.
- Have indicated that they are an employee of a service or other applicable company.
- Are associated with service companies that have done work with multiple clients.



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Combining an online marketplace with a Freelance Management System (FMS) makes finding the right fit even easier. An integrated FMS lets you research real-time labor pricing, source technicians, and assign work orders to your entire workforce—all from one screen.

The [average onboard time for 88 percent of FMS users is less than 11 days](#), compared to 31 percent of users of other types of variable workforce. 42 percent of FMS users also reported travel time of 45 minutes or less for emergency service calls.

While they may be more efficient than Craigslist or job boards, marketplaces are still self-service tools. Unlike a staffing or temp agency, the work isn't done for you behind the scenes. Marketplaces give you more control over the process, but you'll still have to set aside the time to search for talent.

Another thing to consider is that while you won't be able to screen talent in person, you can add both phone and video interviewing to your hiring process to help evaluate a prospective technician's soft skills. Platforms like the Field Nation Marketplace also offer enhanced talent vetting, with technician endorsements based on professionalism, communication, preparedness, and problem-solving.





Pros and cons of hiring W2 employees

Pros

Control

Unlike with 1099 contractors, employers have direct control over training, day-to-day work, productivity, and choosing when and how W2 workers complete projects.

Efficiency

The longer an employee has been with your company, the better they'll understand your processes and customers. And as your business evolves, so can they. Long-term employees can also be trained to take on expanded roles and contribute to a project on short notice.

Lower churn

Some W2 employees prefer the stability of long-term employment. They like the job security, culture, social stability, paid vacations, corporate perks, and incentives that a traditional employer provides. This means that W2 employee turnover may be lower compared to contingent workers.

Cons

Regulations and payroll

Hiring and managing W2 employees means navigating a complex mix of state and federal laws.

You'll need to keep up with ever-changing regulations covering minimum wage, overtime, discrimination, unionization, lawful termination, and medical- or family-related leave. There's also federal and state payroll taxes, state unemployment tax, workers' compensation insurance, and Social Security and Medicare taxes.

Higher fixed costs

Expanding services using a traditional workforce can be time- and cost-prohibitive. Salaries, benefits, insurance, equipment, training, office space, travel, and administration costs can all eat into profits. Benefits alone can make up for more than 31 percent of the [average employee's total compensation package](#).

Less flexibility

When you make a bad hire or find yourself overstaffed after a sudden downturn (like during the 2008 recession and COVID-19 crisis), you'll still need to make payroll. Ending the employment of a W2 worker is more difficult than with an independent contractor. This lack of flexibility can be a challenge when trying to keep up with changing market conditions. Unlike with the variable costs of contingent workers, the fixed cost of a W2 workforce greatly reduces your ability to adjust your labor capacity on and off as needed.



What blend do other businesses use?

Many companies are moving from a fixed-cost W2 workforce to a blended mix of full-time and contingent talent. As recently as 2008, only 15 percent of the average company's overall workforce was contingent. In 2019, over [41 percent of the average enterprise's total workforce was non-employee](#). And 97 percent of organizations considered [independent talent to be critical to their success](#).

As we adapt to a post-COVID world, those numbers will grow as more companies shift to a remote, flexible labor model. Travel reductions have made access to local skilled labor critical for filling geographic coverage gaps. And as companies prepare for the coming economic recovery, contingent labor will help them flex to unpredictable customer demand.

The types of businesses that may benefit most from contingent labor include:

- Field services companies, Original Equipment Manufacturers (OEMs), Value Added Resellers (VARs), and Managed Service Providers (MSPs).
- Businesses that experience wide swings in seasonal demand (e.g., tax preparation services).
- Companies expanding markets, service offerings, and locations

In the past, relying solely on W2 employees may have worked well for companies with high job and project stability. This included those in recession-resistant industries like healthcare, government, and education. Traditional employment may also have been a good fit for well-funded, growing companies looking to build a long-term team around key roles.

But as recent events have shown, even these types of organizations are vulnerable to unforeseen challenges. In the new normal, flexibility will be essential across the board.

What's the ideal blend for your business?

The mix of W2 and contingent talent should be based on your unique needs. While traditional employees may remain the foundation of your business model, incorporating a solid on-demand labor strategy will help you:

1. Increase flexibility

Contingent workers allow you to quickly scale to meet demand in a way that would be time- and cost-prohibitive with traditional full-time employees.

2. Meet Service-Level Agreements (SLAs)

Companies using a [variable workforce achieve 82 percent SLA compliance](#), compared with 76 percent of companies that don't use a variable workforce model.



3. Expand services with key accounts

Manufacturers and retailers are adapting to brand new social distancing and hygiene standards. They'll need fresh solutions to help them protect their bottom line as well as their workers' and customers' health. Access to the contingent workforce will let you quickly expand your services to include these types of facility and employee safety projects.

The contingent workforce can also help you to quickly expand services to related verticals. For example, a company specializing in maintaining point of sale systems may be able to begin servicing a client's digital signage. They can engage with specialized contract technicians to fill that skill gap in their workforce.

Conclusion

As we all get better at flexing to these constantly changing conditions, the world of work will continue to evolve at a fast pace. In our global economy, events like the 2008 recession and COVID-19 crisis can no longer be treated as anomalies. As we've recently learned, they can happen at any time and without warning.

Is your company ready?

As you explore your options, ask yourself:

- Is our business and labor model agile enough to quickly adapt to the next challenge?
- Do we have a comprehensive set of labor mix options from which to make the best choice in any situation?
- Do we have procedures in place to help minimize physical contact at every touchpoint?
- Are we positioned to take advantage of the gig economy?
- Do we have systems and processes in place for attracting contingent workers?
- How can we build a corporate culture that pulls W2 employees and independent professionals together into a strong team?
- How can we leverage the contingent workforce to scale our operations?
- What's the right balance between traditional full-time workers and on-demand contingent talent?
- Which key differences (the pros and cons) between contingent workers and traditional W2 employees may have the greatest impact on our business?
- What if we didn't change a thing? How would that affect our ability to compete five years from now?

Field Nation is here to help ensure that your business continues to thrive in any economy. For more information about tools to help you flex to changing demand, email sales@fieldnation.com or call [877-573-4353](tel:877-573-4353), Ext 2.

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