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Businesses

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Small business owners are increasingly relying on the services of independent contractors as an integral part of their business. According to new research released today by [Paychex, Inc.](#), the growth rate of independent contractors peaked in August

2017 at 11 percent year-over-year, and while the growth has slowed since then (five

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for tax purposes if the payer (or business) has the right to control or direct only the result of the work and not what will be done and how it will be done. As such, the earnings of a person who is working as an independent contractor are subject to self-employment tax.

Among small businesses that utilize independent contractors, the data shows that the rate of growth for independent contractors has been faster than employees for the past five years. Broken down by business size, gender, geography, and industry, data highlights include:

Business Size

Businesses with one to four employees utilize the most independent contractors (6.7 per employer).

Gender

There is a slightly higher percentage of male independent contractors (51 percent nationally), but the percentage of female independent contractors is on the rise, increasing 1.5 percent during the past five years.

Region

The South has the highest percentage of small businesses with independent contract workers among regions (38 percent) and the Northeast has the lowest percentage (26 percent).

State

In Texas, total worker growth slowed at businesses that utilize independent contractors from the middle of 2016 through 2017. When it increased once again, it was led by independent contractor growth, which averaged 33 percent of total workers in 2016 through 2017, and 37 percent in 2018.

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“Businesses of every age, industry, and geography are relying on the services of independent contractors as well as employees to help run their organizations,” said [Martin Mucci](#), Paychex president and CEO. “The more types of workers you have though, the more complex compliance becomes, so business owners should work with their payroll and HR provider, or other trusted business advisor, to make sure they have a strong understanding of how applicable laws define worker status.”

For Larry Davenport of MIT Group, Inc. in Oklahoma City, engaging the services of independent contractors has had its benefits. “We use independent IT contractors when possible, as they typically have the skill sets and the industry expertise we need to fulfill our projects... Our projects are short-term and unless there are follow-on projects using the same skill sets, they (employees) sit on the bench and draw income from the company, which could be better spent elsewhere,” said Davenport.

As the use of independent contractors increases across the U.S., states – including California, Illinois, and New Jersey – and courts are actively examining worker classification definitions, with the aim of advancing potentially greater worker protections.

Payroll

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