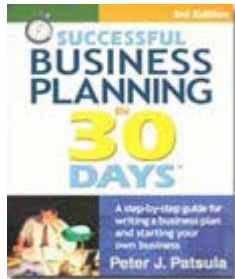


# The **ENTREPRENEUR'S** Guidebook Series™

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# PERSONAL PLANNING

## Guidebook #37:

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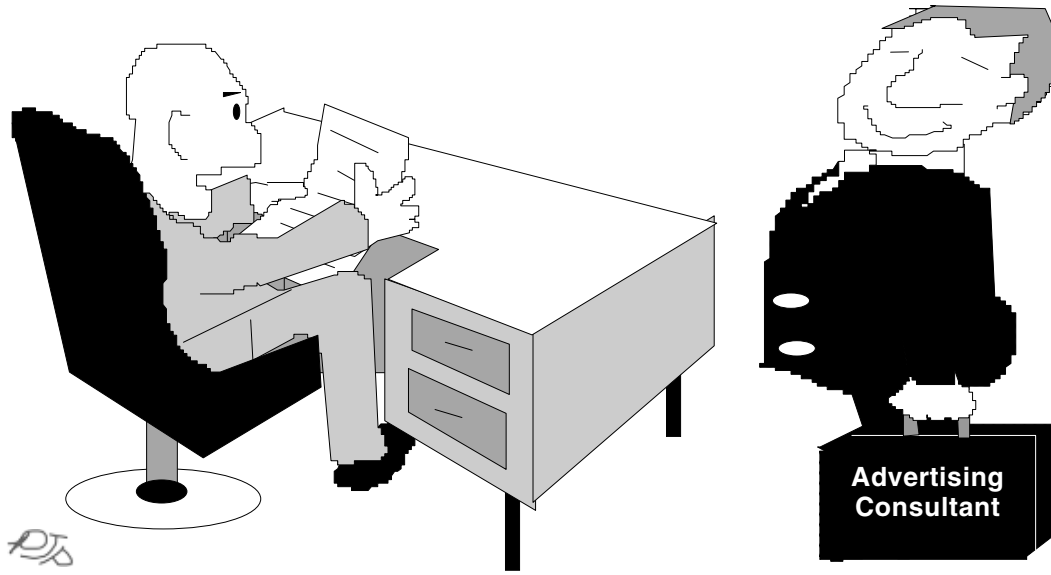
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*“Well Mr. J.J. Jackson, this resume is one of the most boastful deceiving pieces of fraud I’ve ever laid my eyes on. So when can you start!”*

Smallbusinessstow.com

## ***USING TEMP SERVICES AND CONTRACT LABOR***

**IT is usually recommended for a new or growing business – that needs help in the design, production or distribution stages of a project – to initially stay away from hiring permanent staff, not only to protect itself from the dangers of over staffing and runaway overhead, but also to save paperwork, added responsibilities, and the cost of a personnel department.**

**In other words, whenever your future staffing needs are uncertain, it is cheaper, less risky and ultimately wiser to contract out labor through a temp agency, an employee leasing agency or a private subcontractor, rather than hire.**

## ***USING A TEMP SERVICE***

EVERY BUSINESS could use some extra help sooner or later – when, too many of its staff are sick, a special project needs attention right away, a rush order comes in, or when seasonal demands increase workloads. These temporary shortages of personnel are especially hard to handle for the owner-manager of a smaller business who normally has a small staff to begin with and little leeway for shifting schedules. Not only does the strain show up quickly in all the faces of its employees, but the company budget begins to feel the crunch with all the overtime required.

To overcome some of these problems consider using a TEMP service.

*Contracting, instead of hiring is the employment wave of the future – as long as the government can learn how to tax it more effectively.*

### ***SUPERTIP***

**What is a TEMP service?** Temporary personnel services or agencies – listed in the Yellow Pages – have large collections of personnel on database files, whom they can contact when needed. They are not however, an employment agency. They hire people as their own employees and then assign them to you when you request assistance. This means that when you use their services, you are not hiring an employee, you are buying the use of their time.

**NOTE** Most national temporary personnel companies offer performance guarantees and fidelity bonding at no added cost to their clients.

**When should you use a TEMP service?** Use a TEMP service:

- during sales blitzes to introduce new products
- if you are launching a special telephone sales program
- if you have year end invoicing problems
- if you need to set-up a temporary second shift to get the most use of expensive rented equipment
- to set up teams to perform microfilming of documents, data entry, retrieval of information or maintenance of files

## Understanding the Hidden Costs of Hiring Employees

ON THE SURFACE, it may appear that using temporary personnel, costs more than hiring additional employees yourself. However, there are many hidden costs when hiring employees that are not usually factored in. As an example, mandatory costs such as social security, unemployment insurance, workers compensation, etc. amount to over 11% of the basic salary. Payments for time not worked, including vacations, holidays and sick days, amount to almost 9%. Then there are company paid benefits such as health insurance, pension plans, discounts and record keeping, payroll and other paperwork which amount to another 6-7%. Thus, total hidden costs are in the neighborhood of 42%, meaning a basic \$300 weekly salary is actually costing your company about \$426 (and that doesn't include the costs of recruiting and training).



- when inventories need to be taken without disrupting your regular business operations

Using a TEMP service can also be a good idea if you need help during a trade show or demonstration or if you need temporary help every week for a few hours, for example for payroll computation.

**When shouldn't you use a TEMP service?** You should think twice about using a TEMP service if:

- regular employees, who lose overtime pay as a result of the temporary workers, experience lower morale
- the work is highly specialized and requires a lengthy training period

*You should also avoid using a TEMP service if you need temporary personnel for a period of six months or more.*

- the job is so complex that it requires a great deal of supervision, especially for a worker who is unfamiliar with your way of doing things

In these above cases it is usually wiser and more economical to pay overtime to a regular employee than to use a temporary worker.

You should also avoid using a TEMP service if you need temporary personnel for a period of six months or more. In this case, it is better to hire a full-time employee.

**What are the advantages of using a TEMP service?** Workers supplied by a TEMP service firm can usually start the day after your request has been made and in some cases, the same day. Experi-

enced and qualified, they usually walk in and begin functioning right away.

Furthermore, although the hourly rate you pay a TEMP service firm is generally higher than the basic hourly or weekly salary you would pay an employee you hired yourself, the cost of getting the work done is usually less. This is because when using a TEMP service you are relieved of the costs associated with advertising, screening responses, interviewing, testing, checking references and all of the other functions needed to recruit a new employee into your company. In addition, you save the cost of training, overtime and idle periods. As well, you don't have to worry about payroll, worker's compensation, fringe benefits,

*Although the hourly rate you pay a TEMP service firm is generally higher than the basic hourly or weekly salary you would pay an employee you hired yourself, the cost of getting the work done is usually less.*

and all similar costs connected with having an employee, nor do you have to worry about filling out government forms and reporting withholding tax, social security and unemployment compensation.

**How much does a TEMP service cost?** Charges by temporary service firms vary widely with the type of help you are contracting for. Rates will be higher for more skilled office or industrial workers compared to less skilled workers. Rates also vary from city to city. However, since many service firms pay their employees the going rate in that particular area for a given job, you can expect his rate plus a basic markup that covers administrative costs plus a fair profit for the service.

**NOTE** When figuring out how much a TEMP service is costing your company, you should also take into consideration that when you use a temporary firm you pay for the actual time worked only. You do not have to pay for lunch hours, vacations, or sick days. Furthermore, most reputable services do not charge you for the hours worked by an unsatisfactory worker if you let them know promptly that you are dissatisfied as long as you notify them within four hours after the employee reports for work.

**How do you select the right TEMP service firm?** To select the right TEMP service firm, evaluate their ability to meet the following factors:

*When figuring out how much a TEMP service is costing your company, you should also take into consideration that when you use a temporary firm you pay for the actual time worked only.*

**Cost** – Is the cost of the TEMP service competitive? Does it fit your budget? Is it cheaper than what you normally would pay to hire a permanent worker including the hidden costs of hiring?

**Reliability** – Is the firm well-established with a history of success and financial stability?

**Recruiting** – Does the firm have an aggressive recruiting program that allows them to acquire the most skilled and reliable employees to send you?

**Testing and Evaluating** – What method of testing and evaluation is used to assure that you'll receive quality people when you need them?

**Training Programs** – Does the firm train

people in various aspects of office work, such as modern office equipment, word processing, records management etc.?

*Retention Programs* – Does the firm have a good program to keep qualified employees for longer periods of time?

*Professional Permanent Staff* – Is the TEMP service staffed by people experienced in the personnel field?

*Knowledge of Your needs* – Does the firm make any effort to investigate and understand your needs?

*Prompt Service* – Does the firm have a supply of people available for you on short

*What you save by using temporary services depends on your individual situation. If you are to get the most for your dollar investment, you must carefully analyze your needs and plan carefully to make the best possible use of the time and skills of the employee being supplied by the temporary services firm.*

**SUPERTIP**

notice?

*Quality Control* – Does the firm make some effort to check back with you and determine the quality of the individual as far as they relate to your work?

*Insurance Protection* – Does the firm protect your company with ample insurance coverage including fidelity bonds, workers' compensation and other problems that might arise?

*Guarantee* – Does the firm guarantee your satisfaction with each and every TEMP worker? Does it have a refund or guarantee policy?

## Getting General Labor & Office Help

General labor or office help – such as bookkeepers, ditch diggers, gravel haulers, packers, painters, product demonstrators, receptionists, sales personnel, secretaries, switchboard operators, typists, word processing operators, or anyone of a variety of industrial workers – can be hired through a TEMP agency for a day, a week or any other *specific* but *limited* period.

However, it should be noted that the qualifications of personnel from these

*If you have a department in your company where turnover is high, using a TEMP service can help improve your turnover statistics and reduce the number of unemployment claims against your company. Since the cost of unemployment insurance is determined in part by the claims experience, reduction of turnover can result in large savings for your entire payroll.*

### **SUPERTIP**

agencies can vary greatly from one firm to the next. Often firms have different areas of specialization, so make sure you do your research, before you contract.

## Getting Executive Help

Traditionally, temps filled secretarial and clerical positions, but in recent years TEMP agencies that specialize in professional and executive personnel have sprung up all over the country. For short-term projects or highly specialized contracts, large corporations have resorted to this route in finding the exact persons needed, devoid of the high cost of

recruiting, fringe benefits, moving expenses, and long-term obligations.

The professionals available for these specialized, short-term assignments are often retirees who are not looking for long-term employment or pension and health care benefits.

The TEMP agency works effectively as a business matchmaker, and may have a roster of as many as several thousand senior executives and high technology experts. While fees are high, even small entrepreneurs might be able to afford the services of a top-notch former corporate executive for a short period of time.

**NOTE** Three major agencies in this field are *Parson Associates* in Altamonte

Springs, Florida; *Interim Management Corporation*, New York City; and the *Corporate Staff* in San Francisco.



*Getting results through people is a skill that cannot be learned in the classroom.*

**J. PAUL GETTY**

## LEASING EMPLOYEES

AN EMPLOYEE LEASING company hires all or part of the staff for a client-company as well as pays their salaries and benefits. The client-company is billed weekly. The employee-leasing or staff-leasing firm also administers the payroll, files tax reports, makes tax deposits, provides workers compensation and federal and state unemployment insurance, maintain employee records, and keeps up with various personnel laws and policies. Employee leasing companies are more specialized than TEMP agencies and frequently provide a higher quality of worker.

**NOTE** Employee leasing is especially useful in areas of high employment and low unemployment, like the Washington, DC

*Money can't buy  
you friends; it  
can only rent  
them.*

**ANON**

market.

### Potential Benefits of Employee Leasing

According to an SBA bulletin on employee leasing, the potential benefits of the system, especially to the small entrepreneur include:

- less government reporting and paper work
- lower employee turnover, especially among key employees
- lower personnel costs
- more comprehensive and less expensive benefits
- more time to apply to principal revenue-producing activities
- reduced employer liability

- stabilized insurance costs

For the benefit of the workers, the employee-leasing company can negotiate good benefits packages at low rates, because it employs such large numbers of people.

**NOTE** A perceived disadvantage of using employee leasing companies is that leased employees are hired and fired by the employee leasing firm; the client company thus gives up these rights in favor of greater simplicity.

## Cost of Leasing Employees

*Administaff Inc.*, an employee-leasing company in Maryland, claims that the net

costs of its services amount to about 2 percent of the total salaries paid.

**NOTE** A vice president of a larger leasing firm describes his company's fringe benefits as being more than 30 percent of the net salaries of the employees.

*Get high-school or college students to work for you on your projects. Especially when needing research, computer or artwork. Students can be contracted out for very reasonable rates.*

**SUPERTIP**





## HIRING CONTRACT LABOR

CONTRACT LABORERS are employees who are hired temporarily for a specific task. They pay their own taxes and other withholdings, furnish their own tools, work their own hours, and other than being instructed by the contractor or company, are independent. Many small businesses resort to using contract labor especially if working in the home improvement and home services industries or when needing the services of an ad agency, consultant, employee recruiting agency recruiting, model, payroll, photographer or sales representative.

**NOTE** A *sub-contract* occurs when you

*If two men on the same job agree all the time, then one is useless. If they disagree all the time, then both are useless.*

**DARRYL F.  
ZANUCK**

contract out part of a larger job, or when you simply pass off the complete contract to someone else, an independent contractor. The client-company still pays you and you pay the independent contractor.

**What is an independent contractor?** In order to be considered an independent contractor and not an employee, a contractor must have their own place of work, and their own tools i.e., you give them the job, but don't supply them with tools. The degree of control exercised by you, the sub-contractor, is also crucial. You must not specify when and how the work is to be

done, if you wish to preserve your status as a contractor with limited tax obligations i.e., you have the right to direct only the result of the work and not the means and

methods of accomplishing the result. Similarly you cannot perform your own solicitation of work and then turn the performance of such work over to an outside contract laborer without assuming tax liabilities. For a detailed reading of the law, see U.S. Department of Labor, Regulations, Part 530 – Home-workers.

**NOTE** To make sure an independent contractor is classified as an independent contractor and not an employee **a)** all remuneration for their services must relate directly to sales or output and not to the number of hours worked; and **b)** their services must be performed under a written agreement that provides they will not be treated as

*Contract labor offers the employer the advantage of not having to withhold income tax or Social Security taxes from the wages of independent contractors, nor having to pay unemployment taxes or workers' compensation insurance.*

employees for federal tax purposes.

Two other tests to help determine independent contractor status is if the independent contractor has assistants, only they can fire them, and while working for you, they are free to take other jobs at the same time.

### **PROS of Contract Labor –**

Contract labor offers the employer the advantage of not having to withhold income tax or Social Security taxes from the wages of independent contractors, nor having to pay unemployment taxes or workers' compensation insurance.

Furthermore, the employer doesn't have to pay for sick time, vacations, health and insurance benefits, nor provide employee transportation and

equipment.

Another advantage of contracting over hiring is that when business is slow you don't have to maintain staff. As well, within related fields, subcontractors can turn business towards you, while you turn business towards them.

### **CONS of Contract Labor**

– The main disadvantage of using contract labor is finding reliable people to work with and maintaining quality. If a contractor does lousy work or doesn't meet a deadline for a client, you may end up losing that client.

*If a contractor builds a house for a man and does not build it strong enough, and the house which he builds collapses and causes the death of the house owner, then the contractor shall be put to death. If it causes the death of the son of the owner, then the son of the contractor shall be put to death.*

**CODE OF HAMMURABI**  
(C. 1750 B.C.)

Furthermore, as the prime contractor you must be aware of numerous restrictions imposed by the IRS and possibly by federal and state departments of labor. In

the worst-case scenario, the IRS can come back at some future time and penalize you for back taxes and benefit payments that the contract laborer you hired forgot to pay.

**NOTE** When you hire an independent contractor you must file form 1099-MISC with the Internal Revenue Services and, where applicable,

state and local government. To complete this form, the independent contractor must provide you with an employee identification or Social Security number. If

they fail to provide you with this number, you may have to withhold 20 percent of the amount paid as income tax.

## Contracting an Ad Agency

Advertising agencies can help with or coordinate entirely the design and development of an ad campaign. More specifically, they can:

- Conduct surveys.
- Furnish media studies to help you pick the best promotional media for your business (media studies will show the circulation of selected media, their costs, and comparative costs with other mediums i.e., how much it costs to reach 1,000 readers or viewers, or similar objective comparisons, with

*Advertising agencies can help Purchase space in appropriate publications as well as airtime on radio or television.*

other media).

- Help prepare effective product packaging.
- Prepare mechanicals.
  - Prepare or create all your artwork or photographs, as well as, choose the best typefaces and timesteps for you ad copy.
  - Purchase space in appropriate publications as well as airtime on radio or television.
  - Research sales and marketing strategies for you.
- Write your ad copy based upon your marketing objectives.

The main advantage of hiring an agency, is getting an outside look at your

product and company, and taking advantage of their connections, knowledge of reproduction, and better equipment.

**Choosing an Ad Agency** – When choosing an ad agency, it is wise to **first** meet with several advertising account executives in your area, one at a time to discuss your advertising needs. Question them about how they work, who they work for, who are their biggest clients, how long they have been doing business, what their fields of expertise are, and what experience they have in your specific industry.

**Second**, you should then find out from word-of-mouth how good their services are by phoning up their past and present cli-

ents. Local advertising agencies can be found in your phone book.

**NOTE** When starting out, choose an ad agency of the lean and hungry type. An arrangement with a small agency or freelance copywriter and art director with pre-

vious experience in the field you are interested in, might also work well.

However, for a substantial investment in advertising, an experienced advertising agency (which will usually charge a consultation fee) should be retained. Large agencies have more international connec-

tions.

**Do you really need the services of an ad agency?** Below are five questions to help you determine whether you need the services of an ad agency:

*Never go to a doctor whose office plants have died.*

**ERMA  
BOMBECK**

1. *Are you big enough?* If your advertising budget for the year starts to hit the \$50,000 mark than you should consider hiring an advertising agency. This seems to be the amount that major ad agencies get interested in doing business with you.
2. *Are your copywriting skills weak?* In no other area of advertising can inexperience cost you so much. Effective copywriting is truly an artform demanding years of experience and a good dose of talent. However, if you happen to be blessed with such a person already on your staff, you may never need the services of an advertising agency.
 

*A bad workman always blames his tools.*  
**PROVERB**
3. *Do you need international connections?* If you are in the import/export business, an agency with international connections can prove invaluable especially if advertising needs to be translated.
4. *Do you need someone to help you with tedious mechanical work?* Once upon a time almost everyone needed an agency to produce professional results. However nowadays, if you have an advertising flair and a computer, you can do most of the creative work in-house and vend out the work that is more or less mechanical like typesetting, layouts, printing, mailing, and the placing of ads.
5. *Do you plan to run classified ads in three hundred newspapers across the*

*country?* If you are running a mail order company and have found a very successful product, don't waste your time placing ads in several hundred media. Considering the volume of advertising you will need, agencies will gladly help you out and collect their 15% commission at no cost to you.

**How much does and ad agency cost?** Agencies work on a commission and/or a fee basis. Commissions are received directly from the magazine or newspaper with whom the ads are placed (usually 15 percent off the price the paper or magazine would normally

### 20 Largest Ad Agencies in the U.S. (Sales in \$Millions)

Agency	City	1994
McCann-Erickson	New York	1,076.1
Young & Rubicam	New York	985.5
BBDO Worldwide	New York	917.7
J. Walter Thompson Co.	New York	915.7
DDB Needham Worldwide	New York	875.7
Ogilvy & Mather Worldwide	New York	768.7
Lintas Worldwide	New York	760.5
Grey Advertising	New York	749.8
Saatchi & Saatchi Advertising	New York	690.5
Leo Burnett Co.	Chicago	677.5
True North Communications	Chicago	619.0
D'Arcy Masius Benton & Bowles	New York	587.9
Bates Worldwide	New York	516.7
Lowe Group	New York	374.4
Bozell Worldwide	New York	299.6
TBWA	New York	182.5
TMP Worldwide	New York	127.1
Campbell Mithun Esty	Minneapolis	125.1
Chiat/Day	Venice, CA	122.9
N W Ayers & Partners	New York	101.0

Source: Advertising Age; April 10, 1995

charge you). Other fees for services like DM advertising, package design, and market consultation are negotiated and charged separately.

## Contracting Consultants

Consultants are independent contractors who specialize in some field and provide advice for a fee. They can be especially helpful in a creative, design or planning processes. Consultants can be retired corporate executives, civil service administrators, or even Pentagon personnel who work out of their home, their garage, a telephone equipped car, a shared secretarial suite, or even a fancy office.

In North America, there are over 100,000 consultants covering just about every business need you can think of –

*Consultant fees range from \$25 to \$100 an hour or \$200 to \$1,000 a day.*

half of them are one-person operations. Their fields include accounting, computing, management, and marketing to mention but a few. The main advantage of hiring people as consultants, like all contract workers, is that you don't have to put them on your payroll and worry about pension plan contributions, taxes etc. It is their responsibility to make their own payments.

### **What should you look for in a consultant before you hire them?**

Hire consultants who have lots of contacts, perhaps those made during corporate, military or government careers. Also, hire consultants who have previous associations with your customers, belong to the proper organizations related to your business, have good references and a proven reputation.



**How much do they charge?** Consultant fees range from \$25 to \$100 an hour or \$200 to \$1,000 a day. Fees charged will depend on:

- consultant's network of connections (in the consulting business having the right connections is a major marketable quality)
- consultant's reputation and track record
- length of the assignment
- nature of your problem
- wealth of your company

## Contracting Employment Agencies

As an employer, you need to advertise a position, review resumes and then inter-

view clients. This costs time and money, especially if it involves setting up a personnel department.

However, for a fee of anywhere from \$500 to \$1,200, well below the costs of hiring and setting up a personnel department, an employment agency will do this for you. Employment agencies are devoted specifically to finding and weeding out potential applicants. They will essentially narrow down your choices to a few people whom you will then interview and make your final choice.

*A professional is a person who tells you what you know already but in a way you cannot understand.*  
**ANON**

## Contracting Models

Depending on where you are, the services of a model to pose with your products or perhaps model your clothes can be very expensive or relatively cheap. In New York,

super models can cost \$10,000 a day. However, in a small city like Minneapolis, models can be found for a much more reasonable price in the \$75 an hour or \$600 a day range.

### Analyzing a Model's Portfolio –

When you look at a model's portfolio, do not be misled. Make sure it contains shots from actual assignments, not from tests. Shots that were taken when time and money were of no consequence are of little value to you. Ideal conditions rarely exist on a set. Also, find out who are the photographers whose names are credited on the composite. Are they well known?

**Contracting Freelance Models** – It may take a little more effort on your part to track

down your ideal model, depending on the type of model you are looking for, but the hunt can save you lots of money. A simple classified ad in a local paper, describing exactly what the model will be doing, could be your answer.

*Models from agencies cost more but also know what you expect from them and thus produce more.*

**NOTE** Some people will be thrilled to model for you, just to have their picture in print and will consider doing it for free. Just remember though to get them to sign a contract to give you legal control over the photos you take of them.

**Contracting Professional Models** – It may prove financially expensive for you if you have to start teaching a model on the spot. Models from agencies cost more but also know what you expect from them and thus produce more. Once you

find good models with whom you can produce good work, use them as often as possible.

**NOTE** Before booking a model to be used in association with your product, check with their agency for any possible conflicts of interest. You do not want to see your product advertised by the same model who is associated with a competitor's brand. Also, be aware that because product-related photography limits a model from working for competitors for at least one year, an extra fee from \$500 to several thousand dollars is charged for this exclusive right.

### Hiring People You Know as Models –

The danger of using friends, relatives or

acquaintances as models is they can decide later that they don't like the picture you want to print. Even if they signed a contract allowing you legal rights, you can jeopardize the friendship by going against their wishes. You won't have this problem if you hire a professional.

*I think today there is general agreement that the single most important contribution an agency can make to the marketing function is creative thinking.*

**RICHARD S. HODGSON**

**Modeling Rates** – Rates for models vary enormously between beginners and established professionals and also from one country or even city to the other. Models in the United States generally charge from \$75 to \$225 an hour, and from \$600 to \$1800 a day. Models in Canada charge from \$40 to \$70 an hour and from \$240 to \$420 a day. In the United States, the minimum booking is two hours, and in Canada, the minimum is one hour.

Day bookings are limited to eight hours. For bras, girdles and panty hose, in the United States, the standard rate is \$250 an hour. In Canada, the fee is double the regular hourly rate unless the garment is a see-through, which is triple the hourly rate.

**NOTE** All model agencies charge a 10 percent service fee over and above the hourly or daily wage. Be certain to allow for this when budgeting for your modeling expenses. Also, allow for preparation time – time for hair styling and makeup – as well as a fitting fee, which are usually charged at the regular hourly rate in the U.S. and have the hourly rate in Canada.

**Model Contract Form** – Below is an example of a model contract or release form used by photographers and advertisers when hiring models.

### Model Release Form

Date:  Studio:

Address:

Client:	<input type="text"/>	Hrs. Worked:	<input type="text"/>
Agency:	<input type="text"/>	Hourly Rate:	<input type="text"/>
Model:	<input type="text"/>	Total Fee:	<input type="text"/>

In consideration of my employment as a model by the above for the terms and fee stated, I hereby sell, assign and grant to the photographer, or those for whom the photographer is acting as indicated above, the right and permission to copyright and/or use and/or publish, and republish, photographic pictures and portraits of me in which I may be included in whole or in part, in color or

black and white, made through any media by the photographer at his studio or elsewhere, including the use of any printed matter in conjunction with such photographs.

I hereby waive my right to inspect and/or approve the finished photograph or advertising copy or printed matter that may be used in conjunction with such photographs, or to the eventual use that it might be applied.

I hereby release and discharge the above, its assignees and all persons acting under its permission or authority or those from who it is acting, from and against any liability as a result of any distortion, blurring, alteration, or optical illusion that

may occur in the taking of the picture, or processing or reproduction of the finished product.

*I am a sensitive writer, actor, and director. Talking business disgusts me. If you want to talk business, call my disgusting personal manager.*

**SYLVESTER  
STALLONE**

I hereby warrant that I am of full age and competent to contract in my own name in so far as the above is concerned. I have read the foregoing release and warrant that I fully understand the contents thereof.

This release does not apply to the use of the photographs for billboards, posters, packaging or television.

**Model's Signature:**

## Contracting Payroll Services

Another option more and more start-up businesses are evaluating is to contract out payroll services to avoid making mistakes and to avoid the hassles of processing employee salaries. In fact, whenever you see a new company doing its own payroll rather than using an outside payroll service, such as **PAYCHEX**, you can be pretty sure they are doing something wrong.

As a start-up business owner, your time is better spent more productively. You should be concentrating on your product and marketing – bringing in money – not how to give out money.

**What will a payroll service do?** A payroll service will usually handle the following for you:

*Contract others to do what they're good at, to give you time to do what you're good at.*  
**SUPERTIP**

- maintain master inquiry files on employees
- make out payroll checks and earnings statements
- preparing W-2 and other tax forms
  - track vacations, holidays, and sick days
  - update all related payroll accounts

**How much does a payroll service cost?** Typically, payroll service will charge you a flat fee for each employee, or percentage of your payroll. For specific costs, consult your Yellow Pages.

## Contracting Photographers

Major industries of all kinds have internal

photographic units. These units are usually responsible for:

- public relations and publicity work
- produce pictures for company publications
- produce pictures for press releases and distribution to the mass media
- produce illustrations for sales staff and training officers

However, organizations too small to operate their own units, will have to contract out the services of a professional commercial photographer.

A commercial photographer will organize models, stylists, assistants, set builders, locations, color labs and messengers, as well as have their own studio for shooting.

*Stay away from photographers with art pictures in their lobbies.*

### **Why you should hire a photographer instead of doing the work yourself?**

In many cases, you can perform basic commercial photography with a decent 35 mm camera, an assortment of lenses and lighting equipment, and a little bit of talent. However, if you don't have easy and cheap access to the necessary equipment, nor the time to spare, then it is likely that you are better off hiring someone who does. Put your time and efforts instead, into other areas of marketing.

**What to look for when choosing a photographer?** Stay away from photographers with art pictures in their lobbies. These photographers will likely have more difficulty bringing out the best of your products e.g., your *Whopper Chopper* or *Micro Digital Watch*.

Also, stay away from photographers who photograph portraits. These kinds of photographers do not have the experience you need. You are looking specifically for a commercial photographer – someone who understands objects and has a good sense of ad design pinache and insight.

In fact, ideally, you need someone with a keen understanding of the entire advertising and marketing industry.

Choose photographers who are able to create original commercial photos, have some outstanding visual ideas, possess sound technical know-how, and are able to create an image better than what you imagined by adding something you didn't think of.

*One does what  
one can, not  
what one can't.*  
**AGATHA  
CHRISTIE**

**NOTE** Photography is a fragmented profession. It is diversified into all kinds of specialized applications and run by many groups of people. It therefore may take some research to find a good commercial photographer in your area. Start your research in the Yellow Pages and then by contacting ad agencies or portrait studios and getting some referrals.

### **Contracting Sales Representatives**

If you cannot sell what you have, then find someone who can. Sales representatives work on a commission basis and can be contracted from a variety of sources. They can be housewives, as is the case in network marketing companies, to million dollar a year super salesman. Sales representatives often represent more



than one product line.

**NOTE** Remember that whenever a customer meets someone representing your company, that representative IS your company to the customer.



## Hiring College Students

**NOT ONLY WILL** college students hungry for résumé fodder gladly spend hours running errands, filing, typing and photocopying, making it possible for you to work more economically, but they can pose as staff members. “I’ll have my assistant get on that right away. Call the business school of a local college ask about various intern programs.

## ***HIRING CASUAL LABOR***

CERTAIN TYPES OF LABOR can be classified as casual or temporary labor. In these cases, the employer does not withhold income taxes or Social Security tax, does not pay unemployment taxes and usually does not cover the worker with any type of insurance.

Sounds pretty good, doesn't it? However, be aware that hiring your own casual labor has its disadvantages: **first** of all, it may hamper your efforts to attract good permanent employees; **second** of all, the resulting layoffs when the emergency has passed can lower morale amongst regular employees; and **thirdly**, due to the fact that this category is often abused by employers, both state and federal agencies

*Let every man practice the profession that he knows best.*

**MARCU  
TULLIUS  
CICERO**

have become real sticklers about it. They frequently audit income tax reports, during which they scrutinize who exactly is an employee and who isn't, as an employer. In fact, if the IRS decides an employee of yours is indeed *common law* (a regular employee) and you have not withheld taxes, you are liable for all the withholding, Social Security taxes and unemployment taxes.

**NOTE** If you ask either the IRS or a state tax department representative for a definition of casual labor none will be forthcoming. Federal and state agencies reserve the right to judge each case individually. Therefore, if there are any questions about the status of someone in your workforce, contact the IRS or state department of revenue. Also, if there are any questions about whether

unemployment tax should be paid, contact the IRS and the state department of employment and training. It should be noted that in the two cases shown in the examples below, the IRS will recognize them as casual labor. However, according to some state employment security laws, these workers would be regarded as employees and the employer would have to pay the state unemployment tax.

### Examples of Casual Labor

**Case 1** – Katie's' Catering has two full-time employees. Katie contracts for a job for which she needs extra help, so she hires a person to work for one day for \$50 with no withholdings of any kind. She does

*Let each man exercise the art he knows.*

**ARISTOPHANES**

not intend to hire this person on a regular basis.

**Case 2** – Conwald Construction accepts a contract to frame two houses and agrees to finish both houses within a month. Conwald does not have enough regular full-time employees to accomplish this, so he

hires two extra carpenters at an agreed-upon wage of \$300 per week for three weeks. At the end of the job, Conwald pays each carpenter \$900 but does not withhold taxes. However, because the wages were over \$600 for each person, Conwald must obtain the SIN of each carpenter and, at the end of the year, submit a 1099-MISC to the IRS, appropriate local agencies and to the carpenters.



## CREATING A CONSORTIUM OF PROFESSIONALS

DON'T RISK having to turn down a job because you don't have the staff to do it. Instead, create an unofficial consortium of professionals whose services go hand in hand with yours.

If a client asks you to produce a promotional flier and you're a first rate graphic designer but not a writer, take the job with confidence if you know a trusted copywriter. Not only will you look more capable than you would if you scratched your head and asked your client whether she knew any writers, you'll

*I've never seen a job being done by a 500-person engineering team that couldn't be done better by 50 people.*

**C. GORDON BELL**  
*Computer Pioneer*

probably get more work, since your unofficial partners will call on you as well.

While still maintaining their separate business identities and client rosters, entrepreneurs proficient in complementary fields can pool their talents, and form an umbrella organization.

