



EMPLOYEE CLASSIFICATION

A Hospitality Staffing Guide

In order to comply with various tax and employment laws and regulations, hospitality leaders need to arm themselves with information while working with staffing partners.

As sources for labor are shrinking and becoming more expensive, hotels, resorts, and other properties are turning to staffing agencies to fill the void. Some of these staffing firms improperly classify workers as 1099 contractors instead of W-2 employees.

While this is often promoted as a cheaper solution, there are some serious implications for workers, client properties, and staffing agencies that leaders in hospitality need to be aware of.

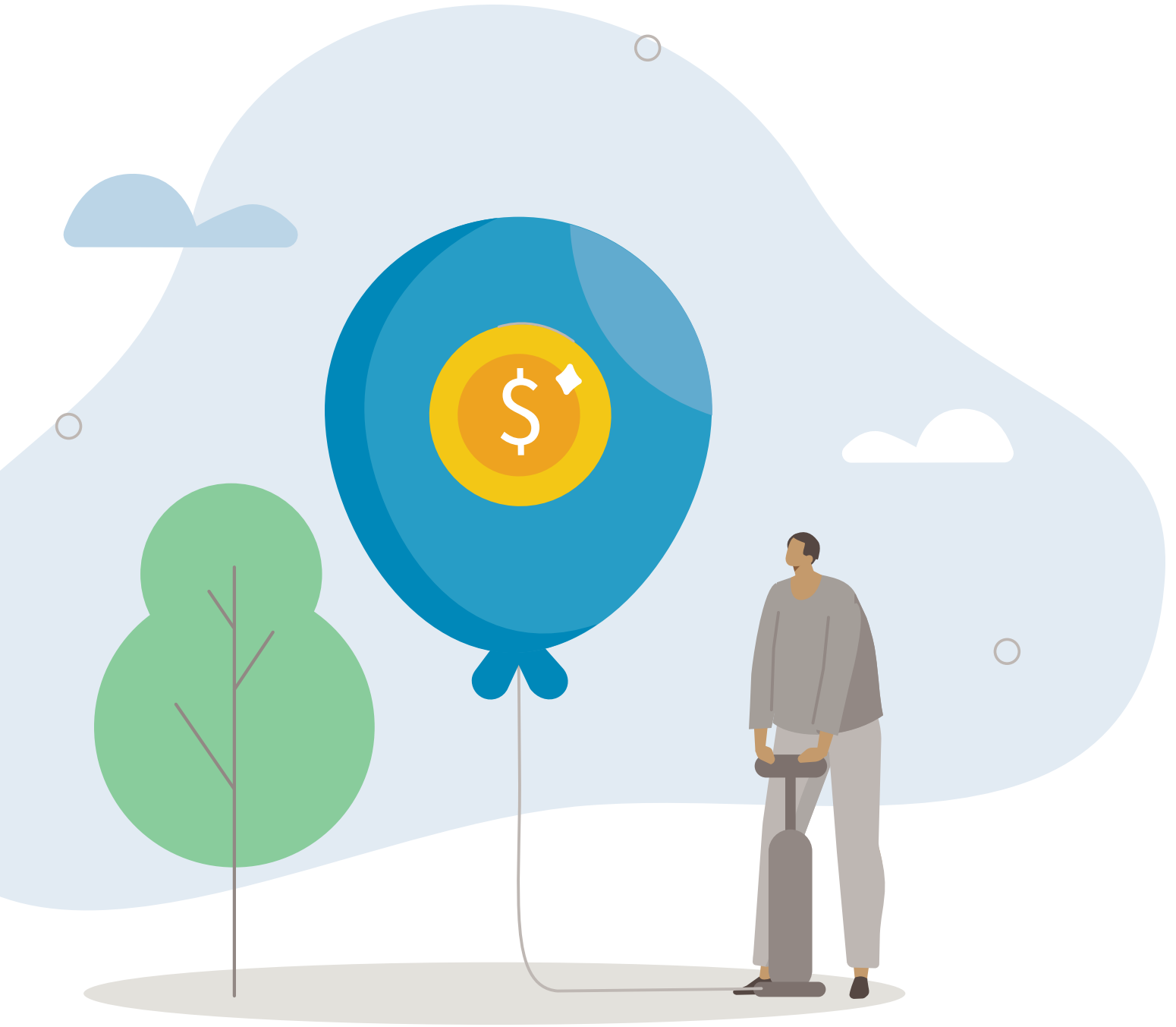


Why do some staffing firms employ people as 1099 workers?

Staffing firms sometimes classify workers as 1099s in order to reduce their bill rate and their overhead. In the short term this generates more profits for the staffing firm. Workers are told that they will have more take-home pay and clients are told that they do not need to worry about the consequences.

But there are several issues with this practice that directly impact everyone involved:









TAX IMPLICATIONS

According to the IRS, misclassification of workers, also known as payroll fraud, is a violation of the tax code. Some estimate that between \$3-4 billion are lost annually in tax income and employment tax revenues because of worker misclassification.

Employers who take part are contributing to the fraud and can be held liable for payroll taxes and penalties.



1099 ISSUES






WORKERS END UP PAYING MORE

Employees who are misclassified often have not paid taxes properly and are then left with a large tax liability. This can be devastating to workers who are at the most vulnerable end of the wage spectrum.

In addition, workers are denied access to critical benefits and protections such as employer-paid Medicare and Social Security taxes, unemployment insurance, overtime and minimum wage protection, workers' compensation benefits, and coverage under the Family and Medical Leave Act.





SHORTCUTS ON COMPLIANCE ISSUES

Workers who are not W-2 classified are often not background checked or drug tested. In addition, since workers' compensation is not paid by the staffing firm, safety is not a priority.

This lack of safety protocols can be bad for workers, hotels, and guests. You can download the [HSS eBook: Safety Matters](#) for more information.



IMPACTS ON TURNOVER

If an agency is misclassifying workers, they are less likely to be interested in a long-term relationship with those employees. At their best, staffing agencies supply steady employment to workers through various client sites even when demand fluctuates. At their worst, they are clearinghouses for cheap labor that skirt government and corporate policies.

These types of operations tend not to have long-term relationships with clients or workers. This kind of dynamic can spill over into your labor pool creating an atmosphere that fosters turnover.



A POOR MODEL FOR HOSPITALITY

Safety and brand quality are vital to the hospitality industry. Guests' safety and satisfaction are incredibly important. Staff that are not properly classified may not have been vetted or background-checked.

This leads hotels open to many unfavorable scenarios that go against many corporate and industry standards that put quality, safety, and satisfaction first.

What to do about it? When partnering with a staffing provider, it is important to insist that workers are properly classified:

JUST ASK

Many staffing firms do not hide the fact that workers are 1099. In fact, they may proudly share the fact with you thinking that the cost savings will weigh your decision.

They may brush aside concerns about legality, convincing you that it's their problem and not yours. Do not fall into the trap because the reality is that many staffing firms will simply declare bankruptcy or change names. Your hotel can't do the same.





LOOK AT THE BOOKS

Transparent billing should be the hallmark of any staffing agency. A reputable choice should provide transparency of billing and time tracking and should be able to share that readily with you.





BREAK DOWN BILLING

Looking at bill rate and pay rates will show you exactly what you're paying for. Bill rates from agencies should include the wage rate (what the worker is being paid) plus taxes, benefits, workers' compensation, recruiting costs, and back-office support.

You should be able to compare this to your own actual labor rate. If there are any elements missing, it's a clue that workers are not being paid properly.





ASK ABOUT SAFETY

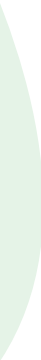
Safety is an important element for staffing firms. HSS employs a national team to train workers on the latest safety measures to protect workers, hotel staff, and guests. But safety training also reduces worker comp claims.

If a staffing agency doesn't have robust safety training, it's a red flag. They may not be worried about worker comp claims because they're not paying for them under 1099.









Remember, temporary labor or contract labor is not meant to be a cheap and easy supply of workers; it is meant as a supplement to your current staff that can be strategically deployed to better serve guest demand. Ensuring that workers are properly paid is essential to their well-being and to the integrity of the hotel brand.

Insist that your staffing partner properly classifies its workers or find a new staffing partner who can ensure its workers are all W-2 employees.





Hospitality Staffing Solutions is the leading provider of contingent staffing support to the Hotel and Resort industry in the USA, serving more than 1,000 clients and employing nearly 10,000 employees daily to these properties. HSS also provides a robust suite of outsourced services within the Housekeeping and Janitorial operations of its client's properties. With operations now in 37 states, HSS is poised to continue leading this sector through its' aggressive growth strategy, as well as supporting into new vertical markets such as Senior Living and Medical facilities, Health and Wellness Retreats, Colleges/Universities and Convention Centers. HSS is now proudly a part of the Kellermeyer Bergensons Services (KBS) family of companies.

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