



Employer of Record (E of R) Services

Employer of Record (E of R) services are popular with employers who want to outsource the payroll and benefit functions associated with their employer responsibilities. E of R services are most often used when employees will be attached to the workforce for specific, defined periods, not indefinitely as is typically the case with a core hire.

As the "Employer of Record" partner, PACE will pay your E of R employee weekly, calculate and pay related payroll taxes, and administer all benefit eligibility and offerings. We also oversight the employee's compliance and onboarding requirements including the collection and storage of required I-9 documentation.

In the E of R service model, you (our client) are responsible for finding and hiring the employee, setting the rate of pay and benefits, scheduling work, assuming full control ((and responsibility for) the employee's performance.

Reasons Why Our Employer of Record Service Model Makes Business Sense...

- It reduces the risks and costs associated with misclassifying employees as "independent contractors." Many employers have chosen to eliminate their use of 1099 workers altogether, preferring instead to convert these workers to W2 status using our E of R service package.
- It allows busy Hiring Managers to onboard employees quickly, reducing the time and costs associated with hiring interim or contingent employees directly. E of R services are frequently used by employers who want to intermittently employ former or retired employees.
- It provides a way for Hiring Managers to work around internal budgeting or hiring restrictions.
- It allows Hiring Managers to audition job candidates before hiring them directly without impacting their internal payroll.

To Request an Employer of Record Service...

Contact your PACE Account Manager or our Partnership Development team by calling **425-637-3312**. If you anticipate using our E of R service model for a large number of employees, you can request a customized service process aligned with your internal processes.



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Q. How do E of R services differ from temporary or contract staffing services?

A. There are three important differences. In the E of R service model...

- Our client finds and hires the candidate, not PACE.
- Our client sets the employee's rate of pay and the terms of benefit eligibility, not PACE.
- PACE and our client share the "common law" employer responsibility.

Q. In the E of R service model, who is considered the "common law" employer?

A. Both PACE and our client are considered co-employers and have shared responsibilities for many elements of the employee relationship. For example, when determining eligibility for certain types of statutory mandated benefit coverage, E of R employees are often included in both the client's and PACE's headcounts. When it comes to workplace safety and ensuring a harassment free work environment, PACE and our client share the responsibility for the quality of the work environment.

Q. How would we know if we need to make our "independent contractors" W-2 employees – i.e., that we might be vulnerable to paying fines and penalties related to a misclassification of a 1099 worker?

A. We can help you assess your current "risk" by walking you through the same 20-point test used by the IRS to establish worker classification. We can also perform routine audits of your current 1099 workers to assure they have completed the regulatory requirements to be legitimately recognized as a 1099.

Many employers have eliminated the use of 1099 contractors in favor of either a direct W2 relationship or by using PACE as the W@ employer.

Q. Who is responsible for offering an eligible E of R employee a mandated ACA healthcare benefit?

A. Legally, you, our client, are required to offer the ACA benefit to employees eligible for this mandated benefit. Our E of R service package includes the management of these ACA related obligations on your behalf. This means we track the employee's eligibility for ACA mandated healthcare benefits and where applicable will offer an ACA compliant benefit program on your behalf.

Q. What are the fees for E of R services? How are they calculated?

A. E of R service fees are calculated as a mark up percentage over the total of all direct costs associated with paying and providing benefits to an E of R employee. Mark ups over direct costs can range from 10-18%, about half of the mark up typically applied to temporary or contract staffing services.

The specific mark up depends on the employee's pay rate, the anticipated length of assignment, and the type of services (onboarding benefit administration, etc.) requested.

Q. How are we billed for your E of R services?

A. We pay your E of R employees weekly for all hours they have worked the previous week. You will be billed weekly for both direct costs and service fees.

Q. What are the payment terms for E of R services?

A. Reimbursements for all direct costs paid by PACE to employees and taxing agencies are due upon receipt of invoice. Payments received more than 10 days after invoice date are subject to an interest charge of 18% per annum.



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