Global Guide to Hiring Independent Contractors:
US & Canada

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Introduction

North America is the largest and most powerful economy in the world. It has a growing GDP of USD 24.99 trillion and a population of just over 370 million.

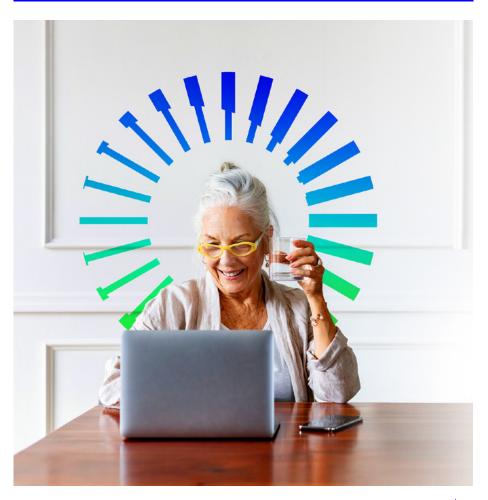The North American economy is led by two countries: Canada and the United States.

Both these countries offer a vast wealth of natural resources alongside highly skilled, tech-savvy workforces. So, it is no surprise that North American contractors are in high demand.

A 2021 Upwork Report showed that 59 million Americans are now freelance workers — that's 36 percent of the total U.S. workforce.

In this eBook, we will reveal the top cities and hiring hubs for contractors to help simplify your global search for talent. We will also explain the challenges you may face when hiring contractors in this region and will look at how to remain compliant.

Read on to discover the benefits of hiring independent contractors in North America.

For this publication, we will not be including Mexico or the Caribbean. Please see our "Guide to Hiring Contractors in Latin America" for more information on these regions.

41.8781° N, 87.6298° W

⦿ **Chicago** Molly
UX Designer

Benefits of hiring contractors
in US & Canada.

While there are challenges to navigate when hiring independent contractors, the benefits they provide can give your company a competitive advantage.

Here are the key reasons to hire global contractors:

You can find talent quickly anywhere across the U.S. and Canada.

Contractors can be more cost-effective.

Most contractors do not require training or resources to perform the role.

Hiring contractors allows you to increase or decrease your staff numbers based on changes in the market and the global economy.
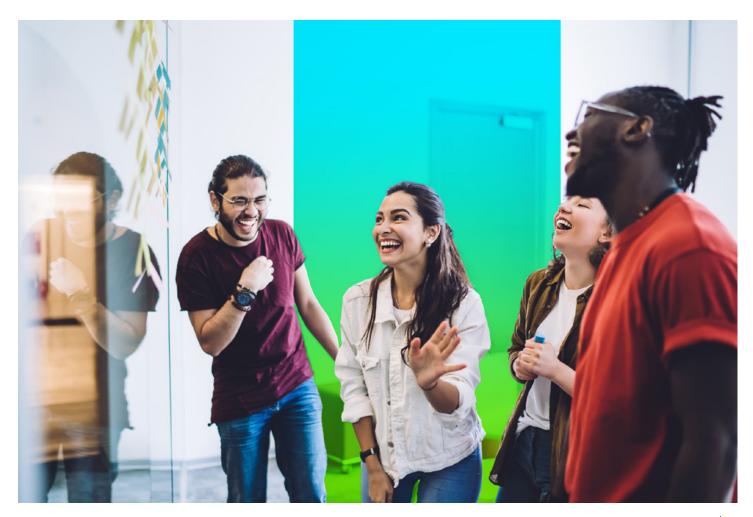
Hiring a contractor is faster and easier than onboarding an employee.

Global contractors have fewer compliance challenges than employees.

Contractors and employees –
what's the difference?

CONTRACTOR	EMPLOYEE
Operates independently on a per-project basis	Works for one company
Is not part of the employer's payroll	Is part of the employer's payroll
Does not receive benefits like health insurance or pension	Receives mandatory benefits
Has the flexibility to decide when and where they work	Follows employer's guidelines and work schedule
Only given the information they require to complete their specific project	Require lengthy onboarding and training processes
Hired for short-term tasks	Hired for long-term objectives
Often has a specialized skill set	Generally has a broad, well-rounded skillset

Canada

The Great White North is home to friendly people, stunning natural landscapes, and a workforce of around 20.65 million.

Like the rest of the world's economies, Canada is currently battling supply chain issues as well as rising inflation and interest rates. Despite these ongoing challenges, it has a record low unemployment rate of 4.9 percent.

The number of self-employed workers continues to grow as more Canadians embrace the flexibility of being their own boss. Let's take a look at the top cities for contractors in Canada and the highly skilled talent that's available.

Toronto

It should come as no surprise that Canada's largest city, Toronto, is one of the most popular locations for independent contractors in North America.

Ontario's provincial capital has rapidly become one of the top tech hubs in the region. According to a 2022 CBRE report, Toronto had 289,700 tech workers in 2021, up 88,900 (44 percent) since 2016. The report ranked Toronto third in North America, in its tech talent rankings.

Apple, Microsoft, Pinterest, and Amazon all have towers in downtown Toronto and in 2021, Twitter launched an engineering hub in the city.

In and around Toronto, local institutions are intent on feeding the tech ecosystem. Ontario recently passed a law that explicitly bars companies from enforcing noncompete clauses in employment contracts, encouraging employees to create their own startups.

The University of Toronto ranked second in Canada's top 10 cities for degree completions, with over 4,300 a year, creating an ongoing pipeline of tech talent in the area.

Key roles:
Software developers, AI developers, IT engineers

Vancouver

Canada's third largest city, Vancouver, offers its residents a spectacular natural landscape. Like Toronto, the west coast metropolis ranked in the top 10 on the North American top tech talent markets.

The city offers more than 44,400 tech jobs, which is a growth of 63 percent from 2016. While the city is a growing tech hub, be prepared to pay for this talent. In Vancouver, software developers earn approximately 50 percent above the local industry average salary.

Before the pandemic, Vancouver was seeing a rapid rise in coworking and shared office spaces. This signaled a city willing to embrace the growing gig economy.

Moreover, the University of British Colombia produces over 2,800 graduates each year, adding to the highly skilled talent pool in the province.

Key roles:
Software engineers, developers, and programmers

Montreal

The largest city in Quebec, Montreal, is famous for its history, river, and culture. And as the second most populous city in Canada, it has plenty to offer global companies.

The French-Canadian city is home to tech giants Google, SAP, and Shopify plus the global gaming industry heavyweights Electronic Arts and WB Games.

In the first six months of this year, non-Quebec companies made CAD 1.74 billion of investments in Montreal, as they launched a record 57 projects and created some 4,700 jobs. Thirty-one

companies also established a subsidiary in Montreal for the first time.

Montreal ranked 15th on the CBRE Top Tech Talent 2022 rankings, which uses 13 metrics to measure each market's depth, vitality, and attractiveness to companies seeking tech talent and to tech workers seeking opportunities.There are over 141,000 tech workers now living in the region.

Most of the local workforce is fluent in French, while Quebec's new language law may affect any companies looking to invest there.

Key roles:
Gaming developers, IT project managers, AI programmers, biomedical scientists

Hiring contractors compliantly in Canada

The Canadian government has very tight restrictions on the definition of an "independent contractor."

In Canada, as in many other countries, the difference between an employee and a contractor comes down to critical variations in work and benefits. It is important to note that each province varies from the other in a number of employment aspects – for example, withholding, social services, and notice periods.

In Quebec, the Quebec Civil Code determines the worker's status. In other jurisdictions, the Canada Revenue Agency (CRA) examines the factors below holistically.

Payroll and taxes

When you hire contractors, they generally submit invoices for payment at the end of their work. When you pay them, you do not withhold payroll taxes from their paychecks or contribute to any social security funds. Contractors are responsible for making their own contributions to social security as well as taxes without the benefit of employer contributions.

Benefits

Contractors are not entitled to any of the benefits that employees in Canada usually receive from their employers. If they become ill and need to take time off, they take that time unpaid. They do not receive official paid state holidays, retirement, or health benefits from companies.

Notice and severance

Unlike employees, contractors in Canada usually do not receive a notice period or severance pay, so companies can terminate their contractor relationships more easily than their employee relationships.

Type of working relationship

Canadian courts and tax authorities often consider multiple factors in determining the type of relationship that exists between a company and its workers:

1. The parties' subjective intentions: This criterion assesses the initial plans of the two parties regarding the relationship, including what the written agreement or contract states.

2. The objective facts about the relationship: This criterion involves evaluating the relationship in practice to determine whether it adheres to the two parties' stated intentions.

3. Control over the work: This factor includes whether the workers have
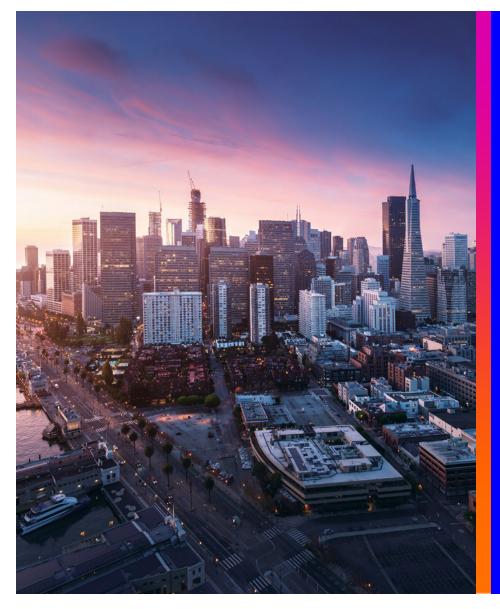
flexibility in how they perform their work — that is, whether they receive company direction or are able to work autonomously. Workers with greater flexibility and control are more likely to be contractors.

4. Ownership of tools: Contractors provide and use their own tools more often than employees. Workers who use company-provided resources are more likely to be in an employer-employee relationship.

5. Control over profit: This factor assesses the potential for the worker to profit more from higher-quality work. Contractors can often boost their profits by working more efficiently or having the reputation and experience to charge higher fees.

6. Risk of loss: This factor assesses the risk that the worker could lose money by performing the work. Employees who receive predetermined pay usually incur little risk of loss in their daily work. On the other hand, contractors lose money if the expenses of performing a job are higher than the pay they will receive for it.

United States

The United States is famous for being "the land of opportunity." It is why millions of immigrants cross its borders every year, to pursue their American dream.

While the U.S. is facing the same economic challenges as the rest of the world, it created 528,000 jobs in July, and the unemployment rate was a historically low 3.5 percent.

This growth matches the explosion in contract workers across the country during the pandemic and into 2021. There were about 23.9 million occasional independent workers in the country, an increase from 12.9 million in 2017.

Here is a look at the top contractor talent hubs and regions in the U.S. today.

San Francisco (Silicon Valley)

San Francisco and the Northern California Bay Area make up the top U.S. tech contractor hub.

The area ranks No. 1 on the CBRE Top Tech Talent 2022 rankings. The Bay Area has 378,870 tech workers which equals 11.4 percent of the total region's workforce (double the North American average). Software engineers dominate the talent pool with nearly 75 percent of all tech roles.

When it comes to tech talent, Silicon Valley still dominates the North America market, thanks to its local universities, state government, and investors working together to create an unequaled innovation support system.

Key roles:
Software engineers, developers, and programmers

Seattle

Seattle, Washington, closely follows San Francisco as one of the largest tech hubs in North America. It's home to over 189,000 tech workers, making it one of the most highly concentrated tech markets in the region.

Thanks to its music scene, cool climate, and local giant tech companies, it's a highly desirable location for young tech contractors.

According to the Axios-Generation Lab Next Cities Index, which tracks rising U.S. work and culture trends through geographic preferences, Seattle is America's most desired post-graduation destination for college students.

Only Toronto (+88,900 jobs) had more tech talent growth between 2016 and 2021 than Seattle (+45,560).

Key roles:
Software engineers, computer systems analysts, data scientists, IT managers

Atlanta

The southern city of Atlanta has emerged as a growing contractors' hub in North America. Major companies such as Apple, Alphabet, and Microsoft have all set up shop in the city in recent years hoping to tap into the diverse local workforce.

The CBRE 2022 report ranked Atlanta as the 11th-best city for sourcing tech talent in North America.

Local education providers such as Morehouse College, Spelman College, and Clark Atlanta University have partnerships with tech companies.
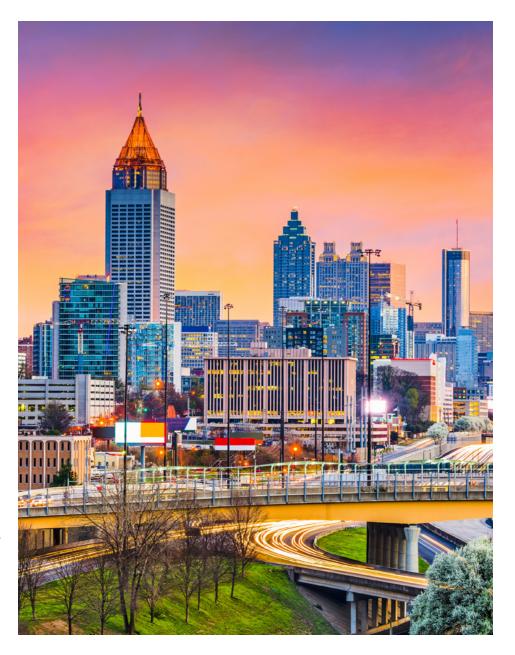
Key roles:
Software engineers, media developers, videogame developers

North Carolina

Not all independent contractor hubs are found in large cities. The Research Triangle of Raleigh, Durham, and Chapel Hill in North Carolina is a growing tech and science industry hotspot.

The number of tech workers in North Carolina grew by nearly 5 percent during the pandemic which is the ninth-highest growth rate in the U.S., according to a recent analysis by the Technology Councils of North America (TECNA).

This growth rate was boosted by North Carolina giving Apple the largest incentive package in the state's history to open a campus in Wake County. But it's not just global tech giants contributing to the area's growth.
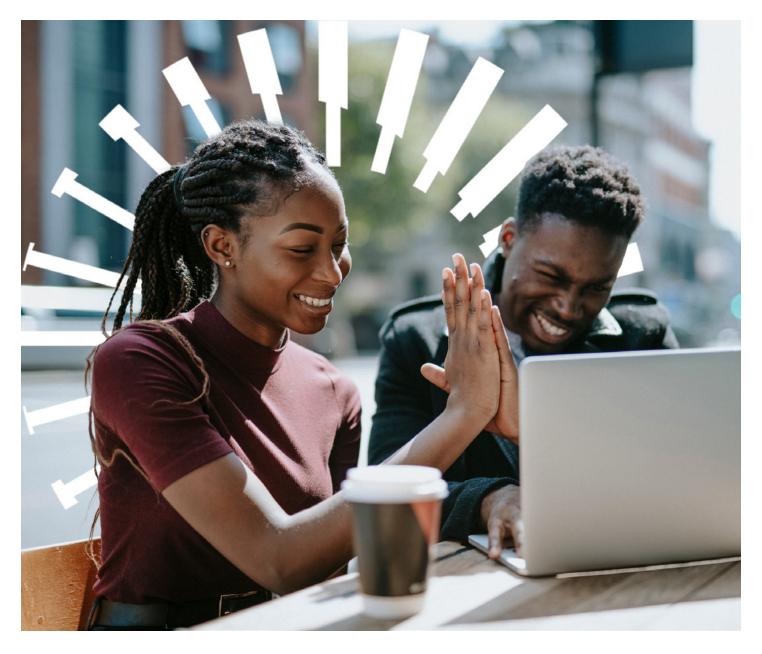
Local tech startups Epic Games and Pendo have helped create thousands of jobs over the past few years.

North Carolina offers an affordable lifestyle, which in the new remote work age is attracting the finest tech talent to the region. The salary expectations of tech talent in North Carolina are also lower and there's less competition to find the perfect contractor.

Between its top universities, massive research park, and an international airport, North Carolina offers key connections and resources for workers and growing companies alike.

Key roles:
Software developers, service desk technicians, data analysts

Hiring contractors compliantly in the U.S.

Like many countries, the U.S. has different laws governing employees and contractors. The consequences for misclassification can be severe — years' worth of back taxes and unpaid benefits, as well as financial penalties.

Ensuring proper classification helps you avoid losses and provide fair compensation and benefits for your workers.

The most important document you must have completed and on file for your independent contractor is Form W-9, which serves the same purpose as a W-4 form for newly hired employees.

Anyone you hire as an independent contractor must complete and sign the Form W-9 before they begin work for your business. The person must include a tax ID number on the form.

Like Canada, the IRS in the United States does not offer a magic formula to tell the difference between a contractor and an employee. Instead, they provide a set of common law rules to help businesses differentiate between employees and independent contractors. These rules fall into three areas:

1. Behavioral Control: Do you have the right to control the outcome of the work and how the work is performed?

2. Financial Control: Do you have the right to direct financial and business aspects of the job? This can include things like:

- Who is responsible for business expenses?
- Who invests in facilities and tools needed to perform services for your company?
- Is the individual working for more than one company?
- How are you paying the worker?
- Can the worker realize a profit or incur a loss?

3. Type of relationship: What terms are in place to govern the relationship?

- Is there a written contract describing the relationship?
- Do you provide employee-type benefits like insurance, paid vacations, or sick pay?
- Is it a permanent job?
- Are the services provided to you a key aspect of the business of the company?

The U.S. Department of Labor uses similar guidelines, called an Economic Reality Test, based on six factors used by the Supreme Court to determine employment status.

How G-P can help

Talent is everywhere. Grow your global workforce in North America the easy way with G-P.

When you're drafting independent contractor agreements, you need to ensure they mitigate potential legal and financial risks to your company.

As an extension of our Global Employment Platform™, G-P Contractor allows companies to hire contractors nearly anywhere in the world.

Whether you're hiring employees or contractors, we streamline the process with a single solution for your global workforce.

About Us

G-P helps growing companies unlock their full potential by making it possible to build highly skilled global teams in days instead of months. Through our SaaS-based platform, we help find, hire, onboard, pay, and manage team members, quickly and compliantly, to expand growth opportunities for everyone, everywhere – without the hassle of setting up local subsidiaries or branch offices.
G-P: Global Made Possible

CONTACT US AND REQUEST A DEMO

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