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AN EXPLANATION OF EMPLOYEE LEASING

Employee leasing came into being in about 1990. Since that time, it has been found to be a legal alternative to an employer DIRECTLY obtaining Workers' Compensation coverage because it INDIRECTLY provides Workers' Compensation coverage for the employer's workers.

Employee leasing is similar to using a temporary employment agency. However, the difference lies in the fact that instead of the agency providing the employees it will send to the employer, the employer takes their chosen employees to the leasing company, who hires them and then leases them back to the employer. The cost varies from leasing company to leasing company, but includes the cost of the PAYROLL plus an ADMINISTRATIVE FEE, and the administrative fee can include the cost of workers compensation coverage.

The main advantages to employers who participate in employee leasing involve cost savings to their workers' compensation premiums in some situations. Generally, if an employer is faced with the higher costs in the assigned risk pool, employee leasing can provide a savings over the higher risk pool rates. Also, if the problem is compounded by an adverse experience modification that is high enough to make the employer subject to the ASSIGNED RISK ADJUSTMENT PROGRAM, employee leasing can provide an alternative to the assigned risk pool, and avoidance of the additional surcharge to the premium caused by this program.

There can also be additional advantages:

- **AVOIDANCE OF PAPERWORK** - Many employers feel overburdened by the amount of paperwork involved in a business. Much of this paperwork is avoided because the employees are the employees of the leasing company and the client does not have to worry about the various records to be kept when one has employees.
- **ADDITIONAL BENEFITS** - Some employee leasing companies have thousands of employees leased, and as a result of this vast pool of employees can offer such things as medical plans and 401K plans to their clients. This is possible because employee leasing is similar to "group rating plans" offered by some insurers, which also results in savings.
- **NO "AUDIT STRESS"** - Because the leasing company handles the paperwork, the client does not have to be concerned with reporting payrolls properly to their workers' compensation insurer, because their "insurer" is already taking care of this, internally.
- **BUDGET ADVANTAGE** - Leasing companies generally do not require a large deposit to be paid before coverage can become effective. They also usually bill for their services on a monthly basis, making budgeting somewhat easier for some employers.

Although employee leasing can save money for some, it will not work for everyone. It is always wisest to check out all the possibilities relating to Workers' Compensation coverage before deciding what is best for you and your business.

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