Independent Workforce Engagement FAQs for Unilever Managers

GENERAL PROGRAM INFORMATION

Unilever engages independent professionals—commonly known as contractors, consultants, freelancers, small services providers, and non-employee workers—to deliver specialized services. These independents provide Unilever with workforce flexibility and subject matter expertise that can augment the abilities of its full-time staff.

In short, independent professionals help Unilever compete in the ever-escalating war for talent—and it is critical that Unilever engages them safely and efficiently.

Why does Unilever use a program for engaging independent workers?

A consistent independent workforce engagement program promotes enterprise-wide process consistency, improves productivity, controls costs, increases visibility into provider relationships and spend, and mitigates the risks associated with using independents—most notably, independent contractor reclassification.

Reclassification can occur when the IRS or state tax authorities determine that independents working for a client do not meet the necessary criteria to engage as qualified vendors (or "independent contractors") and be paid on a "1099" basis. These authorities may then **reclassify** them as employees, which frequently results in significant penalties and back-tax payments for the client. Reclassified workers may also try to recoup back-benefits through class-action lawsuits, which could prove very damaging to Unilever and its reputation, brand, and bottom line.

How will this program remove these risks?

The program ensures that only independent professionals who meet all appropriate qualification requirements may engage as vendors. All others must either work with MBO to establish a qualified business or engage as reclassification-safe payrolled employees of MBO Partners.

This eliminates Unilever's reclassification risk entirely and minimizes other risks, such as class-action lawsuits and business liability risk.

Which independents are appropriate for this program?

All professional internally identified independents (i.e., those not recruited or sourced through a staffing company) must engage through this program. This includes individuals and small businesses of 10 or fewer employees.

Important: Incorporated entities and former employees are **not exempt** from this program. If you have questions concerning whether a worker you wish to engage is appropriate for this program, please contact Unilever's Sam Park at Sam.Park@unilever.com.

MBO PARTNERS AND ITS SERVICES

Why MBO Partners?

Since 1996, MBO Partners has delivered solutions that make it safer and easier for enterprise organizations and top independent professionals to work together. MBO strengthens relationships, minimizes risk, and maximizes value for businesses like Unilever. Our unmatched experience and industry leadership enable us to operate on the forefront of the independent economy and consistently advance the next way of working.

Can MBO help me find talent for my projects?

Yes, but we take a unique approach. MBO believes that **direct sourcing**—the ability for businesses to find independents without recruiting intermediaries—is the fastest and most cost-efficient way to engage top independent talent. We therefore provide our compliance, engagement, payment, and support services for workers whom Unilever identifies internally and refers to us.

To better enable direct sourcing, we give Unilever personnel access to the **MBO marketplace**: the fastest and easiest way to attract, source, and re-engage independent talent—without expensive staffing intermediaries. The MBO marketplace enables Unilever to build a trusted community of independent professionals that managers can use as their first-choice alternative when looking for top independent talent. If you haven't already, you can get started here.

What services does MBO offer for engaging independent workers?

MBO features three engagement services which together ensure that all independents engage through a compliant program suited to their needs, expectations, and eligibility to operate as independent vendors.

- **Vendor Services**. A business-to-business engagement service for professionals who qualify to engage with Unilever as independent vendors. Businesses interested in engaging through Vendor Services must undergo qualification evaluation during the Unilever / MBO onboarding process to ensure they meet these criteria.
- **Business Services**. A unique engagement alternative for Sole Proprietors and other independent professionals who wish to work as compliant independent business owners (LLCs or corporations) but need assistance meeting and maintaining the appropriate credentials to do so. These workers enjoy the freedom and flexibility of operating an independent business at less cost and with less administration than doing it alone.
- **Payroll Services**. A conventional W-2 payrolling solution for workers who are ineligible for Vendor Services or Business Services due to their requirements, expectations, status as independent businesses, or regulatory requirements.

The table that follows compares these three services side-by-side, or you can click here to see more detailed descriptions.

	MORE LIKE A BUSINESS		MORE LIKE AN EMPLOYEE
	Vendor Services	**Business Services**	**Payroll Services**
Snapshot	Agent-of-record service for qualified vendors; MBO indemnifies Unilever for tax-related penalties of reclassified	Business set-up and management for professionals who need help meeting and maintaining vendor credentials	Traditional payrolling; FLSA applies, including overtime and double-time as per state laws
Who is appropriate?	Professionals who operate as independent businesses and meet vendor requirements	Professionals who see themselves as independent businesses but do not currently qualify as vendors	Workers who do not see themselves or operate as true independent businesses
Vendor-qualified?	Yes	No	No (not evaluated)
Tax status	Independent vendor (1099)	1099 or W-2 of own corporation	W-2 of MBO Partners
Business insurances	Must carry insurances at Unilever-required levels	Covered under MBO's General Liability and Errors & Omissions*	Covered under MBO's General Liability and Errors & Omissions
Rate negotiation	Negotiate a bill rate that already factors in statutory taxes	Negotiate a bill rate that already factors in statutory taxes	Negotiate pay rate that does not factor in statutory taxes
When is the worker paid?	Based on Unilever's Net 45 terms	Based on Unilever's Net 45 terms	Two weeks after a given work week (or sooner if required by state law)

* Independents may be required to purchase their own GL or E&O insurance to show an investment in their business for compliance purposes.

How does MBO decide which service is best for each worker?

All Unilever-referred independents complete a brief online survey that explores their independent experience, business structure and characteristics, expectations, and vendor qualification status. We also conduct a one-on-one consultation with the worker if necessary. We then have the information we need to select the engagement service that best fits the worker's unique situation.

Please note that we factor workers' wishes into our service determination, but we always ensure that they meet applicable eligibility requirements before onboarding them into the appropriate service. For example, independents wishing to engage through Vendor Services must meet Unilever's qualification criteria and pass a thorough compliance evaluation to qualify.

What is the value of Business Services?

Traditional providers offer a 1099 / agent-of-record service for qualified vendors—and then force everyone else into a conventional W-2 payrolling service. But this solution poorly serves to the large percentage of independent workers who resist W-2 payrolling yet do not qualify as vendors:

- If the provider engages them through an agent-of-record service, their client's risk and regulatory scrutiny increase dramatically.

- If the provider forces them into payrolling, it will likely lead to discontent, talent loss, and unnecessarily high costs.

Business Services is the only solution for independent business owners who do not meet eligibility requirements for engaging as independent vendors, yet are likely to reject the limitations of traditional payrolling. It lets Unilever better serve—and compliantly engage—the most common types of independent businesses, including corporations (C corps and S corps), LLCs, and Partnerships. Through Business Services, MBO even walks independents through the complexities of setting up their own compliant businesses.

Business Services does more than reduce risk and create a better experience for your independents—it also helps control costs. With a mark-up that's up to 70% lower than traditional payroll providers, Business Services can help Unilever **cut overall engagement costs by up to 20%**.

How do I contact MBO Partners?

Unilever managers can contact Lorraine Evans, Account Director, levans@mbopartners.com or unilever@mbopartners.com.

PROGRAM COSTS

Is there a cost for this program?

MBO applies a fee to the rate you negotiate with the worker. As indicated below, the fee varies based on the service through which each independent professional engages. You may wish to take this fee into consideration when negotiating rates with the independents you engage.

Important Note: If the addition of the fee results in a final cost that exceeds your approved budget by 10% or more, your Finance Manager will need to re-approve your request.

- **Vendor Services**. MBO applies a 4.0% mark-up to the worker's negotiated pay rate.
- **Business Services**. MBO applies an 8.0% mark-up to the worker's negotiated pay rate.
- **Payroll Services**. MBO applies an 18.5% mark-up to the worker's negotiated pay rate. (Please note that this fee is 20.5% for projects in states that require paid sick leave or similar requirements, and 22.5% for projects in San Francisco, Ca.)

Why are the Vendor Services and Business Services fees so much lower than Payroll Services?

Vendor Services and Business Services are intended for professional independents who understand the tax obligations of working independently and factor statutory costs (such as Social Security, Medicare, and other obligations) into the rate they negotiate with you. MBO therefore uses an innovative and cost-saving pricing model for these services.

While most providers apply the same mark-up—which includes statutory taxes—even if these taxes are already factored into their negotiated rate, only MBO ensures that Unilever never double-pays these taxes. As introduced above, this results in **cost savings of up to 20%** compared to traditional payroll providers when workers engage through one of these services.

Payroll Services works differently. Most commonly, individuals in Payroll Services are hourly workers who do not factor in these taxes when setting their rate. As such, our Payroll Services mark-up includes appropriate statutory costs.

ENGAGEMENT PROCESS

Once I identify new independent workers, how do I refer them to MBO?

When you identify a new independent professional for a project, contact your HR Business Partner. Once HR determines that your request is in scope, refer the worker to MBO by completing this referral form. Either include a Statement of Work (SOW) with the referral form or draft your own SOW within the referral form.

MBO will manage the remainder of the onboarding process and contact you when the worker is ready to begin the project.

How long does it take to onboard workers after I refer them to MBO?

While MBO can fully onboard most workers in as little as five days (to accommodate for the background screening), Unilever recommends referring the worker to MBO 10 business days before the expected start date. Workers who go on to engage through Business Services may require additional time to complete their business set-up (if necessary).

Note that onboarding timing strongly depends on the worker's responsiveness. MBO provides clear instructions and works closely with each worker to improve responsiveness and accelerate the process as much as possible.

As the manager, you have a part to play as well. We recommend that you stress the importance of completing the steps quickly when you're communicating with a worker you intend to engage.

This Engagement Lifecycle Process Summary includes a closer look at the Unilever / MBO onboarding process.

Are drug and background screenings required?

Yes. All new independents must undergo a background check and drug screen. MBO coordinates these screenings as part of our onboarding process. It is Unilever policy not to allow workers to begin work until the required screenings are complete.

How do I approve time and expense entries?

You'll receive an email notification from MBO each time a worker engaged on your projects submits time, milestones, deliverables, and/or expenses. Follow the instructions in the email to execute the approval.

Please be sure to approve all submissions by close of business each Monday for the previous week's submissions. Failure to meet this deadline may delay payments.

How long does it take for workers to receive their payments?

Payment timing varies by the worker's MBO engagement service.

- **Payroll Services**
  MBO pays Payroll Services workers each Friday, two weeks after a given work week (or sooner if required by state law).

- **Vendor Services** and **Business Services**
  MBO invoices Unilever for all workers' approved time and expense submissions each Wednesday, and Unilever pays MBO based on Net 45 terms. We then pay workers in the next weekly payroll cycle. As such, independents in these services receive their payments eight weeks after a given work week. See the Unilever Payment Calendar for details.

Again, it is very important that you approve your independents' time and expense submissions before the COB Monday deadline each week.