The “Economics Realities” Test For Independent Contractor Classification – Federal



The U.S. Department of Labor applies the “economic realities” test in determining whether a worker is properly classified as an independent contractor instead of an employee for wage and hour purposes under the federal Fair Labor Standards Act. The “economic realities” test generally requires consideration of the following seven factors:

1. extent services are an integral part of the principal’s business;
2. permanency of relationship;
3. amount of worker’s investment in facilities and equipment;
4. extent of control by principal;
5. worker’s opportunity for profit & loss;
6. competitive factors involved in success of the worker;
7. degree of independent business operations