

Employees and Contractors

You may be working on your own when you first start your business, but at some point you could decide to hire people to work with you. For example, you might hire an assistant or someone to help market your company. You might hire these people as **employees**, or you might sign them on as **contractors** (self-employed business people).



You may also need to hire other contractors from time to time, depending on the event.

For example, if you want to construct a special set for an awards banquet, and are not able to find just the right item from a rental company, you might hire a **carpenter** to do the job.

Differences between Employees and Contractors

Legally, if you hire an employee, you will have to pay payroll taxes on that employee, and probably make unemployment and workers' compensation contributions to the appropriate government agency. On the other hand, you can train those employees the way you like, and you can require them to do their work at certain hours and at places you choose.

If you hire contractors, those people will have learned their job skills elsewhere. They can choose how and when to do the work. You mutually agree on what product will be delivered or what services will be performed, as well as where and when they will be performed. But you cannot require them to be at your office or anywhere else for a certain number of hours daily. It is often best to spell out what you expect and what the contractor is to do or deliver in an agreement.

Other differences between an employee and a contractor are:

- **Employees** work only for you. **Contractors** may have other clients as well as you, and can work for any and all of them.
- **Employees** are paid on a regular basis. **Contractors** are paid per project.

- **Employees** work for a certain number of hours. **Contractors** set their own hours, as long as they get the job done. That can be great for them if they are really fast, or not so great for them if they are really slow. As long as the project is finished on time to specs, it's great for you. (On the other hand, if an employee is slow, you may end up paying more salary to get the job done in overtime, or even hiring temporary help to get things finished.)
- **Employees** can be fired or quit. **Contractors** can't be fired in the usual way while they are working under contract. You may decide to have them stop working on a project, but you will be obliged to pay them according to your contractual agreement unless you are able to renegotiate the contract or successfully sue them if you are unhappy with their work. (Of course that would only be in extreme cases; it is best to avoid lawsuits altogether!)

Even though you are not writing paychecks to contractors, but rather checks for contracting fees, there are still tax considerations. For more information about employment taxes, visit the IRS website.

IRS Employment Taxes

Click on **Businesses**, then on **Employment Taxes**
<http://www.irs.ustreas.gov>

Before you hire anyone, check with your local department of labor to find out all the rules and regulations required as an employer. Excellent advice on hiring employees and contractors can also be found at Nolo.com.

Nolo Resource Center

Click on **Business and Human Resources**, then on **Human Resources** <http://www.nolo.com>

Other state and federal rules and regulations may apply to you, including: health and safety regulations, Workers' Compensation, minimum wage and unemployment insurance. You can find additional information through this link:

Other Considerations

<http://www.sba.gov/starting/regulations.html#othercon>

Canadian employers must also register with the government and comply with federal and provincial laws. For information on becoming an employer in Canada, visit:

Becoming an Employer in Canada

Click on **English**, then on **Becoming an Employer** <http://www.cbsc.org/osbw>

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