



Employee or contractor

Difference between employees and contractors

An employee works in your business and is part of your business, whereas a contractor is running their own business.

The following table outlines the differences between employees and contractors based on the six factors which need to be considered when determining whether a worker is an employee or contractor.

Employee	Contractor
Characteristics of an employee include the following.	Characteristics of a contractor include the following.
Ability to sub-contract/delegate: the worker cannot sub-contract/delegate the work - they cannot pay someone else to do the work.	Ability to sub-contract/delegate: the worker is free to sub-contract/delegate the work - they can pay someone else to do the work.
Basis of payment: the worker is paid <ul style="list-style-type: none"> ▪ for the time worked ▪ a price per item or activity ▪ a commission. 	Basis of payment: the worker is paid for a result achieved based on the quote they provided.
Equipment, tools and other assets: <ul style="list-style-type: none"> ▪ your business provides all or most of the equipment, tools and other assets required to complete the work, or ▪ the worker provides all or most of the equipment, tools and other assets required to complete the work, but your business provides them with an allowance or reimburses them for the cost of the equipment, tools and other assets. 	Equipment, tools and other assets: <ul style="list-style-type: none"> ▪ the worker provides all or most of the equipment, tools and other assets required to complete the work ▪ the worker does not receive an allowance or reimbursement for the cost of this equipment, tools and other assets.
Commercial risks: the worker takes no commercial risks. Your business is legally responsible for the work performed by the worker and liable for the cost of rectifying any defect in the work.	Commercial risks: the worker takes commercial risks, with the worker being legally responsible for their work and liable for the cost of rectifying any defect in their work.
Control over the work: your business has the right to direct the way in which the worker performs their work.	Control over the work: the worker has freedom in the way the work is done subject to the specific terms in any contract or agreement.
Independence: the worker is not operating independently from your business. They work within and are considered part of your business.	Independence: the worker is operating their own business independently from your business. The worker performs services as specified in their contract or agreement and is free to accept or refuse additional work.

These case studies show the differences between employees and contractors in various industries:

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- [road transport](#)
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- [information technology](#)
- [call centre.](#)
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