



Are Contract Employees Right for Your Business?



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Our current “gig” economy has given rise to many more contract employees than we’ve ever seen before. Workers are opting for project or task-based jobs over full-time employment in record numbers. This shift does lead some employers to reexamine their teams. Could contract employees be right for your company? While there are benefits to contract or “1099” employees, there is much to consider, too. Let’s dive into contract employees and examine the facts.

Employee vs. Contract

Mostly, the designation for contract employees applies to how you are paying this person, making it more of an IRS designation than anything else. However, there are some strict guidelines around overtime laws, contract employees, and more. Before you consider contract employees, investigate what this entails and what you're getting. This site is perhaps the [best resource for information](#). And of course, if you have questions, you know who to ask...me.

Again, before you take this route, understand that its not always a simple move. There are practical questions to consider. And you should know what type of insurance your contract employee will have and keep an updated copy of their COI for your records. If a contract employee hired by you does not have the required coverage, then you will be responsible for them like they were an employee. This also means that your worker's compensation premium will consider all of your contract employees' pay to be calculated with the year's payroll. Further, your insurance carrier will typically expect you to pay this premium within 30 days. That could mean a surprise bill if you're not paying attention.

General Liability for your Business

Let's say, for example, that a contract employee causes damage to a client's property. Who is liable for that? The employee was working for you, but does your insurance cover the contract employee? You have to consider how you will handle these situations BEFORE they arise. You could find yourself on the hook and out of pocket for

expenses if your contract employee doesn't have sufficient coverage.

Generally speaking, your company's liability insurance should cover you when an employee causes damage. And, Worker's Compensation will cover an employee who is injured or hurt on the job. But do either of these cover your contract employees? While this would fall directly on the contract employee, your company could also be on the hook if your contract employee's insurance is not sufficient.

Are your Employees Driving?

Regardless of status – contract or full-time – and whether or not they are driving a company or personal vehicle, you should pay attention to coverage when employees are driving for work. This applies to any company as well as personal vehicles. If and when an accident occurs while performing company tasks or on company time, an employees' personal insurance might be reluctant to cover a claim if they were driving for work. This step is often overlooked but can be devastating for an employee or employer to cover out-of-pocket.

If you have employees driving a company vehicle, this implies that the company carries all the insurance. If you have employees or contractors driving personal vehicles for your company while performing company business, your company is still in the chain of responsibility. After an at-fault accident, a lawyer or claims adjuster knows to ask, "why were you driving" and if they find it was work-related, you'll find your company squarely in the crosshairs. Look

into "hired/non-owned" auto insurance. This rider could be an easy addition to your existing general liability policy. And, this move could save time, money, and headaches in the event of an accident.

I'm a Contract Employee

If you find yourself taking advantage of this gig economy, you should also be aware of your risks. You are responsible for your own general liability, worker's compensation as well as health care, benefits, and taxes. As a contract employee, you should be and more. Use the link above and check out the Department of Labor's website to arm yourself with correct and current information.

Lots to think about here! If you're an employer, make sure you have thought about your business and are protecting this asset. And, if you're a contract employee, you should also take steps to make sure you can protect yourself and your ability to work. I know it is complicated. Just know that you have someone you can ask when you have questions.

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"Gig economy" means more employees are seeking contract or task-based employment. Could contract employees be right for your business? There are many things to consider here.

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