

Managing a contractor

A number of businesses use contractors and subcontractors to carry out short-term work or to supply specialist skills on specific projects.

Outsourcing work like this can be cost-effective and can make use of particular knowledge, experience and skills that may not exist in-house.

A contractor provides a business with services for a specific period and a determined fee according to an agreed contract. Contractors can be paid on a time basis - hourly, daily, weekly - or on completion of certain objectives.

A contractor may sometimes outsource work to a subcontractor in order to fulfil a contract. Although subcontractors may carry out specialist work essential to the completion of the project, the contractor retains responsibility for the whole project, including the contribution of the subcontractor.

Choosing a contractor

Before taking on a contractor, a business should check their references, qualifications, experience, membership of any professional organisations, health and safety policies, technical capabilities, environmental policies and the criteria for selecting any subcontractors.

Make sure that you are entirely satisfied they are up to the task and the standards you expect of them before entering into any agreement. Make sure also that they fit your business ethos and outlook (their work will be counted as yours) and that they look like they will gel with your own employees.

Contracts

When drawing up a contract with a contractor, there are a number of issues that you may want to have detailed as part of the agreement. These include health and safety standards; quality of work standards; penalties for failure to meet delivery timetables; payment schedules; a timetable for completing the work or project; details of the contractor's responsibilities; a procedure for solving any disputes; non-disclosure agreements; and protection of any intellectual property rights.

Briefing and managing

Always provide contractors with a clear, detailed brief for the work they will be carrying out. Brief your own employees, too, so that they are happy and confident that the contractor can meet their needs. And make the effort to integrate the contractors with any in-house teams they may be working with or alongside so that everyone feels on the same side.

Worker rights

Contractors, subcontractors and agency workers have many of the same rights as employees. These include the rules on the National Minimum Wage, on working time, on paid leave and on anti-discrimination in the workplace.

Tax

A business does not normally pay tax or National Insurance contributions for contractors. If a contractor is self-employed, you need to make sure that HM Revenue and Customs would also regard the contractor as self-employed and not an employee of your business.

Self-employed contractors and subcontractors in the building industry have special tax rules under the Construction Industry Scheme which was introduced in April 2007.

The tax regime for contractors can be complicated, so you may want to take our advice first.

Health and safety

On any given project, both you and the contractor will have health and safety responsibilities.

Among other duties, you will need to assess any risks involved in the work; decide on what health and safety information needs to be provided and whether any training is required; evaluate the health and safety procedures of the contractor; check on the capabilities and competence of the contractor; inform the contractor of your own health and safety policies; have supervisory management measures in place to make sure that the contractor (and any subcontractor) are safe in their work; and conduct a review of the way the work is being carried out.

Insurance

You should confirm that its insurance covers any contractors and subcontractors working on your premises.

Since the majority of contractors and subcontractors are not covered by employers' liability insurance, you may also need public liability insurance. The public liability insurance should be sufficient to cover contractors who are working away from your site, unless the contractor has public liability cover of the same scope.

It is important, therefore, to check in advance on the level of insurance cover that any contractor has.

Businesses are generally advised to seek professional guidance if they are about to engage a contractor.