

<b>Procedure Title</b>	<b>Contract Services</b>		
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<b>References</b>			

**Procedure:**

**Rationale:**

Contract services are on occasion used by the Board to provide a specific service. It can sometimes be difficult for a supervisor to determine if the individual being contracted for service is an employee or an independent contractor. The following process should be followed to determine if a person is an independent contractor or an employee.

**Procedure:**

**1. Differences**

**a) Employee**

An employee is subject to withholding taxes, as well as employer pays CPP, EI, and EHT contributions.

**Employer-employee relationship**

Requires a verbal or written agreement in which an employee agrees to work on a full-time or part-time basis for an employer for a specified or indeterminate period of time, in return for salary or wages. The employer has the right to decide where, when and how the work will be done. In this type of relationship, a contract of services exists.

**b) Independent Contractor**

A person who is paid a contract price

**Business relationship**

Requires a verbal or written agreement in which a self-employed individual agrees to perform specific work for a payer in return for payment. There is no employer or employee. The self-employed individual generally does not have to carry out all or even part of the work himself. In this type of relationship, a contract for services exists.

**2. Factors**

The following factors that should be considered when determining the relationship:

- A. Control
- B. Ownership of Tools
- C. Chance of profit/risk of loss
- D. Integration

**A. Control**

Generally, in an employer-employee relationship, the employer controls, directly or not, the way the work is done and the work methods used. The employer assigns specific tasks that define the real framework within which the work is to be done.

If the employer does not directly control the worker's activities, but has the right to do so, the notion of control still exists.

The degree of control exercised by the employer may vary depending on the type of work to be done and the employee's experience and skill.

Generally, the payer exercises control if he or she has the right to hire or fire, determines the wage or salary to be paid, and decides on the time, place, and manner in which the work is to be done. In short, the payer exercises control if he or she has the right to decide where, when, and how the work will be done.

In a business relationship, however, the payer does not usually exercise control over the worker's activities. The worker can decide how the work will be performed.

**B. Ownership of Tools**

In an employer-employee relationship, the employer generally supplies the equipment and tools required by the employee. In addition, the employer covers the following costs related to their use: repairs, insurance, transport, rental, and operation (e.g., fuel).

**C. Profit/Loss**

Generally, in an employer-employee relationship, the employer alone assumes the risk of loss. The employer also generally covers operating costs, which may include office expenses, employee wages and benefits, insurance premiums, and delivery and shipping costs. The employee does not assume any financial risk, and is entitled to his or her full salary or wages regardless of the financial health of the business.

In a business relationship, the self-employed individual may make a profit or incur a loss. He or she also covers operating costs. There is no guarantee of a steady income because the self-employed individual's income depends on the results achieved by the end of the contract.

**D. Integration**

Where the worker integrates the payer's activities to his or her own commercial activities, a business relationship probably exists. The worker is acting on his or her own behalf, and is not dependent on the payer's business and is in business for him or herself.

Where the worker integrates his or her activities to the commercial activities of the payer, an employer-employee relationship probably exists. The worker is acting on behalf of the employer, he or she is connected with the employer's business and is dependent on it.

**3. Payment of Honorariums**

Payment of honorariums can be made to individuals who are supplying a service to the board. Honorarium is defined as a one time payment made to an individual, who is not an employee of Bluewater District School Board, for a special and non-recurring activity or event, for which a fee is not legally or traditionally required.

**4. Work Relationship**

The following will assist in determining if the position or contract is an employer/employee relationship or an independent contractor: See APPENDIX A - Summary table

## APPENDIX A

(AP 4103)

Please ask yourself the following questions and check the appropriate column to identify if the position or contract is an employer/employee relationship or an independent contractor. If the majority of checks indicate payer, then employer/employee relationship exists.

	Payer	Worker	N/A
Who is responsible for planning the work to be done?			
Who decides how and how much the worker is to be paid?			
Who decides on the time frames?			
Who decides on how the work is to be done?			
Who decides on the hours of work?			
Who decides on the work location?			
Who assigns the individual tasks?			
Who supervises the tasks?			
Who sets the standards to be met?			
- Quality?			
- Volume?			
- Time Frame?			
Who decides whether work must be redone?			
- Who covers the related costs?			
Who is responsible for training?			
- Who covers the related costs?			
Who decides on the territory to be covered?			
Who decides on periodic activity reporting?			
Who decides on periodic activity reporting?			
Who decides if the work is to be done by the worker himself?			
Who hires helpers?			
Who supplies the heavy equipment or covers its rental costs?			
Who supplies the specialized equipment or covers its rental costs?			
Who covers equipment maintenance costs?			
Who supplies the large tools or covers their rental costs?			
Who supplies the specialized tools or covers their rental costs?			
Who supplies the small tools?			
Who covers tool maintenance costs?			
Who supplies the materials?			
Who has invested in the equipment and tools?			
Who covers the costs of damage to equipment or materials?			
Who covers the costs of liability insurance?			
Who covers office expenses?			
Who covers rental costs?			
Who covers delivery and shipping costs?			
Who covers costs related to bad debts?			
Who assumes responsibility for ensuring that guarantees relating to materials are honoured?			
Who assumes responsibility for the performance of the work?			
Who guarantees the quality of the work?			
Who covers the costs incurred by the worker in carrying out the work?			
Who covers the costs of the worker's benefits (paid vacation, sick leave, life insurance premiums, etc.)?			

