



HR At a Glance: Employee or Contractor?

A Practical Desk Reference for Small Business Leaders

CLASSIFYING WORKERS CORRECTLY

Classification mistakes are expensive. The same warning signs appear regardless of state or agency.

FIRST STEP

Ask: Is this person running their own business, or functioning as part of mine?

MOST COMMON MISTAKE

A signed contractor agreement does not determine worker status. Agencies evaluate the actual working relationship.

SIGNS OF A TRUE CONTRACTOR	WHAT DOESN'T MAKE SOMEONE A CONTRACTOR	COMMON SCENARIOS
<ul style="list-style-type: none">✓ Operates an independent business✓ Works for multiple clients✓ Controls how work is performed✓ Uses own tools and equipment✓ Can earn a profit or suffer a loss✓ Engaged for a specific project or result	<ul style="list-style-type: none">☒ Receiving a 1099☒ Signing a contractor agreement☒ Working remotely or part-time☒ Setting their own hours☒ Wanting to be a contractor	<p>Often a Contractor</p> <ul style="list-style-type: none"><input type="checkbox"/> CPA hired for annual tax prep<input type="checkbox"/> Marketing consultant on a specific project<input type="checkbox"/> Web designer for a defined deliverable <p>Needs a Closer Look</p> <ul style="list-style-type: none"><input type="checkbox"/> Bookkeeper working weekly for one company<input type="checkbox"/> Ongoing admin support<input type="checkbox"/> Long-term consultant embedded in operations

RED FLAGS

- Works only for your company
- Follows company schedules
- Uses company equipment
- Receives detailed work instructions
- Performs the same work as employees
- Has worked in the role indefinitely

KELLY'S PERSPECTIVE

A contract helps. Reality matters more. If removing the word "contractor" from the agreement would make everyone assume the person is an employee, it's worth a closer look.

📄 KELLY'S RULES OF WORKER CLASSIFICATION

1. Classification is based on facts, not labels.
2. A contract helps. Reality matters more.
3. Review long-term contractor relationships regularly.
4. Different laws may apply different standards.
5. When in doubt, get a second opinion.

WHEN CONTRACTOR RELATIONSHIPS DESERVE REVIEW

● LOWER RISK

- CPA hired for annual tax prep
- Consultant on a specific project
- Designer hired for a defined deliverable

● DESERVES REVIEW

- Bookkeeper working weekly for one company
- Ongoing admin support contractor
- Long-term consultant with no defined scope

● HIGHER RISK

- Former employee doing the same job
- Worker managed like an employee
- Contractor working full-time for one company indefinitely

RED FLAGS

- No written agreement
- No clear scope of work
- Relationship has no defined end point
- Worker treated differently on paper than in practice

The longer a contractor relationship lasts, the more important it becomes to review the facts.

BEFORE ENGAGING A CONTRACTOR

CHECKLIST

- Use a written agreement
- Define the scope of work
- Clarify payment terms and equipment
- Confirm the worker operates independently
- Document expectations and deliverables

CONSIDER GETTING HELP IF:

- The worker only works for your company
- The worker was previously an employee
- The arrangement has lasted more than 12 months
- You're unsure how an agency would view the relationship

KELLY'S PERSPECTIVE

The question is not whether someone wants to be a contractor. The question is whether the facts support treating them as one.