

Labour-only v Bona-fide Subcontractors

As the owner or manager of a construction firm, you know that construction projects, no matter the size or scope, can be significant undertakings full of challenges. One such challenge that you may encounter deals with what type of subcontractors you hire—specifically labour-only or bona-fide. Knowing the differences between these two classifications can help protect your business from costly and damaging risks, including fines, penalties or even whopping insurance claims.

Who are Labour-only Subcontractors?

The defining characteristics of labour-only subcontractors are as follows:

- They work under your supervision and direction.
- They use your materials, kit, equipment and tools.
- They must comply with your health and safety policies.
- They do not have a guarantee for work done and may leave part way through.

Essentially, labour-only subcontractors are additional employees that you hire to assist with a build project that is too large or complex for your full-time staff to handle in a timely manner.

As these subcontractors are employed for the duration of the build project, you are required to pay them the same wages as your full-time staff and classify them as employees. In addition, your firm must cover each labour-only subcontractor under your employers' liability and public liability insurance.

Who are Bona-fide Subcontractors?

The defining characteristics of bona-fide subcontractors are as follows:

- They work under their own supervision and direction.
- They provide their own materials, kit, equipment and tools.
- They are responsible for their own health and safety.
- They may have additional employees.
- They provide their own method statement and are responsible for their own guarantees and maintenance.

Understanding the difference between labour-only and bona-fide subcontractors can protect your construction firm from costly and damaging risks.

Essentially, bona-fide subcontractors are hired to complete a specific job—such as plumbing or electrical work—on a build project that your full-time staff is not capable of completing on its own. As your firm would be hiring them on for a specific job, you would pay them as if it were a normal separate job, typically via invoice. In addition, because they are working independently of your firm, bona-fide subcontractors should have their own liability insurance.

Provided by Crendon Insurance Brokers Ltd

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What are the Risks of Confusing the Two?

Even though both subcontractor classifications are similar, confusing the two can expose your firm to costly and damaging risks. The most common risks include the following:

- A bona-fide subcontractor has insufficient or no employers' liability or public liability insurance. As a result, after an incident, your firm is liable even though the subcontractor was at fault.
- Your firm had not notified Crendon Insurance Brokers Ltd about hiring on labour-only subcontractors so they were not covered under your employers' liability or public liability insurance. As a result, if they were responsible for an incident or become injured or ill due to their work, you could be wholly accountable for the damages.

How Can I Protect My Business?

To guarantee that you are safeguarded against the potential risks that can arise from taking on subcontractors, review the following best practices:

- Contact Crendon Insurance Brokers Ltd to ensure that your employers' liability and public liability insurance covers labour-only subcontractors.
- Confirm that bona-fide contractors have their own public liability and employers' liability insurance. Even if they are insured, you should verify that they have at least the same indemnity limit as your firm, as you could potentially be liable to fill the gap.
- Annually review your bona-fide subcontractors' public liability schedule to ensure that you'll be protected if they were to cause an incident while working for you.
- Let **Crendon Insurance Brokers Ltd** know how much you intend to pay your bona-fide subcontractors, as it may lower your premium.

Determining Labour-only v Bona-fide Status

If you can answer yes to all or most of the following questions, the worker is probably labour-only:

- Are they paid hourly, weekly or monthly?
- Can they receive overtime or bonus pay?
- Do they work a fixed number of hours?
- Can the principal contractor direct them how, when and where to carry out their work?
- Can the principal contractor direct them from task to task?

If you can answer yes to all or most of the following questions, the worker is probably bona-fide:

- Are they paid on a fixed-price contract?
- Do they decide their own schedule?
- Do they decide what, how, when and where to do their work?
- Are they responsible for correcting unsatisfactory work?
- Do they work without supervision?

Understanding This Simple Difference Can Save You a Major Headache

If your construction firm needs to take on additional help in order to successfully complete a build project, you need to be absolutely confident that you understand the differences between subcontractors. That knowledge can help ensure that your firm avoids costly and damaging risks. For more information about how you can better safeguard your construction firm from potential hazards, contact the professionals at Crendon Insurance Brokers Ltd today.



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