

How To Hire Contractors for Your Small Business

The numbers don't lie: Small businesses employ 47.5 percent of the private workforce in the U.S. But many of the smallest businesses and startups don't have the means to afford full-time employees. As a result, small business owners often do everything themselves until they have the [cash flow](#) to hire a full-time employee.

There are times it makes more sense for you as a small business owner to hire a contractor, especially to get your business off the ground. Contractors provide expertise and flexibility, allowing you to delegate tasks so you can focus on the growth of the business.

Think your business is at a point where you're ready to hire your first contractor?

Congratulations! But now what? There are two critical steps to preparing for your first contractor before you bring them aboard; doing so will ensure you're getting the most out of using contractors for your small business.

Have All Your Legal Ducks and Processes in a Row

One of the benefits of working with contractors instead of hiring an employee is the cost savings; you won't be responsible for providing benefits or covering payroll taxes. The IRS has a pretty strict [20-factor test](#) to determine if the person you're hiring is a self-employed contractor or employee. Since independent contractors do not have income taxes withheld from their pay, you will need to [prepare and issue 1099 forms](#) for all non-employee compensation.

When hiring your first contractor, it's also crucial to have processes in place within your business for a smooth working relationship. Consider the following questions:

- Do you have up-to-date accounting software?
- How will you be paying the contractor?
- What's your timeline and budget for each project?
- How will you be communicating with the contractor?

The best way to protect yourself and your business is to have an independent contractor agreement that addresses all of the legal questions and outlines the scope of work for each contractor and project.

Create a Detailed Statement (Or Scope) of Work for Hiring

One of the biggest mistakes that small business owners make when hiring help for the first time is not having a clear understanding of the business's needs. This is especially critical when you're hiring an independent contractor, since their time to work with you is limited. Most contractors are juggling multiple clients, setting aside only a certain number of hours each week or month to work on each project.

With a clearly defined statement (or scope) of work included in the contractor agreement, you won't waste time micromanaging the contractor. The entire point of hiring help is to give you time to focus on other aspects of growing your business while delegating specific tasks—it's important to figure out what exactly those tasks are before hiring.

The scope of work should include:

- Clear expectations you have of the contractor, which activities they will be performing, and what items they will be delivering to you.
- What you, as the small business owner and client, will be providing to help the contractor do their job well. Will you be available to them when they have questions? Are there documents they need to perform their tasks? Will you be providing them with tools and access to certain parts of your business?
- Milestones and deadlines for the work completion.
- Terms for payment. Will you be paying the contractor upon completion of work? How will you be paying them? Will they be charging you hourly or per project?
- Miscellaneous items that may be relevant for different types of contractors.

With clear expectations, you can rest easy knowing the person you hired is not wasting your time or money while you turn your attention to other areas of the business.

Hiring an independent contractor for your small business can be incredibly beneficial for you if you're setting the right expectations from the start. With the proper foundation, you'll be ready to delegate tasks and get the most out of your hires.

A regular contributor to the [Lendio blog](#), Berrak Sarikaya is a natural conversation driver and an [amplifier](#), motivated by a firm belief in owning who you are instead of trying to fit the mold. As a content strategist and creator, she's worked with startups, small businesses, Fortune 500 companies, and agencies in the B2B and B2C landscape.