

Understanding employment status



What is employment status?

Employment status refers to the classification of a worker based on the nature of their working relationship. It determines rights, responsibilities, and benefits. The main categories usually are:

- **Employee:** Works under a contract of employment, with set hours, duties, and typically receives benefits like sick pay, holiday pay, and pension contributions.
- **Worker:** Has some employment rights (like minimum wage and holiday pay) but fewer than a full employee; often used for casual or temporary work.
- **Self-employed:** Runs their own business, responsible for their taxes, and usually has no employment benefits; they control how, when, and where they work.

Employment status affects things like tax, benefits, and legal protections.

Can I choose the status?

Employment status isn't a choice because it's determined by the actual nature of the working relationship, not just what the worker or employer wants it to be. In other words, A PA can't just declare themselves "self-employed" to avoid taxes or benefits if, in reality, the situation fits the legal definition of an employee.

Key factors that determine status include:

- **Control:** Who decides how, when, and where the work is done? Employees are usually told what to do and how to do it; self-employed people set their own methods.
- **Mutual obligations:** Employees have ongoing obligations to their employer, and employers have duties to provide work and pay. Self-employed people take on 'work' that they wish to accept and are also free to decline 'jobs'
- **Financial risk and equipment:** Employees typically use employer-provided equipment and are paid a fixed wage. Self-employed people bear business risks and often provide their own equipment and tools, such as PPE.
- **Integration:** How integrated the worker is, whether they work exclusively for one employer, and how their work is taxed.

Even if both parties "agree" to call someone self-employed, the law looks at the real situation, not the label. Choosing incorrectly can lead to legal issues, back taxes, and penalties.

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Whats the difference in status?

Employment status determines a worker's rights, responsibilities, and benefits, and it is based on the nature of the working relationship, not just what the worker or employer calls it. The main types are:

Casual Worker

Workers have some employment rights, including the right to minimum wage and holiday pay, but not all the protections of employees. This category often includes casual or temporary roles, where the worker may have more flexibility but fewer benefits.

- **Name:** Worker
- **Language:** casually employ
- **Contract type:** usually zero hours
- **Contract responsibility:** Employer

Employed

Employees work under a contract with set hours, tasks, and obligations. They are entitled to full employment rights, such as sick pay, holiday pay, pension contributions, and protection from unfair dismissal. The employer has a high level of control over how and when work is done.

- **Name:** Employee
- **Language:** Employ
- **Contract type:** Fixed-term/permanent
- **Contract responsibility:** Employer

Self Employed

Self-employed people run their own business, decide how, when, and where to work, and are responsible for paying their own taxes and national insurance. They usually do not receive employment benefits and have more control over their work.

- **Name:** contractor
- **Language:** Engage
- **Contract type:** Service contract/agreement
- **Contract responsibility:** Self-employed PA

Example

For example, a Personal Assistant (PA) could be considered an employee if they work regular hours under your direction and follow your instructions. They might be classified as a worker if they work on a casual or flexible basis, with some employment rights like holiday pay and minimum wage but fewer protections than an employee. On the other hand, a PA could be self-employed if they offer their services independently, manage their own schedule, and are responsible for their own taxes. Understanding the difference is important because it affects legal responsibilities, pay, and the rights of the person you employ or engage.