

Contracting labour & supply chains

Businesses sometimes contract out work (eg. labour or services) to help lower operational costs, focus on core services, and access specialised knowledge or skills. If the work then is contracted to another business, this can create a contracting network or supply chain.

It makes business sense to monitor and manage your supply chain. Businesses can take practical steps to minimise their legal or reputational risks. We've developed resources to help you monitor and manage contract arrangements. Download our:

- [Guide to labour contracting \(DOCX 138.1KB\)](http://www.fairwork.gov.au/ArticleDocuments/712/guide-to-labour-contracting.docx.aspx) (www.fairwork.gov.au/ArticleDocuments/712/guide-to-labour-contracting.docx.aspx) ([PDF 1.3MB](http://www.fairwork.gov.au/ArticleDocuments/712/guide-to-labour-contracting.pdf.aspx)) (www.fairwork.gov.au/ArticleDocuments/712/guide-to-labour-contracting.pdf.aspx) - for help on how to select a potential contractor and identify if they are complying with workplace laws
- [Guide to contracting labour for small business \(DOCX 86KB\)](http://www.fairwork.gov.au/ArticleDocuments/712/guide-to-contracting-labour-for-small-business.docx.aspx) (www.fairwork.gov.au/ArticleDocuments/712/guide-to-contracting-labour-for-small-business.docx.aspx) ([PDF 1.2MB](http://www.fairwork.gov.au/ArticleDocuments/712/guide-to-contracting-labour-for-small-business.pdf.aspx)) (www.fairwork.gov.au/ArticleDocuments/712/guide-to-contracting-labour-for-small-business.pdf.aspx) - checks for small business owners to minimise your risk of hiring a non-compliant contractor
- [Guide to monitoring your labour contracting \(DOCX 1.8MB\)](http://www.fairwork.gov.au/ArticleDocuments/712/guide-to-monitoring-your-labour-contracting.docx.aspx) (www.fairwork.gov.au/ArticleDocuments/712/guide-to-monitoring-your-labour-contracting.docx.aspx) ([PDF 1.5MB](http://www.fairwork.gov.au/ArticleDocuments/712/guide-to-monitoring-your-labour-contracting.pdf.aspx)) (www.fairwork.gov.au/ArticleDocuments/712/guide-to-monitoring-your-labour-contracting.pdf.aspx) - for help on mapping existing contractors and subcontractors, examining compliance and addressing any problems
- [Guide to self-auditing your business \(DOCX 97.2KB\)](http://www.fairwork.gov.au/ArticleDocuments/712/guide-to-self-auditing-your-business.docx.aspx) (www.fairwork.gov.au/ArticleDocuments/712/guide-to-self-auditing-your-business.docx.aspx) ([PDF 981.4KB](http://www.fairwork.gov.au/ArticleDocuments/712/guide-to-self-auditing-your-business.pdf.aspx)) (www.fairwork.gov.au/ArticleDocuments/712/guide-to-self-auditing-your-business.pdf.aspx) - for information on how to conduct a general self-audit of your business to ensure you're complying with workplace laws.

Read about [labour contracting and supply chains](#) and [why you should manage your labour contracting](#).

We have information about [managing your labour contracting \(www.fairwork.gov.au/find-help-for/contracting-labour-supply-chains/managing-your-labour-contracting\)](http://www.fairwork.gov.au/find-help-for/contracting-labour-supply-chains/managing-your-labour-contracting) to help you effectively engage a new contractor and review your contracts.

You can also read about [what we do when it comes to contracting labour and supply chains \(www.fairwork.gov.au/find-help-for/contracting-labour-and-supply-chains/managing-your-labour-contracting#what-we-do\)](http://www.fairwork.gov.au/find-help-for/contracting-labour-and-supply-chains/managing-your-labour-contracting#what-we-do).

Understanding labour contracting and supply chains

When you contract another business to provide you with workers, or services that include labour, this is labour contracting. For example, you could contract out the cleaning of your business premises.

Sometimes the businesses you contract labour out to then subcontract that work to another business. This can create a 'supply chain' or 'contracting network'.

There are different ways workers could be engaged by a business. For example, a business could contract out work to a contractor who in turn engages workers as employees or independent contractors, or a combination of both. Businesses can also engage workers through a third party labour hire service provider.

It's good business practice to understand how the workers in your business and your supply chain are engaged so you can minimise the risk of non-compliance with workplace laws.

Why should I manage my labour contracting?

It makes business sense to manage your supply chain and use contractors who do the right thing and follow workplace laws. This helps protect your business against risks such as:

- damage to your business brand and reputation
- being held legally responsible when your contractor or a subcontractor in your supply chain is not complying with workplace laws. This is known as 'accessorial liability.'

Some businesses have a legal requirement to report on their actions to assess and address modern slavery risks in their operations and supply chains. The Modern Slavery Act 2018 sets out these requirements and aims to identify and address modern slavery risks. This helps to maintain responsible and transparent supply chains. To learn more about the reporting requirements and if they apply to your business, visit the [Home Affairs website \(https://www.homeaffairs.gov.au/criminal-justice/Pages/modern-slavery.aspx\)](https://www.homeaffairs.gov.au/criminal-justice/Pages/modern-slavery.aspx).

What is accessorial liability?

Businesses may be held legally responsible when their contractor (or subcontractor) is underpaying their staff. It's not just direct employers who can be held liable for contraventions such as underpayments - any person knowingly involved in contraventions could be found legally responsible. This could extend to directors, managers, accountants or businesses involved in the supply chain.

Find out more about [accessorial liability and what you can do to reduce your risk \(www.fairwork.gov.au/about-us/our-role/enforcing-the-legislation/litigation/accessorial-franchisor-and-holding-company-liability\)](http://www.fairwork.gov.au/about-us/our-role/enforcing-the-legislation/litigation/accessorial-franchisor-and-holding-company-liability) .

Example: Contracting

Money Makers pays a low contract price for workers being provided by Business Pty Ltd. Money Makers thinks that the price must be too low to cover the overtime and penalties the employees should get but they don't raise the issue with Business Pty Ltd.

If Business Pty Ltd does underpay its workers, Money Makers may be involved in the underpayments because it has done nothing. Money Makers could face court action as a person involved in breaches of the law. If found liable, they may be required to fix the underpayments as well as pay a penalty. If the workers raise the issue publicly, Money Makers could suffer reputational damage and lose customers.

Take steps to make sure your business and contractor is compliant with workplace laws to:

- minimise the risk that your business will be held legally responsible for underpayments or non-compliance by a contractor or subcontractor
- minimise the risk that your brand and reputation will be damaged by the actions of a contractor or subcontractor
- build sustainable relationships with your contractors
- help improve service quality
- help improve employment terms and conditions, as well as engagement and motivation, for people working in your supply chain.

We've developed resources to help you do this.

What to do next

- Read about how to manage your contracting (www.fairwork.gov.au/find-help-for/contracting-labour-supply-chains/managing-your-labour-contracting) .
- Find out (www.fairwork.gov.au/find-help-for/contracting-labour---supply-chains/managing-your-labour-contracting) what we do (www.fairwork.gov.au/find-help-for/contracting-labour-supply-chains/managing-your-labour-contracting) .

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Contact us

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Call through the National Relay Service (NRS):

For TTY: 13 36 77. Ask for the Fair Work Infoline 13 13 94

Speak & Listen: 1300 555 727. Ask for the Fair Work Infoline 13 13 94

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