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## Considering a Rent-a-Chair agreement?

Here is all you need to know!

With the hair industry amidst a critical skills shortage and salons crying out for staff, plus the upward trend of many stylists become solo operators, many salon owners are considering renting a chair out in their salon and undertaking Rent-a-Chair agreements. It is certainly a convenient way to add additional income to a business's bottom line and introduce a new audience to your salon's services and products.

In an ideal world, a Rent-a-Chair agreement is a relationship that could be convenient and bountiful for both the salon owner and the stylist renting a chair. The business owner receives a rental amount, plus adds an additional 'team' member to their fold without all the extra commitment of hiring a permanent employee. The stylist can operate their own business and service their clients without the considerable overheads associated with running a salon. And as a bonus, they get to enjoy the vibe and camaraderie of the salon environment.

Unfortunately, rent-a-chair arrangements are not always rosy and can be a legal nightmare if not managed properly. It is best for both parties to have a Rent-a-Chair agreement in place that clearly states expectations regarding everything from finances and products, through to clients and standards. Here is a guide with

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what you need to consider before setting up a rent-a-chair agreement in your salon.

## The Agreement

A contract needs to be established between the salon owner and the stylist, clearly noting that the parties wish to establish a business relationship other than that of employer and employee, with the intention of controlling their own actions, decisions, and business affairs. The key word used by the Australian Taxation Office and Fair Work Ombudsman is working in “isolation” from the business. This states that the stylist is a “contractor” as opposed to an employee.

A Rent-a-Chair Agreement will also include details of how income is split between the salon and the stylist, such as an agreed rental amount, and the nature of the working relationship. As an individual contractor, the stylist should have their own ABN and is responsible for paying their own tax and insurance.

Generally, renting a chair is organised as a license to occupy space in the salon, as opposed to a sub-tenancy. The terms of the occupancy can be a set period (e.g.: six months or one year) or on a month-to-month arrangement. Rental agreements could be for one day a week, two days a week, or a weekly rental, depending on both of your needs. It is important to outline expectations around the use of common facilities, such as basins, toilets, tables, equipment, rooms, and

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even product use, as well as cleaning, tidiness, and potential damage. Ensure a notice period is included so either party can vacate or terminate the agreement. Also include a clause on expectations around holidays breaks, as in whether you expect the stylist to pay rent if they are not working in the salon.

The salon owner and stylist need to sign a copy of the agreement, and both should keep a copy for their records.

## The Right Fit

Whilst a rent-a-chair stylist is not joining your team directly as an employee, they are representing your business. So, it is important to choose someone who is the right fit for your team culture and the standards and presentation of your salon.

Look for a stylist who shares similar values and principles to your own. Observe how they manage their client relationships, their daily business, and their own personal presentation. Someone who approaches their business in a similar manner and standard to your salon will ensure that the quality of work that leaves your business and the experience of the clients will be on a balanced level.

At the end of the day, regardless of the agreement, this person, and the work they are producing will reflect on you as a salon owner because they are in your salon

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space. You certainly do not want your loyal clients to have a negative experience sitting in the chair next to one of their clients!

## The Daily Business Relationship

One of the most important aspects of a rent-a-chair agreement is ensuring that the relationship between the salon and the stylist (or stylists if you have multiple contractors) and their businesses remain completely separate. This includes booking facilities, payments, equipment, and client management. As an independent contractor, they can work their own hours and choose their own clients.

If the stylist renting a chair in your business can in any way be deemed by an investigator as your employee – such as if they are letting your salon manager take their bookings, using your payment facilities or styling tools, perhaps even wearing your uniform – as a business owner you could be left open to a very serious risk of fines and legal action.

‘Sham contracting’ is regularly and actively inspected by [Fair Work Ombudsman](#) investigators. There have been many cases in Australia where salon owners have done the wrong thing regarding the ‘misclassification of workers,’ whether deliberately or not. A sham contracting arrangement occurs where an

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employer attempts to disguise an employment relationship as an independent contracting arrangement, usually for the purposes of avoiding responsibility for employee entitlements.

The *Fair Work Act 2009* provides serious penalties for contraventions of these provisions. The courts may impose a maximum penalty of \$12,600 for individuals and \$63,000 for corporations, per contravention. This highlights how seriously the law takes the issue of sham contracting and how vital it is that you have a clear agreement in place between yourself as a salon owner and the stylist potentially renting a chair in your business, so there is no confusion of intentions.

The AHC has an excellent Rent-A-Chair Agreement template for its members in the AHC Resource Library, which can be personalised for your business and the specific arrangements you would like outlined in the contract.

If you have any questions about this subject, please contact the Australian Hairdressing Council at email [info@theahc.org.au](mailto:info@theahc.org.au) or by phoning (02) 4929 6098.

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