



TenStep Supplemental Paper

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Learn when Full-Time or Contract Resources are the Best Fit for your Team

This column uses the term “contractor,” even though many “contract” firms actually refer to their staff as “consultants”. Likewise, the term “full-time” employee is used rather than the term “permanent” employee, which your company may use.

The first place to start is with some perspective at a higher level. It is hard to provide advice about whether a contractor or employee should be utilized on a particular without knowing something about the staffing strategy for your whole company. Some companies do not want to utilize contract labor at all. However, most companies use contract staff when it makes sense, based on their staffing philosophy. There are both pros and cons to using employees and contract staff. After considering these, you will be able to have an intelligent discussion with your manager about what type of staffing makes sense for your particular circumstances.

Short-term / long-term

Perhaps the place to start is with an understanding of whether the work is short-term or long-term. If you need a resource for a short, finite duration, then a contractor may be the way to go. Some companies hire contract people for multi-year, ongoing work. Other companies hire and fire employees in relatively short timeframes. However, usually it is the other way around. If you have a full-time, long-term need, an employee would make more sense. If the need was short-term, and you did not have obvious long-term follow-up work, then a contractor might be more appropriate.

Core staff vs. supplemental resources

Many organizations like to have a core group of employees that they can count on over the long-term. If the workload fluctuates higher, they supplement the core staff with contract resources. Then, when the work ramps back down, the contractors can go away. Eliminating full-time employees is very painful, so you typically don’t want to hire the number of employees required to fill all your positions at peak workload. Contract staff provides a buffer for when the workload goes down. They can be let go, while protecting the core employee staff.

Strategic vs. non-strategic work

Many companies identify certain types of work to be more strategic than other types. For instance, if your company felt that new projects were strategically more important than support of legacy systems, they might choose to rely more heavily on contract labor in the support groups. Likewise, many companies choose to staff the senior project positions, like the project manager, with employees, and are more willing to use contract labor to assist with programming, testing and implementation. When contract staff leave, they take their acquired knowledge with them (as do employees when they leave). If it is important that the knowledge of the position stay in the company, it is more likely an employee is needed to fill the position.



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Skills

Many companies make decisions about staff based on the type of skills needed. For instance, if you are moving into a new technology, you may want to hire contract staff that already have the skills. This saves a learning curve and allows you to get important business projects done correctly the first time. When the new technology becomes core to your business, you may decide to hire employees with those skills, as well as train current employees in the new skill sets.

Cost

In general, the cost of a contractor is more than the corresponding cost of an employee. However, this is not always the case. Make sure that you factor in the fully burdened cost of employees, including benefits. Of more importance are the long-term cost implications. With a contractor, you typically pay a higher hourly rate, but only for the length of time they are needed. Employees may cost less in the short-term, but you are taking on a long-term cost commitment.

Confidentiality

Most companies will choose to staff positions with employees if they involve confidential or proprietary information. There is a sense that the information might not be secure once the contractor leaves the company.

Summary

It is important to consider your particular situation, such as position openings and your company's staffing philosophy, when deciding what type of staffing to use. Consider some of the pros and cons of each option, and then discuss this matter further with your manager. One company may choose to fill a position with an employee, while another company fills the exact same position with a contractor. Much of the decision depends on the company's current staffing strategy. Once you better understand that, as well as the characteristics of the opening you have, you should be able to determine how to fill your particular positions.