

CONSIDERATIONS



WHEN USING CONTRACTORS

What is a contractor?

Contractors can create immediate value for organisations by bringing specialised skills and flexibility, and by being structured differently to traditional direct employees. They provide talent when you need it and cost reduction when you don't. Perfect for scale ups, projects, headcount freezes or defined periods of cover.

Whether your organisation is new to contracting or regularly draws on this flexible model as part of your overall talent planning, fully leveraging the value of these resources requires understanding and organisation. Here we share six considerations for your first or next contract engagement.

We have contractors in

LIFE SCIENCES
ENGINEERING
**SUPPLY CHAIN &
OPERATIONS**
TECHNOLOGY
HR
MARKETING
FINANCE & LEGAL

1 / CHOOSING CONTRACTOR VS. PAYE OPTIONS

Contractors: In this model, the contractor will have a limited company set up and a contract “for service” is issued. The contractor is engaged directly or through a third party so that no direct contractual relationship exists. The benefits to your firm includes not having to pay expensive employment costs (PRSI, Holiday Pay, Sick Pay, Benefits or provide any subsidies). The Contract can benefit from net pay tax efficiency.

Temporary PAYE Worker: This option works well for short-term cover for lower level positions. The candidate is leased to your company and sits on a recruitment firm’s payroll. A contract “of employment” is provided to the temporary worker by the recruitment firm.

2 / COST BENEFIT ANALYSIS

Despite the belief held by many that contractors are more expensive than permanent employees, it is rarely the case. In addition to the savings listed under item 1, Contractors unlike permanent staff are only paid for the hours they work. There are no training costs, notice periods to risk of redundancy pay and often no need to even provide office space. With Contractors you have:

- Instant market access to specific talent needs in line with budgetary parameters.
- No upfront fees as the cost is spread over the duration of contract.
- Cost is tracked and authorised through fully online timesheet process and can be reviewed at any time.

3 / SELECTING A CONTRACTOR

Contractors are not employees, they are independent firms that are working for your organisation. Holding this perspective is important to ensure there is no risk of cost creep during an assignment.

Contractor CV’s should provide a list of recent prior contracts undertaken, stating the purpose and outcome in each case. Contractor interviews should also be approached differently to permanent hires. Focus on how fast they will assimilate into your existing team. Drill down on delivery, deadline management and personal organisation. Use competency based questions to ensure the depth of their experience in a specific area.

4 / ESSENTIAL ELEMENTS TO A CONTRACTOR AGREEMENT

Contractors and permanent employees have different relationships, rights and expectations at your firm. A standard employment contract is inappropriate for these reasons and because Revenue will expect there to be a totally different relationship in place. Specifically, Revenue will expect the contractor to own their own business and to provide all their own insurance cover.

If contracting directly make sure that your contracts contain a clause about the nature of the relationship being that of an independent contractor. Ensure you have an NDA and a clause specifying the ownership of intellectual property and assets. Specify the service to be provided and include a termination clause.

5 / ASPECTS TO CONSIDER WHEN USING CONTRACTORS

While hiring independent contractors has its advantages, there are some potential drawbacks which you should be aware of and should be considered before deciding it’s the right decision for you and your organisation:

- Contractors may cost your business more than the equivalent daily rate for a permanent employee.
- By relying on contractors your business does not acquire or develop skills in-house.
- Permanent staff may resent the appearance of contractors being paid more money for doing similar work to them.
- If you do not structure the relationship appropriately, you risk a significant financial burden or penalty.

6 / DEFINED ONBOARDING & OFFBOARDING PROCESS

Whilst the onboarding process provides structure and guidance to the contractor; (knowing where they can obtain certain information, who are the stakeholders to engage with, project expectations) the offboarding process is of equal importance. You can mitigate the potential risks to the organisation and ensure the safeguard of all proprietary information when the contractor’s time comes to an end. Make sure you have clearly defined processes and dedicated employees to ensure:

- Clear communications to all stakeholders.
- Close out of online drives and communication platforms.
- Return of all assets and documents.
- Feedback from the contractor on their experience providing services to you.

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