

Hire a Permanent Employee or a Contractor?



Should I Hire a Permanent Employee or a Contractor?

Though our personal lives have returned to something resembling pre-COVID-19 levels here in New Zealand, economically, the road to recovery promises to be an interesting challenge. Each organisation is reacting to and planning for the situation in a way which is specific to their circumstances, but the question of how the crisis is going to affect recruitment is one that is coming up almost across the board.

The question 'Should I hire a permanent employee or a contractor?' is nothing new for employers, but within the context of pressurised decision making where allocating the right resource at the right time takes on heightened importance, making the right choice has become all the more critical. Here is our guide to assessing the relative positives and negatives of hiring permanent employees versus contractors.

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Positives of Hiring a Permanent Employee:

Keep the knowledge in-house

Permanent roles naturally lend themselves to longer tenures, on average, than contract roles, allowing you to reap the rewards of gradually improving skills over time.

Standout from the crowd

One of the biggest impacts of COVID-19 has been the uncertainty it has created in the minds of individuals. This uncertainty has led to significant risk-aversion as employees seek out stability in their working lives. The draw of a permanent role allows businesses to reach a very wide cross-section of the market and perhaps even bring career contractors in-house.

Negatives of Hiring a Permanent Employee:

Management downtime in the recruitment process

When making a permanent hire, it's not just about whether the person is going to be able to complete that near-term, overdue project as may be the case with a contractor; there are a myriad of points to consider, making the need for a robust recruitment process absolutely necessary. Consider whether the position will exist in the longer term or if the focus of the role will change over time and whether the time/costs involved in a full recruitment process are an appropriate solution to the problem you are looking to resource. Don't forget to value your own time in this equation.

Rigid Costs

Many organisations are feeling the pinch, with decreased demand for products and services. Regardless of this, a permanent employee will need to be paid according to their contract, and catered for in several other ways including insurance, Kiwisaver etc. We have seen the use of wage subsidies to reduce some of the burden on employers, but the fact that remains is that a permanent member of staff represents a more lasting and far-reaching obligation.

Positives of Hiring a Contractor:

Comfortable with adaptation

Contractors choose to have careers that are subject to continual change and transition. During periods where your organisation is going through its own state of flux, adding a skilled and objective employee who is comfortable with shifting ground can provide invaluable insights, as well as a resource that can be relied upon to not let any anxieties over uncertainty affect performance.

Visible cost

It's very often the case that a business will analyse the scope of a project and find that the skills required to complete it are highly specialist, carrying too high an ongoing cost to justify a permanent headcount role. Through a contract staffing solution, businesses can define a fixed length of engagement and cost, fitting this into any overarching budgets and accessing the skills they need without any extra costs.

Negatives of Hiring a Contractor:

Temporary knowledge

At the end of the project, the contractor leaves, and though they may have imparted some wisdom, their insights go with them. This knowledge-transfer element is often overlooked when contractors are engaged, but it should be one of the central considerations at the beginning of a project to ensure this process takes place.

A templated, rather than company-specific approach

Though they may possess highly specialised abilities, these have been honed and developed outside of your business. With a contract staffing solution, there may be issues where an intricate knowledge of your internal situation is required to achieve the specific result you are looking for from a project.

Summary

As the format of this piece reinforces, selecting a permanent employee or a contractor is about balancing the benefits of each employment type with the specific requirements of your business needs and as these needs develop so to can your approach to hiring. We assist organisations across Christchurch and Auckland to not only hire the right IT talent, but also to understand their recruitment needs on an ongoing basis, future-proofing hiring strategies and staying ahead of the competition.

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