

Benefits of Hiring Contract Employees



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Benefits of hiring contract employees outweigh the advantages of hiring full-time employees. Contract employees best satisfy fluctuating needs and incur no human resource costs or payroll and benefit expenses - benefits, unemployment insurance, holiday & vacation pay, or matching their 401k plan. This makes hiring contractors a relatively easy and painless task for a company going through a slowdown.

Contract labor reduces risks & costs associated with employee turnover.

Further savings include, workers compensation and liability insurance, health insurance and any unemployment costs if the individual is laid off or even released.

Acquisition Costs The cost of direct hires adds up quickly when you factor in:

- Administrative costs to bring on a new person
- Severance or continued benefits to the employee
- Cost of existing employees filling the void
- Employment advertising
- Drug screens, background checks, and reference checks
- Exit interview
- Administrative costs associated with the person leaving
- Training costs and more!

It is also a convenient way for companies to bring on new personnel without having to worry about legalities if things don't work out.

By using contractors you can lower your headcount while achieving greater flexibility and increased production.

We manage the process and handle all financial and administrative responsibilities associated with contract employees.

This is the perfect solution for any employer/company who finds themselves in the following situations:

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Budgetary Constraints

- You are under a head count and budget restraint, but you still need workers to complete a specific goal
- You have critical business projects that are on hold do to lack of expertise or headcount
- You don't want to have to deal with laying off staff when business conditions change or a project is completed
- You are looking for a full-time permanent employee but need someone to cover the gap in the interim
- You have located a candidate (worker) thru the Internet or in response to an advertised opening, but need time to evaluate their skills before extending a permanent position
- You need to convert 1099 independent contractors to W-2 employees due to an IRS crackdown
- You need to bring retired workers back to work for a specific project
- You have a worker that requires medical coverage for himself/herself or family
- You can choose from several staffing options to fulfill your needs, whether they are short-term, long-term, project specific, or permanent.

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A recent study shows that 81% of companies cite labor force flexibility as the overriding reason for employing temporary workers. More than half of businesses use temps during unexpected increases in demand for their products and services or rely on temporary staff to fill in for absent employees who are sick, on vacation, or on family and medical leave. However, only 12% of businesses cited the savings on wage and benefit costs as a reason they use temporary employees, perhaps unaware of the considerable savings they are receiving.

There are in fact several additional benefits of temporary workers:

1. **Cut Benefit Costs:** Given the rising cost of benefits, currently estimated conservatively at 36% (for some companies substantially higher) and the fact that workers comp and disability is on an upward trajectory, the hourly cost for a consultant or temporary figures in substantially below that of full time workers of comparable skill level.
2. **Eliminate Training Costs:** Research has shown that employee training is linked to corporate profitability. Using temporary employees eliminates these costs by hiring credentialed professionals who have been trained by their staffing firm.
3. **Administrative Costs:** Staffing firms, when a business uses their temporary staff, absorbs the costs of payroll/benefits processing and administration associated with regular employees. An enormous business burden is eliminated and savings are increased.
4. **Eliminate Cost of Unemployment & Workers' Compensation Claims:** Since temporary employees work directly for the staffing firm, businesses that use temporary staff are not financially responsible for their unemployment and workers' compensation claims. These legally required payroll deductions are the responsibility of the staffing firms. Nationwide, the average cost of worker's compensation insurance has risen 50% in the last three years.(1)
5. **Eliminate Hidden Costs of Overtime: Poor Performance and Decreased Productivity:** There is substantial evidence that despite the short-term benefits that make overtime attractive to employers, a growing body of research shows that working long hours over long periods of time is not necessarily cost-effective because of decreasing quality, increasing mistakes and reduced productivity.
6. **Reduce Costly Hiring Mistakes:** Misplacements become displacements requiring replacements. Clearly, bad hires cost the same in salary and benefits as great employees but their return on investment is significantly lower. Using temporary employees eliminates the costs of mistakes in hiring and using marginally productive workers because employers get temporary professionals with the right skills and the best personality for the job.

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Finally, the most important benefit of using temporary employees is their superior organizational productivity. Consultants and temporaries are aware of the fact that they are only as good as their last performance on the job. In fact, continuous employment depends on delivering good work. Not being emerged (and bogged down) by corporate politics allows them to focus on productivity and output. Above all, a well selected staffing service will screen, train and place an individual with the right skill sets and behavioral traits on the right jobs. They arrive ready to work, focused on doing the job and meeting project goals.

- **COST-EFFECTIVENESS**—What is the reason to pay for the additional workers annually, if you need them only during the short period of time? With the staff augmentation you pay only for the required work when you need it, and for the expected skills at the right time. Paying no full-time wages annually companies save huge financial resources each of the short-time and the long-time perspective.
- **FLEXIBILITY**—Staying flexible in the business is sometimes even more important than staying powerful. The adaptivity—is a great feature that helps reach top lines in your business area. This is very simple to increase the intensity of your team with the augmented staff.
- **CONTROL**—With the augmented staff it is elementary to maintain the full control on all the aspects of the project developed. Project manager simply monitors of who is allocated to the important work, who is on the minor tasks and who is working on the critical issues. Controlling the process—is controlling the quality of the end product.
- **LOWER RISK**—One of the aspects of the software development with the high-risk concentration—is full outsourcing. Giving all the responsibility for the development to the outsourcer, you lower the control and status monitoring almost to the very end of the development. Augmenting your staff you basically do the same thing as the outsourcing, but you keep it in-house: you see people, you hold the situation under control, and you react to any issue in the blink of an eye.
- **COUNTERACTING ATTRITION**—The latest studies have demonstrated, that up to 50% of the IT specialists are ready to look for another employer as the economy improves. As the attrition in IT sphere is inevitable during the economic upturn, the augmented staff will fill your need for software engineers.

So, what are the common challenges that employers face when trying to staff their business, and how does staff augmentation help overcome them?

1. The hiring process is costly.

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There are many expenditures involved in the hiring process. Studies show that, depending on the skill level of the position that needs to be filled, employers often spend more than double an employee's yearly salary on recruiting and training expenses.

The Center for American Progress conducted a study showing that it costs 16 percent of an annual salary to replace an employee making under \$30,000 per year, 20 percent for midrange positions (up to \$50,000 per year), and 213 percent for highly educated executive-level positions. These expenditures are racked up through costs associated with recruitment postings, advertising, professional memberships, job fair sponsorships and college recruiting trips. Such costs can often total \$3,000 to \$5,000 – before any money has been paid to the new employee. Tack on salaries, benefits, healthcare, and payroll taxes and the cost skyrockets.

With the staff augmentation approach, workers are paid only for the time they actually work. There is no recruiting expense. These workers are selected because they come equipped with the necessary skill set for the job, so they need very little training or time to acclimatize to a position. In general, they hit the ground running.

2. The hiring process is lengthy.

Companies often need extra help in the event of sudden firings, resignations, acquisitions, or large-scale projects that exceed the capacity and capabilities of current staff. It is important to fill these vacancies quickly, or the productivity of the entire business may be at risk. The problem lies in the time it takes to find, onboard, train and set a new hire to the task at hand.

Glassdoor estimates that it takes roughly 23 days to complete the hiring process. That number can grow or shrink depending on the specific hiring practices of the business. However, methods such as phone interviews, in-person interviews, panel interviews and skill tests are time-consuming processes that also require significant investment. Once a candidate has been selected, background screenings can add another week to this timeframe. If the candidate does not accept the position or their screenings turn up worrisome results, you're back to square one. Additionally, when someone is hired, it normally takes a period of two weeks to a month of training before they are operating at peak efficiency. At higher levels of management, it may take months before achieving measurable results.

Augmentation personnel are at your disposal within days. They are also often experts in a specific skill you need in-house, so not only do they not require training, but they add value as thought leaders and subject matter experts. The turnaround time for full productivity clocks in at under a week, as opposed to just under a month. This affords business owners the opportunity to hit the ground running when unexpected pitfalls or opportunities arise.

3. Turnover is high.

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As the economy improves, it becomes more competitive to keep skilled employees on staff. Gone are the days of the Great Recession, when even the most skilled professional was just thankful to have a job. In 2013, employee turnover rates in technology in the U.S. were 15.1 percent. But by the end of 2017, that number jumped up to 18.5 percent. Voluntary turnover, meaning that an employee willfully leaves an employer (not due to factors such as retirement or health), reached 13.5 percent in December. That is an increase from 9.1 percent just five years ago.

In specialized skill industries such as IT, where turnover is historically high, this is called "IT attrition." Studies put the current rate of IT attrition at 40 percent, meaning almost half of all skilled IT professionals are looking to change employers.

Augmentation addresses this issue directly and comprehensively, providing employers with a steady, consistent capacity and workforce. If a worker decides to change employment in the middle of your contract, the outsourcing vendor will replace the worker with someone of an equal skill set within a reasonably short timeframe. Random resignations need not disrupt the productivity of any deliverables, let alone an entire team or office.

Augmentation saves money and time, and solves the problem of employee turnover. Any company with a combination of growth potential and a highly skilled, technical staff should seriously consider this option.

