

# Contract vs permanent - which is right for your business?

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“Contractors are expensive but permanent staff are difficult to hire.” Correct in a nutshell but there are challenges and opportunities beyond this simple summation. Here we explore the pros and cons of each employment type to discover which is right for your next role.

## Contract:

Contracting is when a worker is hired for a fixed amount of time (usually between three months and a year). They may be added to the company payroll or they may invoice your company directly. In some sectors/role types contractors may be represented by an “umbrella” agency who invoice on their behalf.

### Pros:

+ Low risk in terms of employment liability and obligations

You won't pay sick, holiday or overtime for contractors (or in most cases, any other benefits that you offer regular staff), and contracting agencies will take care of things like insurance too. You also won't need to include them in your pension scheme.

+ No tax... for now

The contractor takes care of all this themselves, which saves your finance professional a headache... until April 2020, when the rules may change (see below).

+ Easier/faster to hire & fire

Contractors will be flexible, many will be able to start immediately. This is especially useful if you're covering staff shortages or seasonal uptick in work. Conversely, fixed term contracts almost always have very short notice periods and the contractor will be prepared for quick completion - it's a fact of contract work. If you no longer need the extra help - or the contractor isn't delivering the way you expected - it's simple and swift to end the relationship.

+ Generally "experts" - minimal level of obligation/need to train

Going freelance is challenging. In order to manage it the professional needs a baseline level of skill and experience, and the temperament and attitude required to "slot in" to new roles quickly. Fixed-term workers are often used as instant experts (and in fact often outperform permanent workers in the same role).

Cons:

- You have to work harder to make interests align - ignore cultural fit at your peril

Without the normal perks and benefits (and stability) that beds in permanent staff, they may find it tougher to acclimatise to your way of doing things and develop synergy with their teammates. Regardless of how short their contract is, resist the temptation to treat them as separate or their presence as short-term.

- - Expensive

Contractors need compensation for the stress of seeking intermittent work and the lack of job security - and that compensation can work out as up to three times higher than salaried pay in a role. This might be fine for when you need an expert consultation for a month or two, but put off permanent hiring in favour of contract too long and the finance department will have some very acute questions for you. Don't forget that you'll also need to pay VAT for contractors:

[Calculating VAT](#)

- New business obligations to minimise tax avoidance

The time when your contractor's tax arrangement was none of your business is drawing to a close. From April 2020, responsibility for ensuring contractors who have their own company (not sole traders) are tax compliant will fall on medium and large businesses - NOT the individual contractor. [Check out the IR35 budget changes here](#) to see if your business will be affected (the smallest 1.5 million businesses in the UK are exempt from the new rules). Our advice is to investigate the upcoming changes and put the time in to make sure you're prepared.

Permanent:

A typical permanent contract is a full-time salaried position with a minimum number of hours worked (normally 36 or 37.5 per week). A permanent part-time contract will be some kind of pro-rata equivalency based on the same principles.

## Pros:

### ++ Genuine investment for the future of your company

The upside when people work out well is game changing. A good permanent hire does more than fill a slot - they're genuinely transformative of the role and the roles around them.

### + The best employees often come from within your company

This is related to the above point but is worth making explicit. When you make a new permanent hire you aren't simply taking someone on to fill the specific role - you're attaching their trajectory to your business's. What you invest in them will - with the right management and attitude to their progress - bear healthy dividends in future.

## Cons:

### - It's a lot of time and energy (hiring and management)

[Obviously that's something we think we can help with.](#) But even if you don't use Juggle to make things quicker and easier, there's a lot you can do to make hiring more straightforward and less time consuming. Repeatable, testable processes will not only take some of the weight off your hiring manager's shoulders, they'll also improve the quality of candidate you attract and place.

But at the end of the day, permanent hiring really *should* take time and energy (especially if you're hiring for senior positions). As discussed above, it represents a massive opportunity - and potential risk - for your business. Get it right.

### - The costs stack up unexpectedly

When plotting out a new hire it's tempting to work out a salary range and think "job done." Unfortunately it doesn't work like that. Your obligations to your staff can be extensive, and that's before we get into the benefits and perks you use to both make your role more attractive and improve your staff's wellbeing. Since much of this is unavoidable, the best thing to do is make sure you are **never surprised**.

We strongly suggest [familiarising yourself with the Government's advice on the basics of employing people](#) and what statutory employment rights you will need to keep in mind.

Once you've familiarised yourself with the potential "hidden costs" you might find these calculators and links useful:

[Calculating holiday entitlement](#)

[Calculating statutory sick pay](#)

[HMRC's basic PAYE calculation tool \(if your business has 10 or fewer employees\)](#)

Accurate payrolling is obviously a must, but you should also be factoring in changing pay rates and benefit structures into the growth plans for your business. The first part is best left to an expert as soon as your business has more than a handful of staff. There's no need for a full-time hire to take care of it - a part-time (perhaps only a few days a month) Finance Controller is best until your business needs increase.

Factoring staff costs into your business strategy should be standard intellectual practice from the earliest days. The costs of permanent staff **will** stack up. It only becomes a problem when you take your eyes off the pile.

## Which should you choose?

Hopefully the above has given you something to think about... but we know it always comes back to the bottom line. To help in the final analysis, we've assembled a cost table\* with average salaries and contractor rates for the roles we place most often.

Role		Salary (£ 000 p/a)	Rate (£ p/d)
<b>FINANCE &amp; OPERATIONS</b>			
Chief Financial Officer		120-150	700-1000
Finance Director		80-120	500-700

Bookkeeper		25-35	180-250
Finance Manager		35-45	250-300
Management Accountant		45-55	300-400
Financial Controller		55-75	350-450
Head of Operations		60-80	400-500
Operations Manager		40-60	300-400
<b>TALENT &amp; HR</b>			
Head of People		100-120	600-700
Head of HR		70-90	450-550
Head of Talent		80-100	500-600
HR Business Partner		60-80	400-500
HR Manager		55-75	350-450
Talent Acquisition Manager		40-60	300-400

Technical Recruiter		35-55	250-350
<b>SALES &amp; MARKETING</b>			
Commercial Director		80-120	Rarely contract roles
Head of Partnerships		100-120	Rarely contract roles
Head of Sales		80-100	Rarely contract roles
Business Development Manager		35-45	Rarely contract roles
Account Manager		40-60	Rarely contract roles
Head of Marketing		70-90	450-550
Head of Growth		55-75	350-450
Marketing Manager - Performance		40-60	300-400
Marketing Manager - Brand/Content		40-60	300-400

Content Manager/Copywriter		35-45	250-300
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\*this is for London based SMEs