

Contract or Permanent

What's right for
you?



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When taking the next step in your career there are a selection of options to be considered. One consideration that is often led by personal circumstance is the type of employment contract you enter into. The two primary options are; Independent Contractor or Permanent employee, with each of these options offering their own advantages and disadvantages to both employees and employers.

What is an Independent Contractor?

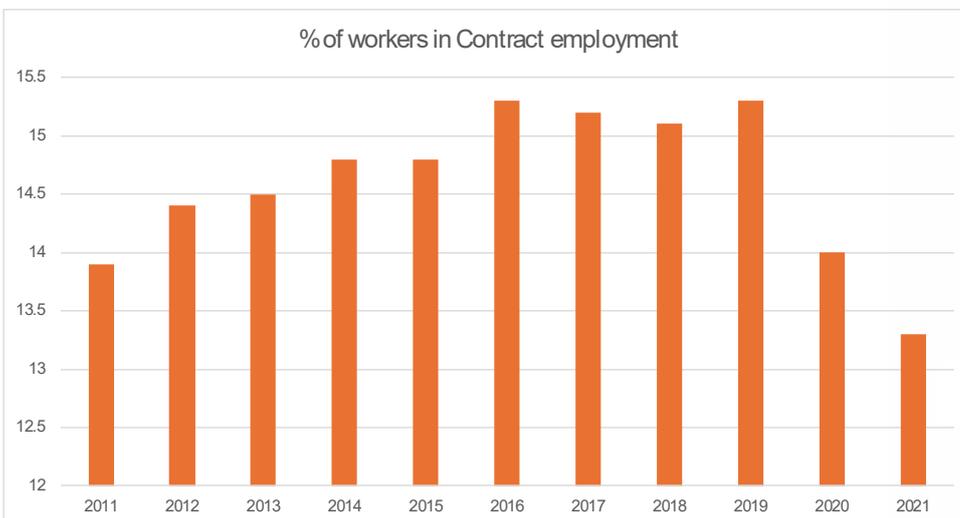
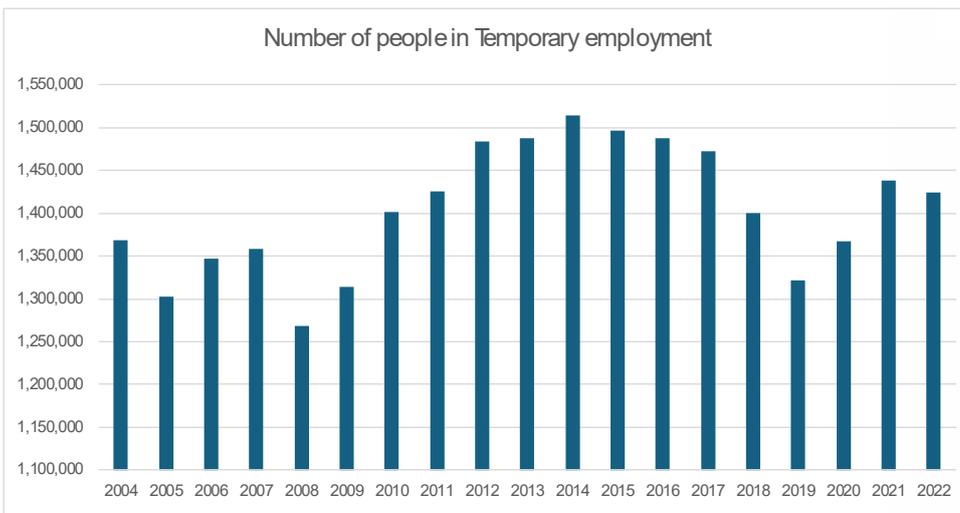
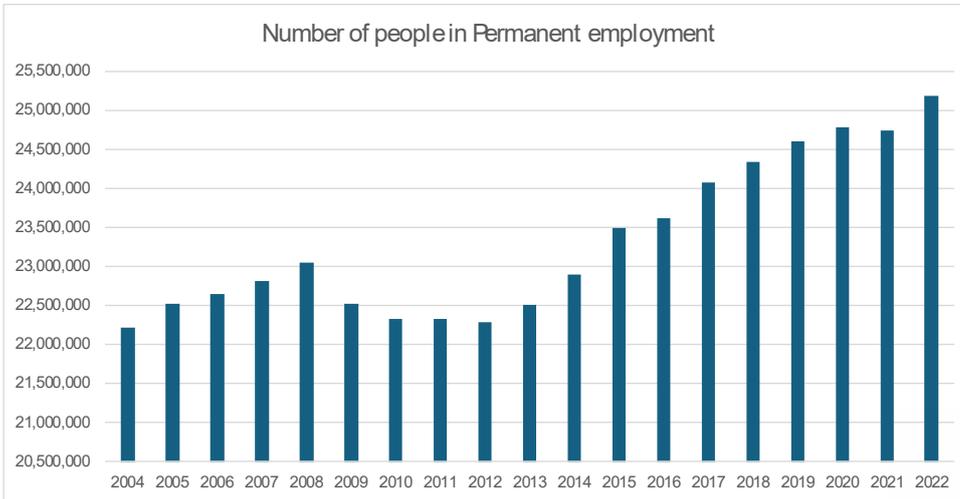
An independent contractor is contracted to work for a business / organisation /client for a specified period time, allowing them to choose their own working hours. It is a legally binding agreement between an employer and employee used to define the working relationship differing in many areas when compared to a person working on a permanent basis. A contract worker can move between employment contracts easily and isn't tied to a single employer, with working arrangements usually short-term, it offers the contractor the option to work for multiple clients simultaneously.

What is Permanent employment?

A permanent employee establishes a long-term, permanent contract with the employers. The contract outlines their working hours, their pay schedule and amount, and their day to day responsibilities. Permanent employees are able to obtain certain benefits compared to a zero-hour contract worker or contract employee.



Top UK employment statistics





Independent Contractor

Pros & Cons

Pros

- An independent contractor has the potential to earn more income due to being able to work across multiple contracts.
- Being an independent contractor allows for further flexibility, you are your own boss and set your own working hours allowing for gaps for travel, training, hobbies, and downtime.
- Stagnating in a role is a very real issue, an independent contractor is available to work across more than one contract in more than one industry, reducing the chance of becoming disinterested or fatigued.

Cons

- A lack of security poses a threat to any independent contractor, as a contractor, you must be prepared to look for work regularly to avoid having no further work lined up and a loss of income.
- Admin work increases exponentially for any contract worker. Setting up and managing your own limited company or using an umbrella company can lead to administrative headaches, including managing your own taxes, accounting, invoicing, and any legal obligations.
- An employer is not required to provide standard employee benefits to an independent contractor. Although paid a higher basic wage, you will not receive pension contributions, holiday pay, sick pay, health insurance etc.

Permanent employment

Pros & Cons

Pros

- A permanent role can offer you the opportunity to progress within your career and work your way up the company ladder. You are more likely to receive extra personal and professional development.
- Permanent employees are guaranteed regular working hours, regular income with responsibilities clearly outlined.
- Employers are required to provide sick pay, annual leave, pension contributions and additional benefits to permanent employees.

Cons

- There is limited earning potential for a permanent employee. Pay rises are irregular and in some instances you may find that you're paid less for doing the same work as a contract worker.
- A permanent employee may suffer career fatigue. Although secure, a permanent role can sometimes result in the employee feeling that the role is no longer challenging.
- How important is flexibility to you? A permanent role within an organisation means that you're expected to work a specified amount of hours per week within an outlined timeframe. You must request time off in advance within the allowed holiday days available to you.



The Pros and Cons of hiring an independent contractor vs a permanent employee

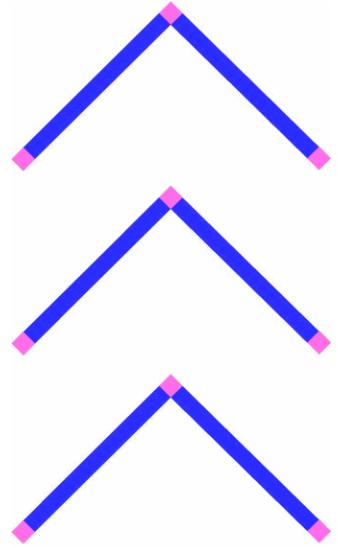


Hiring an Independent Contractor

Pros & Cons

Pros

- A business can gain access to specialised skills quickly and adapt to the changing need for skills across the workforce.
- Lower overheads mean that businesses do not have to provide company benefits to independent contractors. They do not receive holiday pay, sick pay, employer taxes, or pension.
- Organisations can hire independent contractors to assist on projects of varying length without the need to hire them as a permanent employee.



Cons

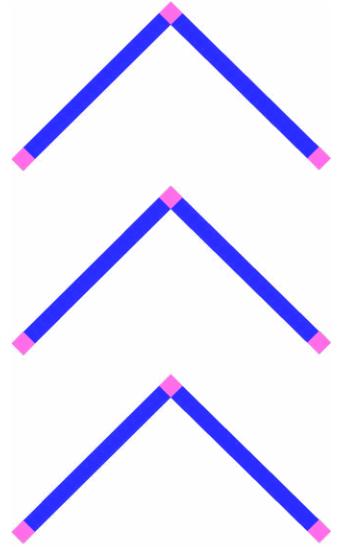
- Independent contractors are not a replacement for permanent employees, they may not know your business as well as permanent employees do, and could present a disruption to workplace culture.
- Independent contractors are not in it for the long run, meaning that if your business is looking to invest in the future and its people, hiring independent contractors does not make good business sense.
- There is a lack of stability when hiring an independent contractor, team dynamics are important in the workplace and having independent contractors come and go can cause distraction and potentially fracture teams.

Hiring a Permanent Employee

Pros & Cons

Pros

- Businesses are more likely to see complete commitment from a permanent employee who is invested in the organisation and its plans.
- Training someone new can be expensive but, as a business, you are much more likely to see a significant return on investment for both time and money with a permanent employee.
- Hiring a permanent employee usually means access to a higher calibre of candidate selection available for the role.



Cons

- There is always the danger of a bad hire costing both you and your business time and money. Terminating employment after the standard 90-day probation period becomes more costly with potential added legal issues.
- Permanent employees are entitled to holiday pay, sick pay, maternity/paternity pay and leave, annual holiday, and pension contributions.
- As a business, you are in charge of a permanent employee's working hours, place of work, tasks, and priorities. All of which can ensure that your business stays on track and aligns with the organisations future goals.

Frequently Asked Questions

What is IR35?

IR35 is a set of rules within the UK that determines whether a contractor should be treated as a permanent employee. It helps the government ensure that contractors are paying the correct amount of tax.

If a contractor is 'inside' IR35, it means they're considered an employee. They have to pay taxes on National Insurance contributions just like permanent employees. The government will take into account factors such as the level of control a contractor has over their work, and who has decided when and where they work to determine their status.

'Deemed employment' under IR35 refers to a situation where an independent contractor, who provides a service, is treated as an employee for tax purposes if they are working in a manner similar to a permanent employee.

What is the meaning of 'Contract'?

The meaning of 'contract' employment can be confusing. You sign a contract for any employee when starting a role, however, a 'contract' job essentially translates to a worker who is self-employed.

How can a recruiter help?

A specialist agency like Conexus can integrate within your business to help you find top technology professionals even acting as an extension of your HR function to place the perfect person. The team are also on hand to pair professionals with the perfect organisation. Whether you're a business ready to hire a specialist for your next project, or you're ready to take the next step in your career, Conexus is your global talent team for digital transformation.



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