

Does it make sense to hire a contractor?

Below are excerpts taken from [Intuit's Decision Tools and Quickbooks Advisory](#), originally published as an advisory to the hiring company.

The decision to add a new employee or to instead hire an independent contractor or consultant affects a company's productivity, morale, overhead costs, and service quality. There are valid reasons for hiring one or the other based on certain situations and company preferences.

Reasons to hire a contractor:

1. Flexible Work Force

Using contractors allows for flexibility in expanding and shrinking your company's work force. Contractors are hired for a specific time or project and released when no longer needed. This can be a real advantage for companies with fluctuating or periodic bursts of activity. Also, a contractor with specialized expertise can usually get started immediately and with a minimum of instruction, leaving you with more time to run your business.

2. Lower Cost

By using a contractor, you avoid the financial and administrative costs associated with having an employee. These costs include payroll taxes, worker's compensation insurance, unemployment insurance, and all the benefits. The company is also responsible for meeting many legal requirements for each permanent employee, intended to reduce discrimination, help workers with disabilities, and protect employees from wrongful termination. Also, you may find it necessary to provide additional benefits to prospective employees to remain as a competitive employer in your industry.

Furthermore, contractors usually provide their own equipment and work space further reducing your overhead expenses. Because contractors must cover these costs themselves, their hourly rates are typically higher than what you would pay for an employee. But overall, the total cost of hiring a contractor is still usually comparatively lower.

For a dedicated, long-term employee, the costs can be worth it. However, for intermittent, short-term projects, you're better off with a contract worker.

3. Dedicated Performance

Contractors know that it is in their own best interest to deliver high quality work and professional service. They seek repeat business and referrals from the hiring company. Permanent employees can have less motivation to perform and become lax knowing they have greater job security.

Fixed duration projects may be completed more efficiently by a contractor that does not have the distractions of the employee's daily company activities. Furthermore, many contractors have truly become specialists in their field whereas an employee must be more spread out in ability in order to take care of supplementary tasks.

4. Easier Administration

A company is always responsible for treating workers fairly, but fewer government regulations apply to contractors. Also, companies with very few permanent employees are exempt from certain employment laws altogether.

Hiring a permanent employee is a more significant decision than hiring a contractor for temporary work. Terminating an employee that is not working out is not as simple as just asking them to leave. Also, your company can be held liable for an employee's actions while on the job. Using contractors reduces risk of wrongful termination and discrimination lawsuits. Because your commitment extends only for the length of the contract, you can easily terminate a contractor by either letting the contract expire or ending the relationship according to the terms of the contract.