



ROBERT WALTERS WHITEPAPER

MAXIMISING THE VALUE OF CONTRACTORS

ROBERT WALTERS

INTRODUCTION

Contractors are perhaps best known for their specialist skills and flexible working. Faced with budget constraints, shortfalls in headcount or the need to complete a specialist project, contractors often appeal as the ideal ‘stopgap.’

Yet on some occasions, employers may feel as if they haven’t got the best value from these professionals. Compared with permanent employees, contractors are often paid well above market rates, and are usually free to walk away from a contract at short notice.

Based on surveys of both individual contractors and those that employ them, this whitepaper provides insights on why you should hire contractors, expectations of the recruitment process and how you can get the most from the skills and experience that contractors provide.

In particular, this whitepaper aims to draw attention to discrepancies between the expectations of contractors and what employers typically provide.

METHODOLOGY

This whitepaper is based on a survey of 410 contractors and 134 employers conducted by Robert Walters.

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WHAT IS A CONTRACTOR?

For the purposes of this report, we shall first define who is a contractor. A contractor is an individual professional who agrees to provide his or her expertise to a company to complete a specific project, often within a fixed period of time.

Contractors are not employees and do not usually enjoy the same rights, such as holiday accrual or pension payments. However, contractors are often paid at a higher rate than permanent employees, with the ability to work flexible hours or remove themselves from a contract at short notice.

WHAT ARE THE MAIN BENEFITS OF CONTRACTORS?

According to the results of our survey, employers are most likely to value contractors for their skills and specialist knowledge. 76% of employers see this as a leading reason for hiring contractors, an opinion shared by 53% of contractors.

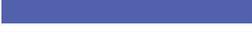
47% of employers also say contractors are useful as a cost effective method of bridging shortages or skills gaps. Nearly a third, 28%, have an eye on the longer term benefits of contractors, noting that this is the ideal way of judging who to hire on a 'temp-to-perm' basis.

Employers - why hire contractors?

Driving or promoting organisational change		17%
Cost effective method of fulfilling a fixed term project		47%
Bridging shortages of highly skilled/specialist staff		76%
Introducing new perspectives and insights: acting as a 'fresh pair of eyes'		13%
Flexibility of workforce, e.g. ability to work more or fewer hours as required		21%
Assessing potential for 'temp to perm' hires		28%
No need to spend time or resources on training		7%

Among contractors, a significant minority – 17% - say that their value lies in delivering a results driven approach. This suggests that, for some, the attraction of contract work is linked to a talent for driving solutions to specific goals.

Contractors - why hire contractors?

High rates of pay		51%
Freedom to manage own finances and tax affairs		40%
Flexibility to determine when and where to work		50%
Ability to leave a contract without notice or penalty		12%
Experience of different industry sectors and businesses with no need to commit		36%

High pay levels (51%) and freedom to manage one's own tax and financial affairs (40%) are also widely seen as considerable perks in the contractor community.

While broadly consistent, some of the attractions of contractor work vary between men and women. 58% of women list the flexibility of when and where to as a key draw, an opinion shared by only 45% of men.

The survey results also indicate that the ability to leave a contract early is more likely to appeal to female contractors as it is to men. Greater control over personal taxation is a more attractive draw for men (45%) as it is for women (32%).

Across both genders, however, the data shows employers and contractors diverging on the issue of flexibility. While flexibility on when and where to work is stated as a key advantage by half of contractors, only 19% of employers say they value contractors for their ability to start work at short notice.

And, where a third of contractors place a premium on experiencing different working environments, only 13% of employers view this as a key attribute when hiring them.



Andrew Setchell
Director at Robert Walters

“Employers should pay close attention to where contractors feel they add value, enhancing hiring processes and capitalising on opportunities to utilise skills and knowledge. A flexible working regime, for instance, signals that your organisation is in tune with the values that appeal to contractors.”



CONTRACTORS SAY...WHAT IS THE VALUE AND BENEFIT OF WORKING AS A CONTRACTOR?

CAN PERFORM A ROLE WITHOUT BEING BOGGED DOWN WITH "OFFICE POLITICS"

I GAIN VASTLY MORE EXPERIENCE ACROSS A NUMBER OF CONTRACT ROLES THAN I EVER WOULD SITTING IN A PERMANENT ROLE

SKILLS, KNOWLEDGE AND BRINGING NEW PERSPECTIVES/APPROACHES

HIGH QUALITY OF EACH MANDATE

ABLE TO DEDICATE MORE TIME TO OTHER INTERESTS WHEN NOT WORKING

DIFFERENT SET OF CHALLENGES, NOT SET IN ONE COMPANY FOREVER

THE ABILITY TO "PARACHUTE" IN AND OUT OF SITUATIONS, LEARN ABOUT NEW FUNCTIONS, DOCUMENT THEM AND MOVE TO THE NEXT ISSUE

REPORTING LINES ARE DIFFERENT TO PERMANENT STAFF: LESS BUREAUCRATIC AND MORE INDEPENDENT

EMPLOYERS SAY...WHAT IS THE VALUE AND BENEFIT OF HIRING CONTRACTORS?

SHORT TERM GAP TO FILL QUICKLY

MATERNITY/LONG TERM SICKNESS COVER

SPEED OF ONBOARDING

FREEZE ON PERMANENT RECRUITMENT

OUR LEVELS OF STAFFING EBB AND FLOW WITH PROJECT SCHEDULES AND CONTRACTORS ALLOW US TO MATCH REQUIREMENTS WITH FLEXIBILITY

COVERING GAPS BETWEEN SOME STAFF LEAVING AND OTHERS STARTING

HOW LONG SHOULD CONTRACTS RUN FOR?

Contractor preferred length of contract



Both employers (34%) and contractors (53%) agree that the most common length of contract sought and offered is between nine months and a year. This reflects the recognition that a period of ‘bedding down’ is required and sufficient time must be granted to complete the project, especially for highly technical or complex contracts.

Contractors are, on the whole, more adverse to short term deals. Only 2% prefer contracts of between one and three months, compared to 11% of employers. Contracts of between three and six months in length are those most commonly offered by 28% of employers, yet these are preferred by only 15% of contractors.

The survey shows that companies with a greater headcount are more likely to offer longer term contracts. 57% of companies with between 10,001 and 50,000 employees indicate a preference for contracts of nine months or longer, compared to 33% of those with 5,001-10,000 employees. 70% of companies with more than 50,000 employees tend to award contracts of six months or longer.

Conversely, 53% of organisations with between 251 and 1,000 employees prefer three to six month contracts.



Tim Gilbert
Director at Robert Walters

“The prospect of a rolling contract or contract extension can bridge the gap between contractor expectations and meeting commercial objectives.”



HOW MANY INTERVIEWS IS ENOUGH?

Overall, a near consensus exists among employers and contractors on the number of interviews required to hire. 52% of contractors and 51% of employers agree that two is best, 38% feel one is enough and only around one in ten expect three interviews or more.

Virtually all agree that some form of interaction is necessary before starting a contract role, with only 1% believing that the process need not involve any interviews at all.

Due to time constraints, the shorter the length of contract, the fewer the number of interviews required. Half of employers that prefer contracts lasting one month or less only ask for a single interview.

Among employers that prefer contracts of one to three months, 50% expect to hold at least two interviews. That figure jumps to 60% among organisations most likely to offer contracts of between three and six months.

Contractors typically expect to undergo fewer interviews than employers do. Half of all contractors preferring agreements of one to three months believe that no more than one interview is necessary. The same sentiment even holds true for 34% of those preferring contracts of nine months or more.



Peter Milne
Director at Robert Walters

"Many contractors bring highly specialist skills and may even be subject to offers from your competitors. Ensure that time spent interviewing candidates is used efficiently to help both parties come to a quick decision."

CONTRACTOR SOURCING AND JOB SEEKING

Recruitment consultancies are held in high repute for their ability to provide expert guidance and knowledge, matching individual contractors to the most appropriate available roles. More than eight out of ten employers and contractors agree that their preferred hiring channel is a recruitment consultancy.

Just over half of contractors use personal networks (54%) and around a quarter (27%) prefer to use direct applications to businesses.

Only 30% of organisations focus on direct hires, with a small minority preferring to second professionals from management consultancies (7%) or outsource a specific project to another company (4%).



Colin Loth
Director at Robert Walters

"Though hiring channels have been steadily proliferating, the evidence shows that a majority of contractors still prefer the advice of a recruitment consultant. Calibrate your hiring resources appropriately to generate the best results."

DURATION OF TIME TO HIRE

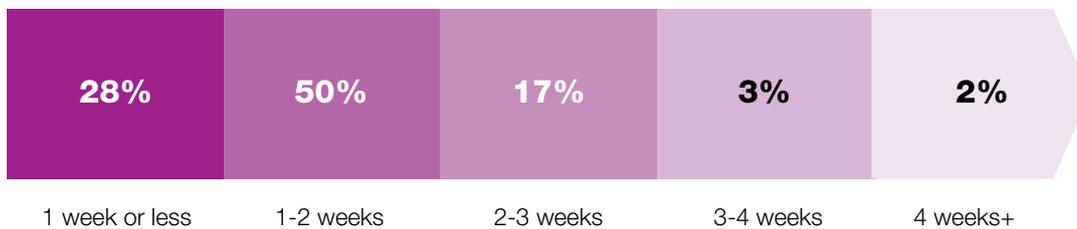
The length of time between applying for a contract role and being hired makes a huge difference to those relying on short term income streams, and it's here we see a significant gulf in expectations between contractors and hiring managers.

Only 6% of employers take one week or less to hire, 26% take between one and two weeks, 17% between two and three weeks and 28% between three and four weeks.

Nearly three in ten contractors feel the process should take one week or less, and a further 50% between one and two weeks. In total, 95% of contractors believe the hiring process should take three weeks or less, compared to only 49% of employers.

Individuals preferring or seeking longer contracts are more generous in their expectations: 21% of those applying for work lasting nine months or longer say two to three weeks is the norm, as opposed to 13% of those on one to three month contracts.

Contractor expectations on the time to hire



Employers expectations on the time to hire



Employers have also shown a willingness to speed up the process where the contract on offer is for a shorter period. One quarter say it takes between one and two weeks to hire a contractor on a one to three month deal, twice the number that report a recruitment period of two to three weeks.



Andrew Broster
Director at Robert Walters

Organisations with longer hiring processes are more likely to experience hold ups during the vetting process. 50% of those taking two weeks or less to hire say they have experienced no problems with inductions, compared with only 36% of firms that typically take three weeks or more.

“An overly lengthy recruitment process can serve both to deter candidates and make a competitor’s offer seem more appealing, even for a role less lucrative or fulfilling.”



95%

of contractors believe the hiring process should take three weeks or less

49%

of employers say the contractor hiring process normally takes them three weeks or less

BACKGROUND CHECKS AND VETTING: COMMON EXPECTATIONS AND MISSED OPPORTUNITIES

Perhaps unsurprisingly, contractors and employers are in agreement that interviews form a critical part of the recruitment process. Well over nine in ten contractors expect to undergo these, with eight in ten employers using them to determine who is a best fit for their organisation.

Credit checks are not universally applied or anticipated, but not uncommon either. Just under half of contractors surveyed would not be surprised to be subject to a credit check, a practice employed by around 40% of hiring managers.

Among employers, use of a recruitment consultancy has become a popular option for matching skills and experience with the right role - an attractive attribute in a time sensitive market. Two-thirds of contractors understand that verification of their skills and experience is an integral part of the pre-screening process.

However, there remains a gulf in expectations around the use of references. Whereas 83% of contractors tell us they expect employers to take up references and testimonials, only 42% of hiring managers say they do this as a rule.

Length of contract generally affects the likelihood of references being taken up – 49% of organisations offering contracts running for nine months or more conduct reference checks, as opposed to 25% of those hiring for between one and three months.



Chris Poole
Director at Robert Walters

“In the right conditions, contractors can provide real value - getting the vetting process right should be an imperative. By omitting reference checks, employers may be missing out on feedback that can determine whether an individual is a good fit for the role.”



BACKGROUND CHECKS AND VETTING: WHAT ARE THE MAIN CHALLENGES?

For employers, issues with documentation were the most frequently cited problem in vetting contractors. 29% report missing or incomplete papers, with a further 22% having received documents late.

Incomplete or late arriving documents are more likely to affect shorter contracts. Twice as many employers have encountered this problem with contracts lasting between one and three months compared to those lasting between three and six months.

Nearly three in ten employers admit to changing the details of a contract - proposed start or end dates, for instance - or even cancelling the agreement altogether.

43% have not yet experienced any serious challenges at the vetting stage, a figure that rises to as high as 56% among organisations with 250 employees or less.

Among contractors, a little over half claim not to have encountered any issues with pre-employment screening. However, more than four in ten have been affected by the withdrawal of a contract or revisions to critical details, such as rates of pay.

One in ten have had difficulties obtaining references, and one in twenty report problems with obtaining old wage slips or evidence of previous employment.



Peter Milne
Director at Robert Walters

“Beware of inflexible screening processes, which deter experienced contractors and make them less likely to consider your organisation in the future. A pragmatic mindset is often the best way forward.”



INDUCTIONS OF CONTRACT STAFF



We compared what hiring managers tell us they do at the induction stage with the experiences of individual contractors.

Whereas almost nine in ten employers say they introduce contractors to line managers - and nearly 50% circulate letters or emails of the news to all relevant members of staff - 37% of contractors complain of poor communication with colleagues and managers.

The shorter the contract, the less likely it is the right introductions will take place – only 50% of those on a one month contract meet their manager during the induction stage. By contrast, the figure is 92% for those on contracts of between three and six months.

Over four in ten contractors say they have experienced inductions that are incomplete, badly conducted, or even non-existent.

Additionally, 65% of employers claim to provide a clear project briefing as part of the induction, with a similar number saying that they ensure contractors have access to all necessary systems in time for their arrival.

Yet the most common problem for contractors – experienced by 64% of survey respondents – is difficulty with logging onto the right IT systems. 43% have encountered problems with accessing information of critical importance to fulfilling the project.

A similar proportion, 41%, has turned up on their first day only to find a workstation, desk or chair unavailable. This may be an issue that employers take for granted, as 89% of hiring managers say they arrange for these facilities to be provided in advance.

As an employer, which of the following do you use to induct new contractors?

Size of company by staff headcount	Introduction with line managers	Clear project briefing	Circulate emails or letters welcoming new members	Prepare IT log-ins and ensure a workstation is available	Establish advance access to all systems as necessary	Group or individual inductions
1 - 250	81%	75%	63%	94%	63%	31%
251 - 1000	94%	65%	47%	82%	65%	47%
1001 - 5000	87%	60%	47%	100%	73%	67%
5001 - 10000	83%	67%	50%	100%	83%	33%
10001 - 50000	86%	57%	43%	86%	86%	100%
50000+	90%	63%	43%	83%	57%	50%

Only around 14% of contractors have not experienced any of these challenges during the induction phase.



Tim Gilbert
Director at Robert Walters

“A poor induction creates a negative impression of your company at an early stage, giving root to frustrations that can grow over the period of the contract. Take steps to ensure contractors are able to hit the ground running, delivering regular communication and making available all necessary materials and access in advance.”



89%

of employers say they prepare contractor log-ins and ensure a workstation is available in advance

64%

of contractors have had problems logging into IT systems early in their contract

MOTIVATIONS OF CONTRACT STAFF

Any contractor coming into a new role expects to be given a clear overview of what they are expected to achieve. Moreover, our survey reveals that 71% say this also keeps them engaged on the job.

Hiring managers are split on what works best for meeting goals and objectives, but the majority agree that deadlines are important to contractor engagement. 36% prefer setting a single, overarching deadline, while 42% opt for a series of smaller, more frequent targets.

Contractors are often able to work independently, so while effective communication with their employer is important to many (70%), it is not as critical as companies may believe. 90% of hiring managers, by contrast, feel that communication is critical to successful management of contractors.

Contractors do not always feel the need for integration with the rest of the team. Many work as contractors for high pay, flexibility and the ability to move swiftly between roles, and do not expect or even want to work closely with others.

So while 71% of employers encourage integration with the wider team, only 54% of contractors say it keeps them motivated on the job. It is a practice more likely to be found in larger companies: 83% of organisations with 5,001-10,000 employees encourage integration with colleagues, compared to 65% of those with 251-1,000 staff.



54%

of contractors say integration with permanent staff keeps them motivated on the job



71%

of employers encourage integration with the wider team to manage contractor performance

However, a significant proportion (34%) of contractors do say that training or upskilling opportunities are key to keeping them motivated, imparting knowledge they can take with them once the contract has come to an end. Women are more likely to be motivated by training opportunities than men, by 38% to 31%.

Routine performance reviews are widely viewed as superfluous by employers and contractors. A little over one in ten employers use these and just 9% of contractors tell us they are a motivating influence. Those that do agree are most likely to be on contracts running for at least three months.



Colin Loth
Director at Robert Walters

“Preferences around length of contract and pay have a real influence over what motivates contractors in the workplace. To get the most from their time within the organisation, make sure your management techniques align with these preferences.”

Methods for managing underperforming contractors

As we have seen, performance reviews are not widely used in keeping contractors motivated. However, they remain one of the most popular options for handling underperforming contractors, with 47% of employers having used these on at least one occasion.

The smaller the headcount, the more likely a company is to resort to performance reviews: 75% of companies with 250 employees or less have used them, compared to 59% of organisations with up to 1,000 employees and 40% of those with up to 5,000 members of staff.

Disciplinary warnings are a more drastic option, but these are perceived by employers as less effectual in managing contractors. Warnings are applied by only around 9% of hiring managers.

Unfortunately, for 80% of employers, termination of the contract is seen as the most appropriate solution for an underperforming contractor. However, the figure varies according to size of firm - dropping to 65% among firms with less than 250 employees and rising to 86% for those with more than 5,000.



Nick Dunnett

Managing Director at Robert Walters
South Africa

"While contract termination may seem the quickest, most cost efficient course of action, consider the skills and experience your organisation stands to lose and how these will be replaced. Short term training or performance reviews may pay dividends."



PAYMENT OF CONTRACT STAFF

Contractor payment preferences



More than seven in ten contractors prefer daily rates, which tend to generate a more predictable level of income than hourly salaries.

This sentiment is largely in tune with employers, among whom 70% prefer to pay salaries on a daily basis.

One-fifth of contractors opt for hourly rates where they can, attracted by the prospect of overtime or extended working hours. However, employers have by and large moved away from paying hourly salaries, with only 4% citing this as their preferred payment option.

Only 8% of contractors are enticed by the security of a fixed term salary. Fixed term salaries offer employers the potential for big savings, and 25% tell us they pay on this basis where they can.

Smaller companies are particularly keen on paying fixed term salaries. 50% of firms with 250 employees or less prefer this method, as opposed to 29% of those with up to 1,000 employees and 14% among those employing more than 10,000 people.

As a rule, the shorter the contract, the more likely contractors will prefer hourly rates. 30% of those preferring three to six month contracts would rather be paid this way, compared with 18% seeking contracts running for longer than six months.

Payment preferences also give a steer on how effective management techniques are likely to be. 71% of contractors preferring daily rates are motivated by a clear briefing, a figure that drops to 55% among those seeking fixed term salaries.

Conversely, among these two groups, contractors on a fixed term salary are more likely to feel engaged when integrated into a wider team by a margin of 10%.



Andrew Setchell
Director at Robert Walters

“Offering fixed term salaries may seem an attractive option for cutting costs. Consider, however, the knock on effect on your ability to attract high quality contractors. Most prefer roles offering daily rates, meaning you may miss out.”



72%

of contractors prefer to be paid
daily rates

COMPLETION BONUSES

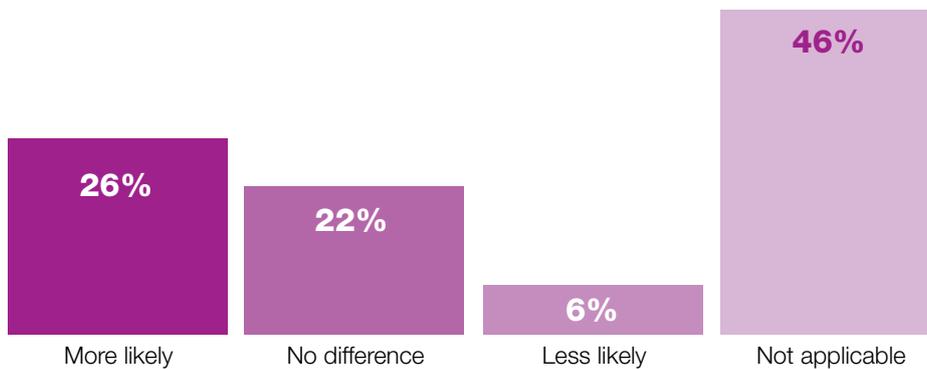
It is safe to say that completion bonuses are certainly not the norm: a little over 2% of employers offer them as standard. A majority, 59% never award them, and a further 22% only in rare circumstances.

This broadly chimes with the experiences of contractors. Nearly half have never received a completion bonus, and opinion is divided over their influence on the decision to accept a contract offer. Anecdotal feedback suggests that a higher daily or hourly rate would be a bigger draw, and that the size of the bonus is often not enough to make a significant difference.

Completion bonuses appeal most to those seeking one to three month (38% more likely to accept the role) or three to six month contracts (40%). They are also a more effective incentive among those on fixed term salaries. Only one third of this group say they have never been offered completion bonuses, compared with half of contractors preferring hourly rates.

To steal a march on your competitors, take note of the length of contract or payment packages offered by your organisation in deciding whether to award completion bonuses.

As a contractor, what effect do completion bonuses have on the decision to accept a contract?





59%

of employers never award
completion bonuses

CONTRACTOR RETENTION RATES

Most contractors are able to leave their contract early if they so wish. We asked individuals about whether they have ever done this and compared it to employer estimates of contractor retention rates.



Among all contractors, more than one-third (34%) say they have left a contract early at least once. However, nearly 90% of surveyed hiring managers say they would typically lose 20% or fewer contractors before the end of the stipulated contract period.

Just 8% of employers tell us that 20-40% of contractors leave early, and only 3% suffer attrition rates of 40% or more. One quarter of businesses tell us that they have never lost any contractors early.

Judging by feedback from contractors, preferences around payment and contract length have an effect on the decision to leave early. 39% of those on hourly rates have left a contract early, compared to 34% on daily rates and 26% on fixed term salaries.

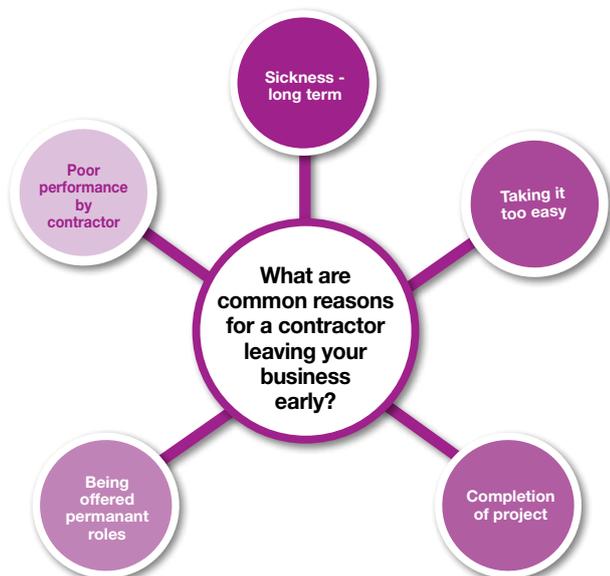
Nearly 30% seeking contracts of six to nine months report breaking a contract, more than double the number with a preference for one to three month contracts.



of all contractors have never left a contract early

Why do contractors leave?

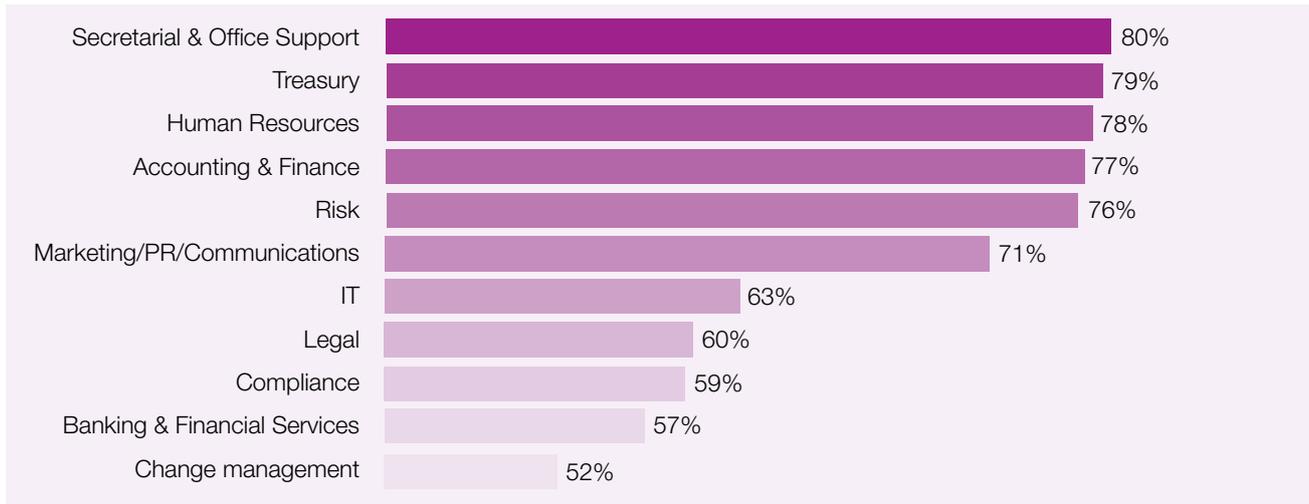
By a considerable margin, the most common reason given by employers as to why contractors leave early is remuneration: 50% feel that this is the top reason for breaking a contract. However, only around a fifth (22%) of contractors concur.



Similarly, whereas 14% of hiring managers believe that a failure to integrate properly with the wider team leads to contractors leaving early, only 2% of individuals agree. More than twice as many contractors (15%) as employers (6%) feel the lack of a clear briefing contributes to premature departures.

Employers also overestimate dissatisfaction with the project in a contractor's decision to leave: 19% feel this is a highly influential factor, compared to 12% of contractors. They are also reluctant to put their own communication processes at fault, with just 4% highlighting this as a reason for losing contractor staff.

Most loyal contractors: % of contractors that have never left a contract early (by profession)



Factors that help to reduce contractor attrition rates

For companies of all sizes, the data points to lower attrition rates among those establishing shorter, more frequent deadlines rather than a single, longer target. 3% of companies setting smaller, shorter deadlines incur attrition rates of between 20-40%, as opposed to 12% setting one longer deadline.

Companies that value contractors most for their specialist knowledge and ability to drive organisational change have a greater chance of holding onto those individuals, according to our survey results. 94% of organisations that view this as a core reason for hiring in contractors enjoy attrition rates of 20% or less.

On the other hand, attrition rates are higher among organisations that recruit contractors primarily to avoid the need to train or upskill staff. Nearly four in ten contractors that have departed early cite training and upskilling opportunities as key to keeping them engaged, compared to 30% among those that have not.

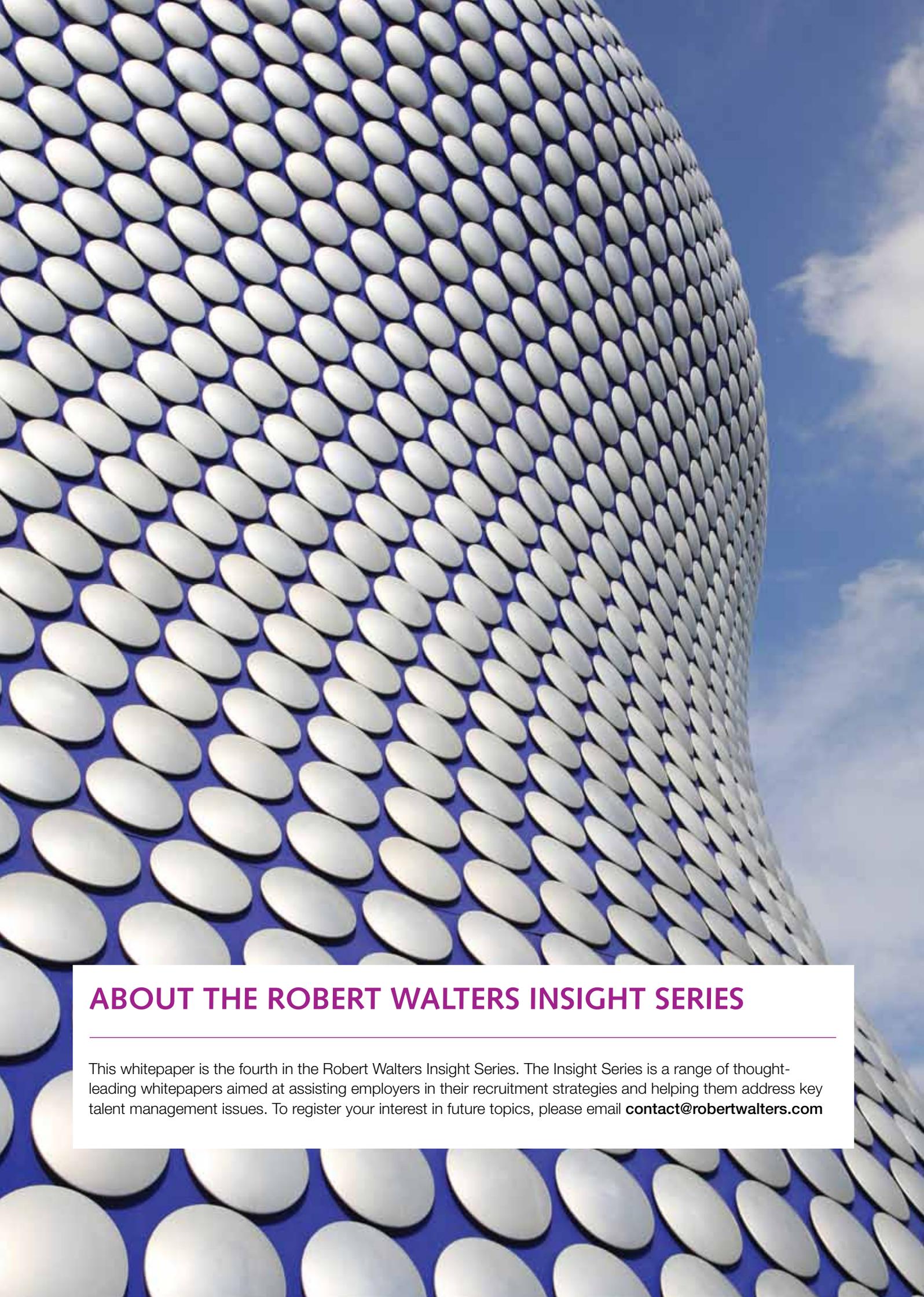
Take time to assess the role of training in reducing contractor departures and adding extra value to the business.

Contractor retention rates and onboarding techniques by company size



Tim Gilbert
Director at Robert Walters

“Determine whether the screening and induction techniques used by your organisation are helping to attract, onboard and retain top contractors.”



ABOUT THE ROBERT WALTERS INSIGHT SERIES

This whitepaper is the fourth in the Robert Walters Insight Series. The Insight Series is a range of thought-leading whitepapers aimed at assisting employers in their recruitment strategies and helping them address key talent management issues. To register your interest in future topics, please email contact@robertwalters.com

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