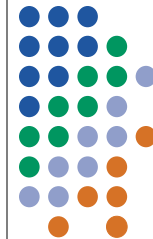


IT Hiring Outlook 2010

Contract Staffing vs. Permanent Hire

The benefits of each staffing model (contract vs. permanent vs. hybrid) can make the difference between boosting operational efficiencies and driving competitive advantage or stalling necessary growth and improvement. In this white paper, learn more about the different staffing models and which models work best for certain industries.





ABOUT RSA CORP

Founded in 1980 as Robert Shields & Associates, RSA Corp is a Houston-based business technology services firm that solves business problems and helps companies grow through technology, people and processes. RSA Corp provides managed IT support and technology project and consulting services. As a strategic partner, RSA Corp examines each client's business vision and then innovates technology solutions to support that vision.

RSA Corp also offers IT staffing services, focusing on network engineers, software engineers, developers, and niche consultants specialized in PeopleSoft, Oracle, JD Edwards, Java and .NET.

RSA Corp connects with highly skilled candidates from across the globe and offers contract staffing, contract-to-hire, direct hire and payroll services. For three consecutive years, RSA Corp has been recognized by the *Houston Business Journal* and Fast Tech 50 as one of Houston's fastest-growing technology companies. For more information, visit www.RSACorp.com and our PartnerIT blog at www.PartnerIT.com.



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COMPARING TYPICAL IT STAFFING MODELS

Each staffing model (contract vs. permanent) plays a role during a down economy. Leveraging the benefits of each model can make the difference between boosting operational efficiencies and driving competitive advantage *or* stalling necessary growth and improvement.

The current economic downturn, layoffs and downsizing in 2008/2009 has created a huge surplus of potential candidates in the IT job market. For companies with positions to fill and technology projects to complete, identifying quality candidates can be a daunting process.

SurePayroll Contractor Index jumped seven points in October 2009, suggesting businesses remain heavily reliant on contractors until the economy strengthens.

It's no secret that companies take advantage of layoffs to let go of poor performers, which means the market is flooded with less-than-desirable candidates. It's difficult to find the "diamonds in the rough" without an extensive network, innovative recruiting methods and a robust selection process.

Alternatively, some companies forced to perform cutbacks unwillingly let go of top-notch IT talent. These professionals are almost never unemployed and must be recruited quickly because they will not be on the market for long. Most will be looking for permanent positions, but some may seek contract opportunities until the job market stabilizes.

The Bureau of Labor Statistics showed an increase of 34,000 in temporary employment in October 2009 after having edged up in August and September.

The question remains...to hire contract consultants or full-time employees? For some companies, using contractors doesn't make sense. This eBook is a deep dive into the three staffing models - only contractors, all permanent employees, hybrid of both - to determine what works best for what type of business and industry.



"Permanent employees work best for us. We want our employees to grow with the company and utilize their knowledge base to assist in that growth. We do not want to spend our time retraining employees in how we operate."

- Bray Controls (Manufacturing)

Permanent Employees

When staffing permanent employees, hiring managers must focus on skills and experience, personality fit, career goals, personal life, commute and travel limitations, immediate and long-term training needs, and professional development requirements. Permanent employees are paid by the company, generally participate in standard benefits (paid vacation, sick leave, etc.) and sustain long-term positions with a degree of expected growth.

The screening process is generally more in-depth for permanent employees, questioning their motivations for leaving previous employers, discovering why the candidate wants to join the team, and initiating background checks — credit, drug, legal and criminal. While the screening process may be more lengthy and time-consuming, managers deciding to hire permanent employees see the future value of a strong professional relationship.

Interviews are typically done in a two to four-step process, meeting with multiple people and departments depending on the level of the position. It takes time to go through the mandatory interview and screening procedures, which can hinder a company's ability to maintain the candidate's level of interest while competing with other organizations with less stringent interviewing requirements.



HIRING METHODS & COMPENSATION

Contract Consultants

Technology contractors are highly skilled technical professionals sought to fulfill an immediate need or work on a specific technology. Contractors are not permanent employees and are paid either by the hiring company or via a staffing firm through a W2 form or a 1099 form. Wages are usually higher for contract consultants, but they don't receive standard company benefits or ongoing professional development.

**"THE DECISION TO EMPLOY PERMANENT OR CONTRACT STAFF
DEPENDS ON THE TYPE OF WORK, BUDGET, LENGTH OR LONGEVITY
OF WORK, CONTRACT, BENEFITS, ETC."**

- CITY OF WEBSTER, TEXAS

Contractors are interviewed for the skills and technical knowledge they can immediately bring to the team. There is no time for training, as they are typically brought on to solve an urgent need or aid in a project. Background check and drug screen are performed by the contract staffing vendor.



SKILL LEVEL & PROFESSIONAL DEVELOPMENT



Permanent Employees

Full-time IT employees are well-versed in assorted technologies and fit within the culture of a company. Many industries where intellectual property is a key component of business — software development, biotechnology, pharmaceutical — only hire permanent employees to preserve and capture their knowledge. Training and professional development are necessary to maintain permanent employee skill sets.

Contract Consultants

Most IT contractors are requisitioned for project-based positions or used to fill long-term functions where high turnover is typical. For example, some companies use contractors to fill IT help desk positions, which usually see high turnover if there's little opportunity for advancement. Many industries where IT is not a focus, but worldwide support for technology is required, use contract staff to maintain day-to-day IT operations. For example, oil & gas and financial services companies.

Contractors help reduce permanent headcount while maintaining internal skill levels. Some companies use project budgets to pay contractor wages, thus eliminating need for HR involvement. This especially works well during a hiring freeze.

Large companies tend to use contractors for cost savings, to bypass HR, reduce budget and/or overhead and engage the contract-to-hire scenario. Small to mid-size companies use contractors for highly specialized project work, seasonal employment and cross training of internal staff.



HYBRID STAFFING MODEL

In the hybrid model, permanent employees make up the core technology team where certain knowledge and skills are required in-house. Specialized skill sets are then supplemented by contract staff. These teams of both contract and permanent employees are the most effective way to manage headcount, staffing budgets and productivity needs through the varying cycles of business.

"A COMBINATION OF FULL-TIME AND CONTRACT EMPLOYEES ALLOWS US THE FLEXIBILITY TO ADD TECHNICAL RESOURCES AS PROJECT DEMAND WARRANTS, WHILE KEEPING A CORE GROUP OF ANALYSTS THAT HAVE A FULL UNDERSTANDING OF OUR BUSINESS APPLICATIONS."

- ATLAS COPCO (INDUSTRIAL CONSTRUCTION)

The hybrid model allows companies to reduce overhead costs and create flexibility to adjust as business needs increase or decrease.

Recognizing the need to bend to the demands of the candidate market will greatly impact a hiring company's capability of attracting top talent to the organization. The hybrid model allows for more flexibility in hiring former contractors into permanent roles and can be utilized to leverage each hiring situation to achieve the overall goals of the company.



**TRY
BEFORE
YOU
BUY**

Many times an employer has a permanent position to fill but wants to be sure the right person gets the job. In these instances, a contract-to-hire approach allows the hiring manager to see a candidate's skill set in action and test strengths and work ethic, ensuring the right hiring decision. This is one of the most common reasons why organizations use the contract-to-hire approach.

This approach also works well with fluctuating economic conditions that affect the job market. When business is in high demand, companies may keep a large amount of contractors to evaluate how each individual will fit into their environment, while maximizing help with the seasonal workload. If production decreases, contractors can easily be reduced before having to lay off permanent staff.

"AN EMPLOYER MIGHT WANT TO SEE HOW A CONTRACT EMPLOYEE WILL WORK IN THEIR ENVIRONMENT BEFORE OFFERING THEM A FULL-TIME POSITION. TOO MANY EMPLOYERS MAKE THE MISTAKE OF HASTY HIRING PRACTICES ONLY TO HAVE TO START THE PROCESS OVER IN 90 DAYS BECAUSE THINGS DID NOT WORK OUT."

- BMP HOUSTON (DISTRIBUTION)



CONTRACTORS VS. PERMANENT EMPLOYEES

For Immediate Technology Needs Contractors

Because contract consultants specialize in one technology, they immediately transition into a position with little or no ramp-up time.

For companies that aim to be lean, contractors are a cost-effective solution to address immediate technology needs, which include:

- The loss of a key permanent employee due to termination, sick leave, sudden leave of absence, maternity leave
- A specialized skill or experience with a certain technology outside of internal skill sets (Java or .NET development, ERP database administrator, network architect, Cisco specialist, etc.)
- The need to cross-train internal employees in a specialized technology
- Temporary project work
- Seasonal employment needs

Most specialized IT projects demand the need for up-to-date technology experience. Contract consultants constantly move from different projects, industries and companies, which diversifies their skills and experience. Many times, permanent employees lose their edge as new technology training isn't part of their ongoing career strategy.

Mixing contractors with full-time staff is practical if you can find broad, specific or deep experience in a contractor that your team may not possess. Receiving extra help will make your team more efficient by decreasing time spent on solving a technology issue and save you money once the project is complete and the contract is completed.



CONTRACTORS VS. PERMANENT EMPLOYEES

For
High
Turnover

Contractors

Positions of high turnover are best filled by contract staff. This is compared to the alternative of continuously hiring permanent employees and investing in training and benefits only to have them leave when they get burned out or become unsatisfied.

“No longer can companies afford lifetime appointments for employees, especially in the IT arena. Today's corporation has to be lean and mean and able to ramp up or ramp down quickly. The flexibility and cost-effectiveness that contracting provides is essential to the ever changing nature of technology business.”

– HR Functions Consulting

Alternatively, positions that deal with internal data or proprietary knowledge, which are vital to the organization, benefit from a permanent employee model.

Companies don't want data or knowledge to leave with the hiring of a contractor. The investment of training and maintaining the skill sets of people managing vital data is a top priority of management. This investment creates a comfort level for employees that their position has an important and significant impact to the business. This creates a devoted and dedicated relationship between a company and its employees.



CONTRACTORS VS. PERMANENT EMPLOYEES

On

Cost

Both



A common myth in the job market is that hiring contractors is too expensive because they make premium wages.

However, the actual cost, overhead and time it takes to hire a permanent employee is negligible compared to the higher wages of a contractor.¹

In addition, companies don't pay contractors for sick days, holidays, pay raises, benefits, etc. They don't have to worry about scheduling time for training and professional development.

Furthermore, when a staffing firm handles recruiting efforts, HR eliminates responsibility of paying to post ads on job boards, newspapers, Web sites, advertisements or job fairs. HR saves time when staffing firms handle recruiting and screening of candidates.

For more information, see our blog article on PartnerIT.com. ["How Much Does a Full-Time Employee Really Cost?"](#)



CONTRACTORS VS. PERMANENT EMPLOYEES

Employee
Lifestyle

Both

Contract employment is extremely rewarding for the professional that fits the profile. However, the majority of the workforce prefers a permanent position where the employer provides benefits. Most companies expect employees to share the cost of benefits, but how much is required can be an advantage or disadvantage to companies competing for the same talent. Because the permanent employee model is the most desired by job seekers, it naturally provides larger candidate pools.

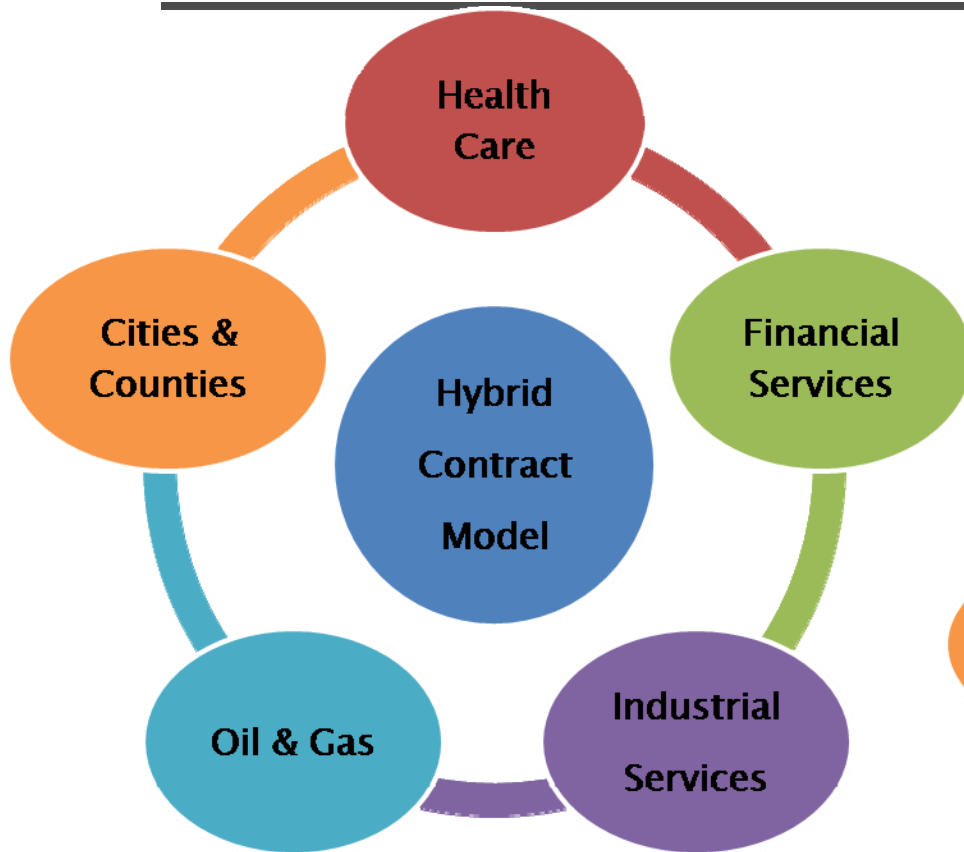
Salaries increase and decrease with the demand of certain technology experience and skill sets. IT constantly changes, and employers offering financial certification and/or education assistance entice long-term, loyal employees. Also, flexible work schedules can be offered to help employees with work/life balance.

Benefits of Working as a Contractor

1. The take-home pay is generally higher
2. Continuous relocation allows consultants to get their foot in the door of new industries and companies to build career contacts
3. New environments create exposure to new challenges and technologies, which puts them into higher demand in the job market and keeps them up-to-date on the latest versions of their specialized technologies
4. Contractors steer clear of office politics
5. Avoid complacency due to extended employment in the same job and/or company for a long period of time



INDUSTRY BREAKDOWN



Understanding the benefits of each staffing strategy gives hiring managers the opportunity to maximize internal skill sets and personalities to drive growth and improvement. As the economy strengthens, organizations that leverage the assets of their people will see the greatest success.

